FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
1250 H Street, NW Washington, DC 20005

THRIFT SAVINGS PLAN

October 6, 2006

MEMORANDUM FOR THE EXECUTIVE DIRECTOR

FROM: JAMES B. PETRICK
CHIEF FINANCIAL OFFICER

SUBJECT: QUARTERLY FINANCIAL ASSESSMENT OF TSP'S PRIMARY VENDORS – OCTOBER 2006

The Board has requested that each quarter we review the TSP's primary vendors and report on their financial standing. This quarter, we have again reviewed SI International and Spherix, Barclays PLC, Switch and Data, and R.R. Donnelley & Sons.

For each vendor we have analyzed the following:

1. Current Financial Condition:

Our financial analysis consists of a review of the vendor's key financial statistics from their current income statement and balance sheet for the most recent quarter available to determine their overall financial stability. For this report, we are using the quarterly report data for the second quarter of 2006. We determine whether there is evidence of stable or growing income (i.e., the profitability of the company). We also review the current balance sheet to determine 1) the current ratio of assets to liabilities to ascertain the vendor's ability to meet short term liquidity needs and 2) the ratio of total debt to total assets to ascertain the prospects for longer term profitablility. Then, we look for significant changes in current and prior periods to identify trends that may require further explanation. At the Board's request, for comparative purposes, we have added information from the second quarter 2005, and continue to provide the stock price and a statement of cash flows.

For banking and depository institutions such as Barclays PLC, the examination of assets and liabilities is a less relevant measure. In this industry, categorization of assets and capital is highly standardized so results can be weighted by risk factors. In the U.S., the Board of Governors of the Federal Reserve System (FRB) issues these risk-based capital guidelines. The guidelines are used to evaluate capital adequacy based on the perceived credit risk associated with balance sheet assets, as well as certain off-balance sheet exposures such as unfunded loan commitments, letters of credit, and derivative and foreign exchange contracts.

2. Dun & Bradstreet Credit Score:

We continue the previous practice of reviewing the Dun & Bradstreet credit scores. These scores predict the likelihood of a firm paying in a severely delinquent manner (90+ days past term) over the next twelve months. The score range is 1-5 with 1 being the lowest risk and 5 the highest risk of the firm paying in a severely delinquent manner. While this score has some descriptive value in terms of the firm's current relationship with its creditors and can disclose potential financial problems, it should only be considered one part of a firm's overall financial picture.

3. Significant Events:

This section includes a description of any significant items that could impact the company's financial situation, such as significant pending litigation or major stock issuances or redemptions.

4. Risk Mitigation:

This section describes the risk to the TSP if the vendor were to become unable to meet the terms of the TSP's contract and what steps we would take to mitigate the risk to ongoing TSP operations.

Attachments

SI International

General information: SI International (SI) is the prime contractor for operating both FRTIB data centers, operating and maintaining the TSP record keeping system, providing incoming mail, data entry and imaging support, and operating the Clintwood Call Center. SI has assumed additional responsibilities from the transfer of functions from the NFC and now administers the accounting, court ordered payments, death benefits, and payroll office liaison functions as well. SI uses subcontracting support as follows: Jacob and Sundstrum, Inc. for systems programming support; Switch and Data for our Reston VA Data Center space; Sungard Workflow Solutions for some TSP record keeping support, and Sungard EXP for incoming mail, data entry and imaging support.

Assessment: Through June 30, 2006, SI received 98.3% of its revenue from services provided to various departments and agencies of the Federal Government, both directly and through other prime contractors. We find no indication at this time that SI International is unable to fulfill its contractual obligations to the TSP. SI holds the number 40 spot on the Washington Technology's 2006 Top 100 list of federal prime contactors in IT services. In part, the company moved up nine spots from the previous year as a result of recent acquisitions to expand its presence in the intelligence community and in the defense and homeland security markets.

Current Financial Condition: SI has continued to make a number of acquisitions since 2005, which have resulted in very large changes in its income statement and balance sheet items. Any volatility present due to its pursuit of strategic acquisitions is mitigated by the company's extensive portfolio of government contracts.

- Income Statement: Through July 1, 2006, SI reported Net Income of $8.8 million, a 21 percent increase from $7.3 million for the same six months in 2005.

- Balance Sheet: Through July 1, 2006, Total Assets of $372.1 million were reported, an 11 percent increase from $336 million from year-end 2005. Total Liabilities of $149 million were reported, an 11 percent decrease from $167 million at year-end 2005.

- Cash Flow: Through July 1, 2006, cash and cash equivalents totaled $6.2 million, a 77 percent decrease from $26.1 million at year-end 2005. The decrease in cash is from expenditures related to business acquisitions and repayments of long-term debt offset by increased cash in financing activities.

- Current Ratio: The Current Ratio (Current Assets/Current Liabilities) declined slightly to 2.2 from 2.3 at year-end 2005.

- Leverage: Through July 1, 2006, Total Liabilities as a percent of Total Assets decreased to 40 percent from 50 percent reported at year-end 2005.

Dun & Bradstreet Credit Score Class: 2, a change to a slightly increased risk from 1 (low) that was reported in the previous quarter.

Stock Performance: The SI share price was $31.98 per share as of September 29, 2006, down from its 52-week high of $36.26 on April 27, 2006.

Significant Events: Recent contract awards during the quarter include:

- SI announced it was awarded a $138 million, 10-year contract from Department of Commerce to provide pre-grant publication classification services.
- SI announced it is a member of the SAIC, Inc. team that was awarded a National Geospatial Intelligence Agency (NGA) contract with an estimated ceiling value of $201 million.
- SI announced it was awarded a subcontract by Booz Allen Hamilton, Inc., that provides SI the opportunity to participate with Booz Allen Hamilton. The contract vehicle estimates a maximum of $800 million of task orders.
- SI announced it was awarded a prime contact to continue support for the U.S. Army Defense Ammunition Center (DAC) with a contract value of up to $9 million.
- August 23, 2006, SI announced the U.S. General Services Administration (GSA) named it a qualified Homeland Security Presidential Directive 12 (HSPD-12) systems service provider.

Risk Mitigation: Should SI cease operations, we could issue letter contracts (basically an agreement that we would negotiate and fill in the details at a later point) on an emergency basis to Switch and Data to retain our Reston data center space, to Jacob and Sundstrum to continue systems programming (and perhaps expand that support to data center operations), and to Sungard to continue incoming mail and data entry and other operations, as well as for expanded capabilities to maintain the TSP record keeping system, accounting, legal, and Agency interface operations.

If SI were unable to operate the Clintwood call center, the Spherix call center in Cumberland, MD could handle all calls pending establishment of a new call center.

