

# OFFICE OF THE TREASURER-TAX COLLECTOR



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*INFORMATION TECHNOLOGY*

## CHANGES IN ELIGIBLE CREDITS

In the month of May, there was one change to the Treasurer's approved eligibility list.

The following was removed from the CP/ MTN Eligibility list:

- 1) **The Coca-Cola Company**

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:** May 29, 2007

**Subject:** **The Coca-Cola Company**  
**Ratings:** Was: A-1/ P-1 /F1                      A+/Aa3/A+  
Now: A-1 /P-1 /F1                                A+/Aa3 \*-/A+

**Exposure:** County/Schools/XFund /JWA – None

**Recommendation:** Remove from the CP/MTN Eligibility List

**Rationale:** Credit Watch Negative and IPS Compliance

## Summary:

The Coca-Cola Company (KO) is the world's largest manufacturer, marketer, and distributor of soft drinks. The company sells about 300 drink brands, including coke, coffees, juices, sports drinks, and teas, in some 200 nations. The company benefits from strong brand positions, good profitability among peers, and sufficient liquidity to support its commercial paper program. Cash and near cash for 2006 was \$2.4 billion, free cash flow generated over \$4.5 billion and external liquidity includes over \$1 billion in lines of credit.

On May 25, 2007, Moody's placed Coca-Cola Company's (KO) Aa3 long-term rating on review for possible downgrade. This action follows KO's announcement that it plans to purchase Glaceau, maker of Vitaminwater, for \$4.1 billion. At the same time, Moody's affirmed their short-term ratings. On the same day, S&P affirmed their short and long-term ratings. S&P and Fitch's long-term ratings are already one notch below that of Moody's.

The primary concern for Moody's is KO's debt-funding. In fact, the initial funding is expected to be through commercial paper. While it appears likely that Moody's will indeed lower their long-term rating one notch, the company will remain a top-tier issuer. I recommend, however, we remove Coca-Cola Company to comply with the IPS restriction concerning Credit Watch Negative actions.