

# Merrill Lynch

March 31, 1993

Mr. Robert L. Citron  
Orange County Treasurer  
630 N. Broadway, Room 209  
Santa Ana, CA 92702

Dear Bob:

Enclosed please find an inventory of the structured Medium Term Notes sold by Merrill Lynch to, and currently owned by, Orange County. According to my records, this is a complete list as of the date of this letter. The attached schedule reflects our bids as of the close of business, March 31, 1993. If you are interested in selling any or all of your portfolio we would be pleased to update these bids, subject to changed conditions in the marketplace.

As we have discussed in the past, the prices of these securities can fluctuate. I would like to reiterate that the market for these notes will be affected by a number of factors independent of the creditworthiness of the issuers and the value of the applicable currency or interest rate index. Secondary market bids may be affected by the volatility of the applicable currency or interest rate index, the time remaining to maturity of each note, the amount outstanding of such notes and general interest rate movements.

While the notes which Orange County owns have been structured to avoid principal risk at maturity, the price fluctuation of these notes prior to maturity may be volatile due to leverage. For example; a 5 year leveraged security with a coupon of 15% - 2 (6 month LIBOR) will have price volatility comparable to three 5 year Treasuries due to the fact that 3 fixed rate notes are used in the creation of the security. It is important to keep in mind that despite a relatively constant or rising current yield, the ultimate price of the note is derived from a multiple of the final maturity's comparable Treasury.

Please review the enclosed periodic Derivative Pricing Report and contact me immediately if there are questions. Subject to the terms set forth above, we would then be receptive to your response to any or all of these bids for a period of 30 days from the date of this letter.

Sincerely,

Michael G. Stamenson  
Director  
Municipality Unit

MGS:dac