OFFICE OF THE TREASURER-TAX COLLECTOR



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ROBIN RUSSELL ASSISTANT TREASURER-TAX COLLECTOR ADMINISTRATION

CHANGES IN ELIGIBILE CREDITS

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

The following was added to the approved lists:

1) Microsoft Corporation

Please refer to the attached TIC memos for further information.

The following table summarizes the remaining SIV holdings that have had, or are being considered for further rating actions.

Extended Fund	Security Type	Maturity Date	Market Value	% of Fund	ST Ratings, LT Ratings
WhistleJacket Capital LLC	MTN	1/25/2009	43,198,400	1.80%	NR/NP, NR/B2
WhistleJacket Capital LLC	MTN	1/25/2009	25,919,040	1.08%	NR/NP, NR/B2
			69,117,440	2.88%	

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ROBIN RUSSELL ASSISTANT TREASURER-TAX COLLECTOR ADMINISTRATION

To: Treasury Investment Committee

From: Fahad Haider

Date: September 24, 2008

Subject: Microsoft Corp. (A1+/P1/NR AAA/Aaa/NR)

Recommend: Add Microsoft Commercial Paper

Program to the Eligibility

Summary:

BUSINESS DESCRIPTION

Microsoft is the biggest operating-system (OS) software provider with a market share of approximately 90%. Besides OS software, the company has expanded into products such as video game consoles, server software, and digital music players. Revenue exceeded \$60 billion in 2008, majority of which came from outside the U.S.

Banc of American Securities, Citigroup, J.P. Morgan and Morgan Stanley cover its commercial paper program.

Our Opinion

Strengths:

- Global leader in software development market world's largest, with a diverse base of customers ranging from household consumers, small businesses and large enterprises.
- Diverse products portfolio
 - Microsoft Business consists of Microsoft Office system and Microsoft Dynamics business solutions. Products include Microsoft Office, Visio, SharePoint Server, Performance Point, Office Live Meeting and Office Communication Server (31% of its sales)
 - <u>Client</u> has responsibility for technical architecture, engineering, and product delivery for Windows products, relationships and manufactures. These products consist of Windows Vista,

- Windows XP, Media Center Edition and Tablet PC Edition. (27% of its sales)
- Server and Tools develops and markets software server products, services and solutions. Products include Windows Server operating system, Microsoft SQL Server and Microsoft Enterprise Services. (22% of its sales)
- Entertainment & Devices is responsible for developing, producing and marketing the Xbox video game system, including consoles and accessories and third-party games.
 Products include Xbox 360 console and games, Xbox Live, Zune and Mediaroom. (14% of its sales)
- Excellent Financial Profile marked by Significant Cash Position
 - Average net cash position for the past five years is \$35 billion.
 - Exceptional liquidity profile
 - \$10.3 billion in on-hand cash as of June 30, 2008 and free cash flow in 2008 amounted to \$18.4 billion
 - Committed credit facilities equal to 100% of potentially outstanding commercial paper
 - Strong profitability
 - Revenue exceeded \$60 billion in 2008
 - Operating margin averages close to 40% for the past 5 years; much higher than the industry average
 - Consistent revenue growth of over 13% for the past 5 years
 - Very conservative financial policy

Challenges

- The Online Business, which includes the MSN Live Search and Hotmail, continues to lose money. The segment lost \$1.2 billion in 2008.
- Acquisition or share repurchases could materially increase the company's leverage.
- Company faces legal expenses on a regular basis from competitors and government agencies. It incurred \$1.8 billion of legal charges in 2008, majority of which were related to European Commission fine.