SI International
Income Statement
(in thousands)
2006, 2005, and 2004

	7/1/2006 (Unaudited)	12/31/2005	6/25/2005 (Unaudited)	12/25/2004
Revenue	$226,465	$397,919	$179,700	$262,306
Operating costs and expenses				
Cost of services	141,577	-	111,201	-
Selling, general, and administrative	63,178	-	51,509	-
Direct costs	-	246,481	-	166,774
Indirect costs	-	113,015	-	71,917
Depreciation/Amortization	1,221	4,453	1,082	2,879
Amortization of intangible assets	1,470	-	1,068	-
Total operating expenses	207,446	363,949	164,860	241,570
Income from operations	19,019	33,970	14,840	20,736
Other income (expense)	(71)	12	(85)	(1)
Interest expense	(4,475)	(6,103)	(2,756)	(2,760)
Income (loss) before provision for income taxes	14,473	27,879	11,999	17,975
Provision for income taxes	5,717	10,942	4,739	7,098
Net income (loss)	**$8,756**	**$16,937**	**$7,260**	**$10,877**

SI International
Balance Sheet
(in thousands)
2006, 2005, and 2004

	7/1/2006 (Unaudited)	12/31/2005	6/25/2005 (Unaudited)	12/25/2004
ASSETS				
Current assets:				
Cash and cash equivalents	$6,283	$26,160	$14,932	$3,754
Marketable securities	-	7,850	-	2,000
Accounts receivable, net	99,027	93,633	74,463	65,710
Deferred tax asset	422	422	2,740	2,740
Other current assets	7,759	6,276	4,962	3,503
Total current assets	113,491	134,341	97,097	77,707
Property and equipment, net	10,423	5,908	4,536	4,971
Intangible assets, net	22,063	16,483	17,708	6,575
Other assets	6,528	5,655	5,681	2,142
Goodwill	220,854	173,308	173,876	120,712
Total assets	373,359	335,695	298,898	212,107
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Note payable - Line of Credit	839	-	-	28,954
Current portion of long-term debt	-	1,000	1,000	-
Accounts payable	17,450	25,364	13,433	11,225
Accrued Expenses and other current liabilities	28,814	29,674	20,089	15,314
Deferred revenue	-	-	-	289
Note payable - former owner of acquired business	5,614	2,280	2,280	-
Total current liabilities	52,717	58,318	36,802	55,782
Long-term debt, net of current portion	82,555	98,250	99,000	-
Note payable - former owner of acquired business	-	-	-	2,280
Deferred income tax	6,214	5,221	5,046	5,046
Other long-term liabilities	7,650	6,037	4,268	3,929
Total Liabilities	149,136	167,826	145,116	67,037
STOCKHOLDERS' EQUITY				
Common stock-$0.01 par valve; 50,000,000 shares authorized; 11,105,706, and 11,047,533 shares issued and outstanding at March 2005 and 2004 respectively.	129	114	112	111
Additional paid in capital	181,101	133,843	129,568	128,192
Accumulated other comprehensive income	325	-	-	-
Deferred compensation	-	-	(133)	(208)
Retained earnings	42,668	33,912	24,235	16,975
Total stockholders' equity	224,223	167,869	153,782	145,070
Total Liabilities and stockholders' equity	$373,359	$335,695	$298,898	$212,107
CURRENT RATIO: Current Assets/Current Liabilities	2.1528	2.3036	2.6384	1.3930
LEVERAGE: Total Liabilities/Total Assets	39.94%	49.99%	48.55%	31.61%

SI International
Statement of Cash Flows
(in thousands)
2006, 2005, and 2004

	7/1/2006 (Unaudited)	12/31/2005	6/25/2005 (Unaudited)	12/25/2004
Net cash provided by (used in) operating activities	4,854	26,599	14,272	(1,655)
Net cash used in investing activities	(55,492)	(74,821)	(72,306)	(86,665)
Net cash provided by financing activities	30,761	70,628	69,212	79,772
[redacted]				
Cash and cash equivalents - beginning of the period	26,160	3,754	3,754	12,302
[redacted]				

Spherix

General information: Spherix, Incorporated, operates two business segments, InfoSpherix and BioSpherix, that are engaged in very different lines of business. The InfoSpherix division operates the TSP call center in Cumberland, MD. The BioSpherix division is engaged in biotechnology research and development.

Assessment: There has been significant financial improvement in Spherix's financial condition as of June 30, 2006, compared to its financial condition on December 31, 2005. However, there is continued concern for Spherix's financial condition. InfoSpherix, a wholly owned subsidiary of Spherix, continues to generate nearly 100 percent of the company's revenues. Because BioSpherix generates almost no revenues, there is a risk that it could deprive InfoSpherix of critical financial assets needed to operate.

Current Financial Condition: Currently, the BioSpherix Division has no ongoing revenue stream and expects to expend significant sums in an effort to bring commercial products to market. Spherix Incorporated intends to support the BioSpherix Division's R&D programs through its existing cash and cash equivalents, as well as potential partnerships and/or proceeds from the issuance of stock. In addition, InfoSpherix, Incorporated may provide final support for BioSpherix's development efforts.

- Income Statement: Through June 30, 2006, Spherix reported Revenues of $13.5 million, slightly higher than the $12.5 million for the same six-month period in 2005. The company reported a Net Loss of $274 thousand, improved from the Net Loss of $857 thousand for the same six-month period in 2005. InfoSpherix reported Revenues of $13.5 million with an Operating Income of $2.9 million, improved from the $12.5 million Revenues and $1.8 million Operating Income for the same period in 2005. BioSpherix reported Revenues of $3 thousand, with no offsetting costs and Operating Income of $3 thousand, a decrease from Revenues of $19 thousand with an Operating Income of $5 thousand for the same period in 2005.

- Balance Sheet: Through June 30, 2006, Total Assets in the consolidated balance sheet are $15 million, a 15% increase from $13.1 million at year-end 2005. Total Liabilities of $4.3 million were reported, a decrease of 18% from $5.2 million at year-end 2005.

- Cash Flow: Through June 30, 2006, cash and cash equivalents totaled $6.1 million, a 130 percent increase from $2.7 million at year-end 2005.

- Current Ratio: The Current Ratio (Current Assets/Current Liabilities) improved to 2.9 through June 30, 2006 from 1.69 at year-end 2005.

- Leverage: Through June 30, 2006, Total Liabilities, as a percent of Total Assets is 28.7 percent, reduced from 40 percent at year-end 2005.

Dun & Bradstreet Credit Score Class: 3 (average risk), same as previous quarter.

Stock Performance: The Spherix share price was $1.34 per share as of September 29, 2006, down from its 52-week high of $5.85 on December 7, 2005.

Significant Events: None reported.

