

OFFICE OF THE TREASURER-TAX COLLECTOR



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INFORMATION TECHNOLOGY

CHANGES IN ELIGIBLE CREDITS

In the month of February, there were five changes to the Treasurer's approved eligibility list.

The following were added to the CP/ MTN Eligibility list:

- 1) **Merrill Lynch & Co.**
- 2) **Morgan Stanley**
- 3) **Beta Finance Inc.**
- 4) **Dorada Finance Inc.**
- 5) **Five Finance Inc.**

Please see the attached reports detailing the reasons the above actions were taken by the Treasurer.

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To: Treasury Investment Committee
From: John Byerly, Senior Financial Analyst
Date: February 5, 2007

Subject: Merrill Lynch & Co.
Ratings: AA-/Aa3/AA- A-1+/P-1/F1+
Exposure: County/Schools/X-Fund/JWA - None
Recommend: Add Merrill Lynch & Co. to the CP/MTN Eligibility List

Summary:

Merrill Lynch & Co. (Merrill) offers financial services for private, institutional, and government clients, including mutual fund, insurance, annuity, trust, and clearing services, besides traditional investment banking and brokerage. Merrill's maintains leading market positions in its investment banking, securities trading, and private wealth management businesses. With nearly \$69 billion in 2006 revenue and more than \$680 billion in assets, Merrill is one of the largest investment banks in the U.S. Profit at Merrill rose 47%, in 2006, to a record \$7.5 billion, beating analysts' estimates.

Merrill's liquidity management focuses on maintaining sufficient liquidity to repay all holding company obligations maturing within one year, without issuing additional unsecured debt or selling assets. Internal liquidity includes a portfolio of highly rated unencumbered assets and money available from subsidiaries amounting to an "excess liquidity" pool of \$51.5 billion at September 30, 2006. Further supporting the CP program are secured credit facilities available to Merrill in excess of \$17 billion.

As of February 2, 2007 there was \$3.2 billion in commercial paper (CP) outstanding. Merrill Lynch issued CP and MTN's are available directly through Merrill Lynch.

I recommend adding Merrill Lynch & Co. to the CP/MTN eligibility list.

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To: Treasury Investment Committee
From: John Byerly, Senior Financial Analyst
Date: February 13, 2007

Subject: Morgan Stanley
Ratings: A+/Aa3/AA- A-1/P-1/F1+
Exposure: County/Schools/X-Fund/JWA - None
Recommend: Add Morgan Stanley to the CP/MTN Eligibility List

Summary:

Morgan Stanley (MS) offers financial services globally through its Institutional Securities, Retail Brokerage, and Asset Management businesses. MS maintains leading market positions in investment banking and prime brokerage and benefits from trading revenues balanced among equities, fixed income and commodities. With over \$76 billion in 2006 revenue and more than \$1,028 billion in assets, Morgan is one of the largest investment banks in the U.S. Profit at Morgan rose over 50% in 2006 to a record \$7.5 billion.

Morgan Stanley's liquidity management focuses on maintaining sufficient liquidity to fund the balance sheet for one year. Internal liquidity benefits from a reserve comprised of high quality assets and cash. This reserve averaged \$44 billion during the nine months ending August 31, 2006. In August of 2006, MS substantially increased the amount of external credit facilities to \$11.4 billion. As of February 9, there was \$22.3 billion of commercial paper outstanding.

I recommend adding Morgan Stanley to the CP/MTN eligibility list.

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To: Treasury Investment Committee
From: John Byerly, Senior Financial Analyst
Date: February 13, 2007

Subject: **Beta Finance Inc.** AAA/Aaa/AAA A-1+/P-1/F1+
Dorada Finance, Inc. AAA/Aaa/NR A-1+/P-1/NR
Five Finance, Inc. AAA/Aaa/AAA A-1+/P-1/F1+

Exposure: County/Schools/X-Fund/JWA - None
Recommend: Add Beta, Dorada, and Five to the CP/MTN Eligibility List

Summary:

Citibank established the first SIV, Alpha Finance, in 1988. As the SIV market has expanded, Citi has also grown the assets under its SIV platform to approximately \$65 billion. With an 18 year track record, Citi's competitive strengths include its ability and experience, risk strategy, staffing, credit review and monitoring, risk modeling, systems, and commitment to the SIV business.

Citibank reduces market risk through interest rate and currency micro hedges with investment grade counterparties. Citibank manages liquidity risk through several means. Its Triple-A long-term ratings play an important role in the business obtaining favorable funding spreads. Access to US and Euro Commercial Paper and Medium Term Note markets provide opportunity and flexibility. Strict cashflow limits, high quality diversified assets, liquidity facilities, cash and puttable bonds also support liquidity.

While these three issuers are separate legal identities with unique assets, they are very similar in structure, portfolio composition, and management to each other as well as CC USA Inc. which was approved in December.

I recommend adding Beta, Dorada, and Five to the CP/MTN eligibility list.