

# OFFICE OF THE TREASURER-TAX COLLECTOR



HALL OF FINANCE & RECORDS  
12 CIVIC CENTER PLAZA, SUITE G76  
POST OFFICE BOX 4515  
SANTA ANA, CA 92701  
[www.ttc.ocgov.com](http://www.ttc.ocgov.com)

**CHRISS W. STREET**  
TREASURER-TAX COLLECTOR

**BRETT R. BARBRE**  
CHIEF ASSISTANT TREASURER-TAX COLLECTOR

**PAUL C. GORMAN, C.P.A., CTP**  
ASSISTANT TREASURER-TAX COLLECTOR  
*TREASURY*

**WALTER DANIELS**  
ASSISTANT TREASURER-TAX COLLECTOR  
*TAX COLLECTION*

**ROBIN RUSSELL**  
ASSISTANT TREASURER-TAX COLLECTOR  
*ADMINISTRATION*

**CLARISSA ADRIANO-CERES**  
ASSISTANT TREASURER-TAX COLLECTOR  
*INFORMATION TECHNOLOGY*

## CHANGES IN ELIGIBLE CREDITS

In the month of April, there were no changes to the Treasurer's approved eligibility list.

# OFFICE OF THE TREASURER-TAX COLLECTOR



HALL OF FINANCE & RECORDS  
12 CIVIC CENTER PLAZA, SUITE G76  
POST OFFICE BOX 4515  
SANTA ANA, CA 92701  
[www.ttc.ocgov.com](http://www.ttc.ocgov.com)

CHRISS W. STREET  
TREASURER-TAX COLLECTOR

BRETT R. BARBRE  
CHIEF ASSISTANT TREASURER-TAX COLLECTOR

PAUL C. GORMAN, C.P.A., CTP  
ASSISTANT TREASURER-TAX COLLECTOR  
TREASURY

WALTER DANIELS  
ASSISTANT TREASURER-TAX COLLECTOR  
TAX COLLECTION

ROBIN RUSSELL  
ASSISTANT TREASURER-TAX COLLECTOR  
ADMINISTRATION

CLARISSA ADRIANO-CERES  
ASSISTANT TREASURER-TAX COLLECTOR  
INFORMATION TECHNOLOGY

**To:** Treasury Investment Committee  
**From:** John Byerly, Senior Financial Analyst  
**Date:** April 30, 2007

**Subject:** International Business Machines Corp. (IBM)  
**Ratings:** Was: A-1/ P-1 /F1+                      A+/A1/AA-  
Now: A-1 /P-1 /F1+ \*-                      A+/A1/AA- \*-

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

**Recommendation:** No action

**Rationale:** Limited credit impact from IBM share repurchase program

## Summary:

IBM announced on April 24, 2007 that it had received Board authorization to purchase an additional \$15.0 billion of common stock. The company indicated a large portion of the repurchases would occur over the next several months; much of it will be debt financed.

With IBM's substantial financial flexibility, Fitch's ratings concern is IBM's plan for *further* buybacks in 2008 how they will be financed. Fitch notes that if there is a downgrade, it will most likely be limited to one notch in the near term. This would bring Fitch's ratings inline with S&P and Moody's who announced that the repurchase authorization would not impact their ratings.

IBM's liquidity profile is supported by nearly \$11 billion of cash and marketable securities, a nearly undrawn five-year \$10 billion credit facility, and strong and consistent free cash flow. The company has generated free cash flow of over \$10 billion each of the last 4 years.

While IBM's aggressive share repurchases modestly compromise debt-holders' positions, IBM's financial flexibility is a strength of the company. I recommend that we keep IBM as an approved issuer.