Risk Mitigation: Should the Company enter bankruptcy, the creditors could seek to maintain or sell the call center operations as a source of income. If Spherix were unable to operate the Cumberland, MD call center, the SI call center in Clintwood, VA could handle all calls pending establishment of a new call center.

Spherix Incorporated
Income Statement
(in thousands)
2006, 2005, and 2004

	6/30/2006 (Unaudited)	12/31/2005	6/30/2005 (Unaudited)	12/31/2004
InfoSpherix Incorporated				
Revenue	$13,501	$23,023	$12,480	$22,221
Direct, operating, and corporate costs	(10,602)	(24,876)	(10,651)	(24,272)
Operating Income (Loss)	**$2,899**	**($1,853)**	**$1,829**	**($2,051)**
BioSpherix Division				
Revenue	$3	$23	$19	$127
Direct, operating, and corporate costs	0	(1,056)	(14)	(921)
Operating Income (Loss)	**$3**	**($1,033)**	**$5**	**($794)**
Spherix Incorporated (All)				
Revenue	$13,504	$23,046	$12,499	$22,348
Direct contract and operating costs	10,602	17,928	10,665	17,362
Selling, general, and administrative expense	2,918	5,141	2,520	5,357
Research and development expense	281	288	171	196
Depreciation and amortization expense	0	2,574	0	2,278
Loss from Operations	(297)	(2,885)	(857)	(2,845)
Interest income (expense), net	23	37		23
Loss before taxes	**($274)**	**($2,848)**	**($857)**	**($2,822)**

* On 1/1/2006, InfoSpherix Division became InfoSpherix Incorporated.
** Details were not available to show allocation of all costs between the InfoSpherix and BioSpherix Divisions.

Spherix Incorporated
Balance Sheet
2006, 2005, and 2004

	6/30/2006 (Unaudited)	12/31/2005	6/30/2005 (Unaudited)	12/31/2004
ASSETS				
Current assets				
Cash and cash equivalents	$6,145,295	$2,667,733	$3,902,007	$3,475,846
Short term investments - Restricted	0	2,000,000	2,000,000	2,700,000
Trade accounts receivable, net for allowance for doubtful accounts	3,116,820	2,139,061	3,059,233	1,742,699
Other receivables	56,416	271,287	104,815	140,314
Prepaid expenses and other assets	612,454	582,279	387,058	638,983
Total current assets	9,930,985	7,660,360	9,453,113	8,697,842
Property and equipment, net of accumulated depreciation	4,283,128	4,603,032	4,832,350	5,517,279
Patents, net of accumulated amortization	774,903	854,871	948,545	1,028,828
Total assets	**$14,989,016**	**$13,118,263**	**$15,234,008**	**$15,243,949**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Bank line of credit	0	1,449,318	1,806,280	1,966,784
Accounts payable and accrued expenses	2,140,399	1,950,584	2,209,318	1,493,683
Accrued salaries and benefits	1,130,830	1,104,102	1,240,017	969,046
Capital lease obligations	130,945	16,645	16,943	18,124
Income taxes payable	20,000	0	0	
Deferred revenue	0	0	34,632	34,632
Total current liabilities	3,422,174	4,520,649	5,307,190	4,482,269
Capital lease obligations	150,159	10,810	19,133	27,456
Deferred compensation	514,176	511,325	125,959	125,959
Deferred rent	220,586	196,259	235,974	240,575
Total liabilities	**4,307,095**	**5,239,043**	**5,688,256**	**4,876,259**
STOCKHOLDERS' EQUITY				
Preferred stock	0	0	0	0
Common stock	69,269	62,242	60,169	60,157
Paid-in capital in excess of par value	26,611,211	23,521,109	23,186,362	23,162,916
Treasury stock	(464,786)	(464,786)	(464,786)	(464,786)
Accumulated deficit	(15,533,773)	(15,239,345)	(13,235,993)	(12,390,597)
Total stockholders' equity	**10,681,921**	**7,879,220**	**9,545,752**	**10,367,690**
Total liabilities and stockholders' equity	**$14,989,016**	**$13,118,263**	**$15,234,008**	**$15,243,949**
CURRENT RATIO = Current Assets/Current Liabilities	2.9020	1.6945	1.7812	1.9405
LEVERAGE: Total Liabilities /Total Assets	28.74%	39.94%	37.34%	31.99%

Spherix Incorporated
Statement of Cash Flows
(in thousands)
2006, 2005, and 2004

	6/30/2006 (Unaudited)	12/31/2005	6/30/2005 (Unaudited)	12/31/2004
Net cash provided by operating activities from continuing operations	1,153	(526)	193	(386)
Net cash used in investing activities	1,212	(659)	77	(3,919)
Net cash provided by financing activities	1,113	377	156	3,514
[redacted]				
Cash and cash equivalents - beginning of the period	2,668	3,476	3,476	4,267
[redacted]				

Barclays PLC

General information: British-based Barclays PLC is the 11th largest bank in the world in terms of assets and 13th largest in terms of capital. On September 6, 2006, the Agency announced that Barclays Global Investors (BGI), N.A., Barclays' asset management division, was selected again to manage the TSP F, C, S, and I funds. In addition to investment management, BGI is responsible for providing custody through its subcontractor (Investor's Bank and Trust) and securities lending services to the TSP (see attachment).

Assessment: Barclays PLC is a financially sound and profitable financial institution. Given its size, capital level, and profitability, the likelihood of any disruption to its TSP operations appears to be remote. Barclays exceeds the U.S. regulatory standards for well-capitalized banks.

Current Financial Condition: Within Barclays PLC, as of June 30, 2006, BGI continues to maintain its track record of excellent growth. In US monetary terms, assets under mangement increased by $110 billion to $1,623 billion from $1,513 billion reported at December 31, 2005. Barclays reported it expects growth to be at or ahead of 2005 levels.

- Income Statement: Through June 30, 2006, Barclays PLC reported a before-tax profits of £3.7 billion, a £1.0 billion increase from £2.7 billion reported for the same six-month period in 2005. Through June 30, 2006, BGI reported before-tax profits of £364 million, a 51 percent increase from the same six-month period in 2005.

- Balance Sheet: Through June 30, 2006, Total Assets for Barclays PLC are £986.1 billion, an increase from £924.4 billion reported year-end 2005. Total Liabililities are £960.6 billion, up from £899.9 at year-end 2005. BGI Total Assets decreased 4 percent to £77.3 billion from £80.9 billion at year-end 2005.

- Cash Flow: Through June 30, 2006, cash and cash equivalents totaled £29.4 million, increase of 41 percent from the £20.8 million reported at year-end 2005.

- Capitalization: Based on the Federal Reserve Board's definition, Barclays reported "Tier 1" ratio of 7.2 percent significantly exceeds the regulatory standard of at least 4 percent required to be considered well-capitalized.

Dun & Bradstreet Credit Score Class: 3 (average risk), same as the previous quarter.

Stock Performance: The price of Barclays PLC American Depository Receipts (ADR's) as of September 29, 2006 was $50.77, slightly down from its 52-week high of $51.75 on August 31, 2006.

Significant Events: On July 20, 2006, Barclays received an Order from the United States District Court for the Southern District of Texas, Houston Division, which dismissed the claims against Barclays, PLC, Barclays Bank PLC, and Barclays Capital Inc over an Enron class action lawsuit.

On October 2, 2006, Barclays announced it agreed to sell some of its vendor finance businesses in the United Kingdom and Germany to CIT Group, Inc. These businesses provide asset finance to manufacturers and suppliers of industrial equipment and technology manufacturers and had gross assets of £1.1 billion at June 30.

Risk Mitigation: The TSP assets in the four investment funds managed by BGI are not at risk should BGI cease operations. These assets are held in commingled trust funds, which cannot be accessed by Barclays' creditors. In the event of bankruptcy by Barclays, the actual securities could be transferred by the Agency to another investment manager. There is a risk during the transition period that the TSP might be unable to invest and disinvest participants' money in a timely fashion. Additionally, there may be transaction costs associated with transferring the assets to another investment manager, but this risk is mitigated by the terms of the current contract with Barclays, which provides for the transfer in kind of the TSP assets.

Barclays PLC
Income Statement
(in £ millions)
2006, 2005, and 2004

	6/30/2006 (Unaudited)	12/31/2005	6/30/2005 (Unaudited)	12/31/2004
Interest income	10,544	17,232	7,648	13,880
Interest expense	(6,140)	(9,157)	(3,948)	(7,047)
Net interest income	£ 4,404	£ 8,075	£ 3,700	£ 6,833
Fees and commissions receivable (Fee and commissions income)	4,077	6,430	2,872	5,509
Less: fees and commissions payable (Fee and commissions expense)	(425)	(725)	(332)	(662)
Net fee and commission income	£ 3,652	£ 5,705	£ 2,540	£ 4,847
Net trading income	2,201	2,321	1,176	1,487
Net investment income	374	858	373	1,027
Principal transactions	£ 2,575	£ 3,179	£ 1,549	£ 2,514
Net premiums from insurance contracts	510	872	371	1,042
Other operating income	61	147	49	131
Total income	£ 11,202	£ 17,978	£ 8,209	£ 15,367
Net claims and benefits paid on insurance contracts	(233)	(645)	(287)	(1,259)
Total income net of insurance claims	£ 10,969	£ 17,333	£ 7,922	£ 14,108
Impairment charges and other credit provisions	(1,057)	(1,571)	(706)	(1,093)
Net income	£ 9,912	£ 15,762	£ 7,216	£ 13,015
Operating expenses excluding amortization of intangible assets	(6,206)	(10,448)	(4,525)	(8,514)
Amortization of intangible assets	(63)	(79)	(17)	(22)
Operating Expenses	-£ 6,269	-£ 10,527	-£ 4,542	-£ 8,536
Share of post-tax results of associates and joint ventures	30	45	16	56
Profit on disposal of associates and joint ventures		-		45
Profit before tax	£ 3,673	£ 5,280	£ 2,690	£ 4,580
Tax	(1,072)	(1,439)	(715)	(1,279)
Dividends		-		-
Profit for the year	**£ 2,601**	**£ 3,841**	**£ 1,975**	**£ 3,301**
Profit attributable to minority interests	294	394	134	47
Profit attributable to equity holders of the parent	2,307	3,447	1,841	3,254
	£ 2,601	£ 3,841	£ 1,975	£ 3,301

Barclays PLC
Balance Sheet
(In £ millions)
2006, 2005, and 2004

	6/30/2006 (Unaudited)	12/31/2005	6/30/2005 (Unaudited)	12/31/2004
ASSETS				
Cash and balances at central banks	6,777	3,906	4,106	1,753
Items in the course of collection from other banks	2,600	1,901	2,208	1,772
Treasury bills and other eligible bills	-	-	-	6,658
Trading portfolio assets	181,857	155,723	134,235	-
Financial assets designated at fair value:				
held on own account	18,833	12,904	9,747	-
held in respect of linked liabilities to customers under investment contracts	79,334	83,193	69,792	-
Derivative financial instruments	136,901	136,823	133,932	-
Loans and advances to banks	35,330	31,105	35,225	80,632
Loans and advances to customers	282,097	268,896	237,123	262,409
Debt securities	-	-	-	130,311
Equity shares	-	-	-	11,399
Available for sale financial investments	53,716	53,497	61,143	-
Reverse repurchase agreements and cash collateral on securities borrowed	171,869	160,398	149,400	-
Other assets	5,866	4,734	3,598	34,491
Investments in associates and joint ventures	560	546	438	429
Goodwill	5,968	6,022	4,590	4,518
Intangible assets	1,125	1,269	120	139
Property, plant, and equipment	2,515	2,754	2,407	2,282
Deferred tax assets	776	686	2,059	1,388
Total Assets	£ 986,124	£ 924,357	£ 850,123	£ 538,181
LIABILITIES				
Deposits from banks	86,221	75,127	84,538	111,024
Items in the course of collection due to other banks	2,700	2,341	2,809	1,205
Customer accounts	253,200	238,684	217,715	217,492
Trading portfolio liabilities	74,719	71,564	65,598	-
Financial liabilities designated at fair value	43,594	33,385	8,231	-
Liabilities to customers under investment contracts	81,380	85,201	71,608	-
Derivative financial instruments	138,982	137,971	137,784	-
Debt securities in issue	102,198	103,328	93,328	83,842
Repurchase agreements and cash collateral on securities lent	146,165	121,178	122,076	-
Other liabilities	10,767	11,131	9,649	82,936
Current tax liabilities	592	747	786	621
Insurance contract liabilities including unit-linked liabilities	3,558	3,767	3,589	8,377
Subordinated liabilities:	13,629	12,463	11,309	12,277
Deferred tax liabilities	430	700	1,891	1,362
Other provisions for liabilities	474	517	386	416
Retirement benefit liabilities	1,976	1,823	2,041	1,865
Total Liabilities	£ 960,585	£ 899,927	£ 833,338	£ 521,417
SHAREHOLDER'S EQUITY				
Called up share capital	1,628	1,623	1,616	1,614
Share premium account	5,720	5,650	5,554	5,524
Other reserves	587	1,377	1,593	868
Retained Earnings	10,279	8,957	7,575	7,983
Less: Treasury Shares	(226)	(181)	(239)	(119)
Shareholders' equity excluding minority interest	17,988	17,426	16,099	15,870
Minority interests	7,551	7,004	5,686	894
Total Shareholder's Equity	£ 25,539	£ 24,430	£ 21,785	£ 16,764
Total Liabilities and Shareholder's Equity	£ 986,124	£ 924,357	£ 855,123	£ 538,181

Barclays PLC
Statement of Cash Flows
(in £ millions)
2006, 2005, and 2004

	6/30/2006	12/31/2005	6/30/2005	12/31/2004
Net cash (outflow)/inflow from operating activities	8,280	(10,498)	17,584	5,171
Net cash outflow from investing activities	(1,159)	(5,181)	(11,394)	(6,998)
Net cash inflow from financing activities	1,837	15,119	2,526	2,960
Net gain on exchange rate changes on cash and cash equivalents	(386)	(237)	(539)	(470)
[redacted]				
Cash and cash equivalents - beginning of the period***	20,805	21,602	21,602	13,854
[redacted]				

*** Barclays disclosed in their 2005 annual report that the 2005 opening cash and cash equivalents balance has been adjusted by 7.1 billion GBP to reflect the application of IAS 32 and IAS 39.

Switch & Data

General information: Switch & Data provides data center hosting services for the TSP at two sites. The TSP's primary data center operates out of Switch and Data's Reston, VA facility under contract with SI International. The Agency has a direct contract with Switch and Data for the Pittsburgh, PA facility that houses our backup data center.

As a privately held firm, Switch & Data is not required to make its financial statements publicly available, but has agreed to provide them to the Agency under a nondisclosure agreement.

Assessment: We have a continuing level of concern about Switch & Data's long-term ability to fulfill its contractual obligations affecting the TSP. The current concern is whether its forthcoming IPO will truly raise the expected level of cash for the company to pay its contracted agreements with venture capitalists and reduce its debt. However, through June 30, 2006, the company continued its revenue growth and improved its income from operations compared to the same period in 2005. Substantially all of the assets of the company are pledged as collateral for the 2005 credit facility. We also continue to monitor the status of the pending litigation against Switch & Data and its potential financial effect on the company.

Stock Performance: None. Switch and Data is a privately held firm.

Dun & Bradstreet Credit Score Class: 3 (average risk), same as the previous quarter.

Significant Events: On September 27, 2006, Switch and Data filed a registration statement with the Securities and Exchange Commission for an initial public offering (IPO) in an attempt to raise up to $150 million. It was reported that Switch and Data intends to use the proceeds to pay down part of its approximately $140 million in long-term debt. The company plans to trade on the Nasdaq under the symbol "SDXC".

On June 6, 2006, The Tampa Bay Business Journal reported Switch and Data and VeriSign, Inc. have joined in a partnership to enable Voice over IP exchange services. The services will feature Switch and Data's PAIX peering infrastructure and VeriSign's Network Routing Directory and will initially be available in Switch and Data's New York data centers.

Lawsuit Issues: On October 2, 2006, the Switch and Data CFO informed us that the West Palm Beach, Florida case regarding the use of improper business practices related to the failed acquisition of additional facilities in 2000 was still pending. Media reports and the legal proceedings described in Switch and Data's recent Registration Statement with the Securities and Exchange Commission are attached. We will continue to monitor this litigation.

Risk Mitigation: There is some operational risk to the TSP should Switch & Data fail, because of our dependence on it for both our primary data center in Reston VA under the SI contract and the backup facility in Pittsburgh under direct contract with the Agency. If Switch and Data ceased operations in the Reston facility, SI would be required by our contract with them to find an alternate way to provide those services to us because they would still have that responsibility.

If Switch & Data closed the Pittsburgh center, we would need to move our backup facility to a different data center. We could take one of two actions. We could split the primary and backup data centers between two contractors. To do so, we would need to do a competitive procurement and state the requirement for independent contractors for the two sites in an RFP. This would in effect provide notice to Switch and Data that they would not be able to compete for the second data center. An alternative would be to take the same approach as we did with the Clintwood call center, and create one data center as a Government Owned Contractor Operated (GOCO) facility. Although it is considerably more work from a contracting and operations perspective, this would give us the ability to continue operations by either issuing a letter contract to another data center contractor to operate the facility or to operate it ourselves (taking on the people as temporary employees).

We are continuing to monitor this situation, including making periodic site visits and dialogue with onsite personnel to ascertain the condition and use of facilities, and timeliness of payrolls. At the same time we are researching other potential hosting companies/sites. As we continue to monitor Switch & Data's financial situation, we will develop a plan to implement one of these two strategies.

Table of Contents

SWITCH & DATA FACILITIES COMPANY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Years Ended December 31, 2003, 2004, 2005 and
The Six Months Ended June 30, 2005 and 2006 (unaudited)
Dollars In Thousands, Except Per Share Amounts

As of December 31, 2005, minimum future lease payments under these noncancelable operating leases for the next five years and thereafter are approximately as follows:

Year	Amount
2006	$ 17,605
2007	16,999
2008	16,564
2009	15,195
2010	10,264
Thereafter	63,780
Total minimum lease payments	$ 140,407

Legal Proceedings

On May 31, 2006, the Company and Switch & Data Facilities Company, LLC, a subsidiary of the Company, were served with a lawsuit alleging a failure by the Company or its subsidiary to execute a lease in October 2000 for a building in Milwaukee, Wisconsin. Plaintiffs are claiming the rent and associated lease charges due for the entire term of the lease (10 years) of $3,666. Plaintiffs are also claiming a $750 loss on the sale of the building. Based upon currently available information, management is currently unable to assess the amount of any liability with respect to this action, which may materially affect the financial position, results of operations, or liquidity of the Company. (unaudited)

The Company is involved in an ongoing lawsuit related to a real estate lease in West Palm Beach, Florida. In May 2002, TQ West Palm Beach LLC and Node.com Inc. filed suit in the Circuit Court in Palm Beach County, Florida against the Company and certain subsidiaries. In addition to claims of breach of a lease, the complaint alleges fraudulent misrepresentation of the financial resources of a subsidiary. The plaintiffs are seeking damages in excess of $15,000. Management believes there is a range of likely outcomes and has accrued an amount at the low end of the range in accordance with Financial Accounting Standards No. 5, *Accounting for Contingencies*, ("FAS 5"). The Company has accrued $500 as of December 31, 2004, December 31, 2005 and June 30, 2006, respectively, and such amount is included within other expenses in the consolidated statement of operations for the year ended December 31, 2004. In the event of a settlement or a jury trial, the ultimate expense to the Company may be materially different than the amount accrued.

During December 2004, the Company settled a lawsuit regarding its Austin, Texas lease for approximately $4,000, which is included in the consolidated statement of operations for the year ended December 31, 2004.

During May 2005, the Company settled a lawsuit for $2,750 regarding a lease in Chicago, Illinois which was fully accrued for at December 31, 2004. Approximately $1,850 was included in the consolidated statement of operations for the Chicago settlement for the year ended December 31, 2004, while the remaining $900 was accrued for in 2002.

Table of Contents

SWITCH & DATA FACILITIES COMPANY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Years Ended December 31, 2003, 2004, 2005 and
The Six Months Ended June 30, 2005 and 2006 (unaudited)
Dollars In Thousands, Except Per Share Amounts

One additional suit filed on October 26, 2001, Continental Poydras Corporation vs. Switch and Data LA One, LLC and the Company's predecessor, is pending in New Orleans, Louisiana. Plaintiff is seeking over $3.2 million in connection with the Company's alleged default of a lease agreement. This case is currently inactive.

The Company is subject to legal proceedings and claims which arise in the ordinary course of business. Based upon currently available information, management believes that the amounts accrued in the balance sheet are adequate for the aforementioned claims and the amount of any additional liability with respect to these actions will not materially affect the financial position, results of operations, or liquidity of the Company.

Taxes

During 2005, the State of Washington performed an excise tax audit and assessed additional business and occupation taxes of approximately $243. The Company has responded and is vigorously challenging this assessment. The case is awaiting review by a Washington State Administrative Law Judge. The Company has accrued zero for this assessment, in accordance with FAS 5, as it believes the likelihood of an unfavorable outcome to the Company is not probable. In the event of a settlement or trial, the ultimate expense to the Company may be materially different than the amount accrued.

14. Employee Benefit Plan

During 1999, the Company adopted the Switch & Data Facilities Company 401(k) Plan (the "401(k) Plan"). During 2003, the plan name was changed to the Switch and Data Management Company 401(k), without amending the plan features. All employees located in the United States are eligible to participate on the first day of the next month following their first month of employment. Under the 401(k) Plan, eligible employees are entitled to make tax deferred contributions, which the Company matches 50% up to the maximum allowable statutory contribution. The Company contributed approximately $454, $571 and $514 for the years ended December 31, 2003, 2004 and 2005, respectively, and $290 (unaudited) and $468 (unaudited) for the six months ended June 30, 2005 and 2006 respectively, to the 401(k) Plan.

15. Related Party Transactions

In 2003, the Company engaged a consulting firm for certain real estate advisory services. This firm is owned by a shareholder of the Company. The Company paid approximately $100, $20 and $30, respectively, for those services for the years ended December 31, 2003, 2004 and 2005. Amounts are included in general and administrative costs in the consolidated statements of operations. There was $30 and $0 payable to the firm as of December 31, 2004 and 2005, respectively.

In 2005, the Company engaged another consulting firm for certain real estate advisory services. A shareholder of the Company owns this firm. The agreement provides for a payment of $75 for these services. There was $50 payable to the firm as of December 31, 2005.

Tampa Bay Business Journal - September 6, 2004
http://tampabay.bizjournals.com/tampabay/stories/2004/09/06/story3.html

TAMPA BAY Business Journal

Texas jury rules Switch & Data owes $10 million for fraud

Tampa Bay Business Journal - September 3, 2004 by Aja Whitaker Staff writer

TAMPA -- A local telecommunications company recently received a costly dose of Texas justice.

On Aug. 26, an Austin jury entered a $10-million judgment against Switch and **Data Facilities Co.** Inc., after finding the company guilty of civil charges ranging from fraud and material breach to negligent misrepresentation.

Elaborate bait-and-switch schemes allegedly were designed to save Switch and Data some money, but instead seem to have backfired.

The $70-million parent company is accused of using more than 30 shell companies with little or no assets to execute lease agreements on its behalf and then default on them, a practice at least two landlords say left them swimming in debt.

Verdict May Mean Leverage for Others

The Texas decision is the first in one of several civil lawsuits filed against Switch and Data. The jury found the company breached a 10-year lease it signed in 2000 by never moving into custom-built office space atop a downtown Austin office building.

Building owner KFP Brooks Building and **Balcones Systems Corp.** claims it cost in excess of $3 million to build two floors at the request of Switch and Data, which never moved in to occupy or upgrade the space.

Lawyers for the plaintiff entered a memo into evidence at the two-week trial documenting Switch and Data's plans to breach leases in at least a dozen locations such as Oklahoma City, Buffalo, N.Y., Chicago and Cincinnati in an attempt to save nearly $4.8 million annually.

Court documents show the District Court of Travis County, Texas jury assessed damages including $5 million in punitive damages, $3.95 million in unpaid rent on a 10-year lease and $668,000 in attorney's fees.

The verdict should give other landlords the confidence to break down that shell company defense and give them new leverage in both litigation and negotiation, said John Thomas, the plaintiff's attorney at **George & Brothers LLP**.

"I have never seen anything like it," Thomas said, "They told our client we are going to raise all of these millions of dollars to pay for this lease, opposed to telling them it was a shell. They raised all the money but didn't build out the space like they said they would do. Instead they put it into the parent company to hide if from these landlords."

Switch and Data Hopes to Overturn

Switch and Data is reviewing various options to overturn the verdict, including an appeal, said Clay Mynard, general counsel for the company.

"It was a landlord/tenant dispute with construction issues, and it was a pretty complicated case," Mynard said. "And we do disagree with the outcome."

He declined to comment on other pending litigation, specific expansion plans or on how many limited liability companies Switch and Data operates in total.

"It is not uncommon, particularly in real estate companies, to have these types of corporate structures," Mynard said.

In Florida, the Department of State's Division of Corporations Web sites list six active Switch and Data LLCs.

Meanwhile, the company is facing another lawsuit to the tune of $5 million. Thomas is representing building owner and developer **Node Com Inc.** in a $5-million lawsuit alleging the company reneged on a 10-year lease by playing the shell game in West Palm Beach.

Switch and Data has not publicly announced recent plans to develop specific locations, although a March media release announced the company closed on a $110-million senior bank financing to replace the existing credit facility and fund its growth and expansion plans.

"This financing is indicative of the financial strength of Switch and Data," George Pollock, senior vice president and chief financial officer, said in the release. "The financial markets continue to support our business model and management team by providing access to low cost of debt capital. Even with such additional debt, Switch and Data remains modestly leveraged and will continue to generate significant free cash flow. This transaction will enable us to augment our organic revenue growth with new acquisitions."

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Tampa Bay Business Journal - May 24, 2004
http://tampabay.bizjournals.com/tampabay/stories/2004/05/24/story2.html

TAMPA BAY Business Journal

Trial ahead in telecom lawsuit

Switch & Data Facilities named defendant in $5 million suit

Tampa Bay Business Journal - May 21, 2004 by Aja Whitaker Staff Writer

TAMPA – A locally headquartered telecom company seems to have its wires crossed with its landlords.

In Florida, **Switch & Data Facilities Co.** is facing a lawsuit accusing the company of breaching contracts and committing fraud by using undercapitalized shell companies to secure a 10-year lease worth $6 million.

A total of four companies operating under the Switch & Data name are defendants along with the commercial real estate companies that brokered the deal.

The lawsuit was filed in 2002 seeking damages in excess of $5 million. A trial is expected in about six months.

A call to Steven Lessne, the Boca Raton lawyer representing company founder James Lavin and the Switch & Data companies, was not returned.

Plaintiff **Node Com Inc.** outlines the timeline leading up to the lawsuit:

Node Com is a consulting company and developer of data centers and carrier hotels. In July 2000, the company planned to develop a new project at the six-story Meridian building in West Palm Beach and received a letter on behalf of **Switch & Data FL Four LLC** expressing an interest in leasing space in the building for expansion of its telecommunications co-location business.

Switch & Data develops facilities that act as executive offices for telecom firms. Co-location requires less capital investment for the companies that use the space for storing equipment, accessing established phone company networks, high-speed Internet and telephone connections.

Node Com claims Switch & Data employees and representatives, including Lavin, promoted Switch & Data Four as the company with the ability to obtain significant financing and a leading national operator of co-location facilities in more than 50 markets.

In September 2000, Node Com used a signed lease with Switch & Data Four to secure $6 million in financing from **First National Bank** to purchase the property.

Node Com President Joe Suppers spent an additional $2 million on renovations, expecting Switch & Data to fulfill an agreement to add $1.5 million in tenant improvements, and paid brokerage commissions totaling $219,945 and $114,000 respectively to **Partners National Real Estate Group** and **Trammel Crow Services Inc.**

A year later, Switch & Data Four never moved in and after making one rent payment in March 2001 notified Suppers in November the company was unable to fulfill the lease agreement.

The suit claims Switch & Data tried to conceal the use of shell companies to convey an illusion of expansion through a single entity.

Shell companies were "instead systematically terminating and breaching leases within this seemingly broad market territory," court documents state.

While Switch & Data vice president of marketing Mario Galvez declined to comment on pending lawsuits, he did say each of the company's facilities are managed in Tampa but operated through independent limited liability corporations and there are no current plans for new sites.

In March, Switch and Data closed on a $110-million senior bank financing to replace the existing credit facility and fund its growth and expansion plans, a media release stated.

"This financing is indicative of the financial strength of Switch and Data," George Pollock, senior vice president and chief financial officer, said in the release. "The financial markets continue to support our business model and management team by providing access to low cost of debt capital. Even with such additional debt, Switch and Data remains modestly leveraged and will continue to generate significant free cash flow. This transaction will enable us to augment our organic revenue growth with new acquisitions."

Switch & Data has seven active companies currently registered on the **Florida Department of State Division** of **Corporations Web** site, including Switch & Data Four listed with a Meridian building address in West Palm Beach. The site shows the West Shore Boulevard headquarters as the mailing address for all of the companies and an April 6 filing date for their 2004 annual reports.

Node Com's lawyer John Thomas also is representing an Austin, Texas, landlord in a case against Switch & Data and claims it defaulted on leases at properties in other states.

"They literally saved their company by breaching all of these leases and stuck the landlord with false promises," he said. "And now that Switch & Data has turned around, they are thumbing their noses at the guys who they got there on the backs of."

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R.R. Donnelley & Sons

General information: R.R. Donnelley & Sons of Chicago, IL was awarded the contract for bulk mailing services in March 2006. The Company provides services through its Dynamic Communication Solutions business unit primarily from its Moore Wallace production facility in Thurmont, MD. These services include printing and mailing Agency documents, education, and marketing materials to participants, beneficiaries, and third parties.

Assessment: R.R. Donnelley was ranked number one in the publishing and printing industry with a Fortune 500 ranking of 275 in 2005 and over 3,000+ accounts throughout the United States, Europe, Mexico, South America, and China. There is no indication at this time that it will be unable to meet its contractual obligations to the TSP.

Current Financial Condition: Net sales in the second quarter were $2.3 billion, up 17.7% from the second quarter of 2005. The increase was primarily due to acquisitions, namely the Astron Group, Asia Printers Group, OfficeTiger, Spencer Press, and others, as well as the new customer wins and increased volume with existing customers in the Publishing and Retail Services and Integrated Print Communications segments.

- Income Statement: Through June 30, 2006, the company reported net earnings of $237.1 million, an increase of $39.5 million from $197.6 million reported for the same six-month period in 2005.

- Balance Sheet: Total Assets reported as of June 30, 2006, totaled $9.6 billion, an increase of $0.2 billion from year-end 2005. Total Liabilities reported were $5.7 billion, unchanged from year-end 2005.

- Current Ratio: The Current Ratio (Current Assets/Current Liabilities) for the second quarter 2006 is 1.4, slightly decreased from 1.5 at year-end 2005.

- Cash Flow: As of June 30, 2006, the company reported cash and cash equivalents of $138.7 million, a 62 percent decrease from the $366.7 million reported at year-end 2005. The decrease is attributed to the cash purchases of OfficeTiger and the declaration and payout of dividends.

- Leverage: As of June 30, 2006, Total Liabilities are about 60 percent of Total Assets, unchanged from year-end 2005.

Dun & Bradstreet Credit Score Class: 1 (lowest risk), same as the previous quarter.

Stock Performance: The R.R. Donnelley & Sons closing share price on September 29, 2006 was $32.96, down from its 52-week high of $37.47 on October 4, 2005.

Significant Events: On August 8, 2006, in its second quarter 2006 filing with the U.S. Securities and Exchange Commission (SEC), R.R. Donnelley disclosed that the company has been designated as a potentially responsible party in eight federal and state Superfund sites. In addition to the Superfund sites, the company may also have the obligation to remediate seven other previously owned facilities and three other currently owned facilities. The Comprehensive Environmental Response Compensation and Liability Act provides the company's liability could be joint and several, meaning that it could be required to pay amounts in excess of its proportionate share of the remediation costs.

On July 31, 2006, it was announced that Astron, a UK-based wholly owned subsidiary of R.R. Donnelley Company, was awarded a multi-year $110 million print and mail agreement by British Telecom, the leading telecommunications provider in the United Kingdom.

On July 31, 2006, an R.R. Donnelley news release stated they were awarded a multi-year contract extension to provide 100% of the Automobile Club of Southern California's magazine printing, premedia, paper, and logistics services.

In August 2006, there were media reports that R.R. Donnelley was evaluating a pair of buyout offers, one from an investor group lead by Carlyle Group and the other lead by Blackstone Group.

<u>Recent acquisitions</u>: On September 20, 2006, R.R. Donnelley announced that it signed a definitive agreement to acquire Canadian Bank Note Company's financial printing assets and operations, which includes service facilities in Toronto and Montreal, for an undisclosed sum.

In its second quarter 2006 filing with the U.S. Securities and Exchange Commission (SEC), R.R. Donnelley disclosed a purchase price of $248.8 million for its acquisition of OfficeTiger.

<u>Risk Mitigation</u>: The contract officially began on March 20, 2006 and, on March 27, 2006, the Agency met with R.R. Donnelley to begin contract implementation. The Agency has received R.R. Donnelley's business continuity plan for the Moore Wallace facility and is currently reviewing it. Additional updates to the Agency's risk mitigation strategy will be provided at subsequent Board meetings.

R R Donnelley & Sons
Income Statement
(in millions)
2006, 2005, and 2004

	06/30/06 (Unaudited)	12/31/05	06/30/05 (Unaudited)	12/31/04
Net sales	$ 4,540.6	$ 8,430.2	$ 3,858.6	$ 7,156.4
Cost of Sales (excludes Depreciation & Amoritization shown below)	3,309.4	6,090.3	2,766.2	5,269.6
Selling, General & Administrative Expenses	537.3	1,044.7	484.7	934.7
Restructuring and Impairment Charges - net	31.2	419.8	36.6	107.4
Depreciation & Amortization	229.0	425.0	198.3	385.5
Total Operating Expenses	4,106.9	7,979.8	3,485.8	6,697.2
Income from Continuing Operations	433.7	450.4	372.8	459.2
Interest Expense - net	70.5	110.7	44.8	85.9
Investment and Other Income (Expense) - net	(4.5)	(7.9)	(4.4)	(16.5)
Earnings from Continuing Operations before Income Taxes, Minority Interest, and Cumulative Effect of Change in Accounting Principle	358.7	331.8	323.6	356.8
Income Taxes	120.7	237.4	119.6	92.6
Minority Interest	(0.6)	(1.2)	(0.5)	(0.7)
Net Earnings from Continuing Operations before Cumulative Effect of Change in Accounting Principle	238.6	95.6	204.5	264.9
Income (loss) from Discontinued Operations, net of tax	(1.5)	41.5	(6.9)	(80.0)
Cumulative effect of Change in Accounting Principle, net of tax	-	-	-	(6.6)
Net Earnings	**$ 237.1**	**$ 137.1**	**$ 197.6**	**$ 178.3**
RATIO OBSERVATIONS				
Net Profit Margin	5.2%	1.6%	5.1%	2.5%
Operating Margin	9.6%	5.3%	9.7%	6.4%
Cash Return on Sales	5.3%	11.2%	10.9%	4.9%
Net Cash provided by Operating Activities	$ 242.80	$ 947.50	$ 420.60	$ 354.10

R R Donnelley & Sons
Balance Sheet
(in millions)
2006, 2005, and 2004

	06/30/06 (Unaudited)	12/31/05	06/30/05 (Unaudited)	12/31/04
ASSETS				
Cash and cash equivalents	$ 138.5	$ 366.7	$ 451.6	$ 641.8
Receivables, less allowance for doubtful accounts	1,570.9	1,529.1	1,310.3	1,252.8
Inventories, net	522.6	481.4	483.1	422.0
Prepaid expenses and other current assets	91.4	67.5	67.5	44.1
Deferred income taxes	168.7	177.0	212.4	239.9
Total Current Assets	2,492.1	2,621.7	2,524.9	2,600.6
Property, plant and equipment net	2,138.9	2,138.6	1,986.6	1,924.5
Goodwill	2,974.5	2,750.7	3,020.5	2,472.7
Prepaid pension cost	517.1	514.1	511.4	498.3
Other intangible assets net	1,166.3	1,094.3	1,096.5	666.1
Other assets	311.7	254.3	273.4	288.7
Assets of discontinued operations	-	-	96.7	102.8
Total Assets	**9,600.6**	**9,373.7**	**9,510.0**	**8,553.7**
LIABILITIES AND SHAREHOLDER'S EQUITY				
Accounts payable	661.6	718.1	577.3	517.8
Accrued liabilities	810.8	826.9	803.0	765.0
Short-term and current portion of long-term debt	330.2	269.1	133.6	204.5
Total Current Liabilities	1,802.6	1,814.1	1,513.9	1,487.3
Long-term debt	2,357.9	2,365.4	2,575.3	1,581.2
Postretirement benefit obligations	333.4	330.6	336.6	336.9
Deferred income taxes	586.7	596.8	699.2	576.3
Other liabilities	627.3	541.2	515.8	534.5
Liabilities of discontinued operations	3.5	1.4	43.1	50.9
Total Liabilities	**5,711.4**	**5,649.5**	**5,683.9**	**4,567.1**
SHAREHOLDERS EQUITY				
Preferred stock		-	-	-
Common stock	303.7	303.7	303.7	303.7
Additional paid-in capital	2,850.6	2,888.2	2,873.0	2,856.7
Retained earnings	1,564.1	1,439.4	1,620.4	1,536.9
Accumulated other comprehensive loss	(71.1)	(90.2)	(82.8)	(72.2)
Unearned compensation	-	(44.9)	(53.8)	(30.3)
Treasury stock, at cost	(758.1)	(772.0)	(834.4)	(608.2)
Total Shareholders Equity	**$ 3,889.2**	**$ 3,724.2**	**$ 3,826.1**	**$ 3,986.6**
Total Liabilities and Shareholders Equity	**9,600.6**	**9,373.7**	**9,510.0**	**8,553.7**
CURRENT RATIO: Current Assets/Current Liabilities	1.3825	1.4452	1.6678	1.7485
LEVERAGE: Total Liabilities/Total Assets	59.49%	60.27%	59.77%	53.39%

R. R. Donnelley & Sons
Statement of Cash Flows
(in millions)
2006, 2005, and 2004

	6/30/2006 (Unaudited)	12/31/2005	6/30/2005 (Unaudited)	12/31/2004
Net cash provided by operating activities from continuing operations	$242.8	$947.5	$420.6	$822.2
Net cash used in investing activities	(412.3)	(1,602.5)	(1,143.0)	(63.9)
Net cash provided by financing activities	(62.7)	378.5	536.1	(194.6)
Effect of exchange rate charges on cash	4.0	1.4	(3.9)	17.3
[redacted]				
Cash and cash equivalents - beginning of the period	366.7	641.8	641.8	60.8
[redacted]				