



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
77K Street, NE Washington, DC 20002

April 22, 2013

MEMORANDUM FOR THE EXECUTIVE DIRECTOR

FROM: SUSAN CROWDER
CHIEF FINANCIAL OFFICER

SUBJECT: QUARTERLY FINANCIAL ASSESSMENT OF TSP'S PRIMARY
VENDORS – APRIL 2013

The Board has requested that each quarter we review the TSP's primary vendors and report on their financial standing. These vendors provide essential missions which are critical to the ongoing operations of the plan. This quarter, we have again reviewed Serco Group, BlackRock Inc., Equinix Inc., R.R. Donnelley & Sons, MetLife Inc., The Active Network, Inc, and SunGard.

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, balance sheet, and cash flow statements for the most recent quarter available to determine their overall financial stability. For this report, we are using available data for the period through December 31, 2012. We determine whether there is evidence of stable or growing income (i.e., the profitability of the company). We also look for significant changes from prior to current periods to identify trends that may require further explanation. For comparative purposes, we have included information from year-end 2011, and year-end 2010.

2. Credit Score:

We continue our practice of reviewing the Dun & Bradstreet credit class scores. These scores predict the likelihood of a firm paying in a severely delinquent manner (90+ days past term) over the next twelve months. In some cases we have also looked to the financial stress class ratings when those seemed to be a more pointed indication of the company's financial picture. 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 or risk of business failure. While these scores have some descriptive value in terms of the firm's current relationship with its creditors and can disclose potential financial problems, they should only be considered one part of a firm's overall financial picture. In addition, we have added information from Moody's and S&P ratings services when they were available.

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, mergers and acquisitions, 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

Serco Inc. (a subsidiary of Serco Group plc)

General Information: Serco Group plc (public limited company) is a \$7 billion international business services company based in Hook, North Hampshire in the United Kingdom. With North American headquarters in Reston, Virginia, Serco now employs approximately 8,500 people in over 100 locations across the United States. Serco North America has annual revenue of \$1.3 billion.

Serco Inc. is the prime contractor for two major Information Technology (IT) service areas: 1) Infrastructure and Operations, which includes the IT assets in the FRTIB data centers and 2) Software Development and Maintenance, which includes the TSP Recordkeeping System. Serco also provides a range of other TSP services in support of the FRTIB including: incoming mail data entry and imaging support, operations of the Clintwood Call Center and administration of the accounting, court ordered payments, death benefits, and payroll office liaison functions. For the IT service areas, Serco Inc. relies on subcontracting support as follows: ICF International for mainframe systems programming, and SunGard professional services for TSP Recordkeeping support and maintenance of our core Recordkeeping software (Omni, a SunGard commercial-off-the-shelf proprietary software solution).

Assessment: Serco Group won £5.8 billion of awards in 2012, with an increase in order book to £19.1 billion (compared to £17.9 billion in 2011). Despite the current tough U.S. economic position, Serco Group continues to be a profitable and growing company, with organic growth of 3.3% and market entry into new countries. Moreover, their pipeline is an estimated £31 billion. Serco Inc. has an extensive portfolio of Federal government contracts, and now serves all branches of the U.S. military, numerous civilian agencies and the intelligence community. We find no indication that Serco Inc. is unable to fulfill its contractual obligations to the TSP.

Current Financial Condition:

- **Income Statement:** For the twelve-month period ending December 31, 2012, Serco Group plc reported revenues of £4.9 billion, an increase of 6 percent from the £4.6 billion reported in the same period of 2011. Net profit through December 31, 2012 was £245.9 million, an increase of 40 percent from the £175.2 million reported at year-end 2011.
- **Balance Sheet:** As of December 31, 2012, total assets were £3.2 billion, an increase of 2 percent from the £3.18 billion reported at year-end 2011. Total liabilities were £2.1 billion, a decrease of 3 percent from the £2.2 billion reported at year-end 2011.

- **Cash Flow:** As of December 31, 2012, cash and cash equivalents totaled £ 198.6 million, a decrease of 22 percent from the £ 254.8 million reported at year-end 2011.

Credit Score Class: As of December 31, 2012, the Dun & Bradstreet credit score class for Serco Inc. as a subsidiary of Serco Group plc, was 3, (m oderate risk), unchanged from the prior quarter.

Stock Performance: Serco Group plc's closing share price on December 31, 2012, was £535.00, down from its 52-week high of £602.00 on August 6, 2012. The 52-week low was £483.20, on January 3, 2012.

SAS 70/SSAE 16 Report: Not available.

Significant Events:

- March 1, 2013 – Serco announced the opening of a new Business Process Outsourcing (BPO) delivery center in Cape Town, South Africa, which will employ over 500 people . (Serco website)
- January 11, 2013 - Serco received one of seven awards on a new S PAWAR Systems Center (SSC) Atlantic Pillar Multiple Award Contract (MAC) for Production, Installation, and In-Service support. This MAC has a ceiling value of \$900 m illion over a one-year base period and four one-year options periods, if all options are exercised. (Serco website)

Risk Mitigation: Should Serco Inc. cease operations, we could issue letter contracts (an agreement to be negotiated at a later point) on an emergency basis to: a) ICF International to continue systems programming and possibly expand support to data center operations; b) SunGard to continue incoming mail, data entry, and other operations to maintain the TSP Recordkeeping System, accounting, legal, and Agency interface operations; c) a to-b e-determined third party for overall IT support services; and d) Active Network to serve as a temporary backup for the Clintwood Call Center (Active Network is the service provider at the TSP Frostburg Call Center).

The Agency issued a Request for Proposal (RFP) on January 25, 2013 to acquire comprehensive IT Services, entitled Technology and Enterprise Support Services (TESS). Proposals were received by the March 20, 2013 due date and are currently undergoing evaluation.

SERCO Group
Income Statement
(In £ millions)

	12/31/2012	12/31/2011	12/31/2010
	Unaudited	Audited	Audited
Revenue	4,913.0	4,646.4	4,326.7
Cost of sales	(4,169.5)	(3,946.0)	(3,682.4)
Gross profit	743.5	700.4	644.3
Administrative expenses	(428.7)	(410.3)	(385.6)
Other expenses – amortization of intangibles arising on acquisition	(27.2)	(23.9)	(17.4)
Total administrative expenses	(455.9)	(434.2)	(403.0)
Operating profit	287.6	266.2	241.3
Investment revenue and finance costs	14.4	(27.9)	(27.4)
Profit before tax	302.0	238.3	213.9
Tax	(56.1)	(63.1)	(57.1)
Profit for the period	245.9	175.2	156.8

**Serco Group
Balance Sheet
(In £ millions)**

	12/31/2012 Unaudited	12/31/2011 Audited	12/31/2010 Audited
Assets			
Current assets			
Cash and cash equivalents	198.6	254.8	279.3
Current tax assets	21.0	9.2	4.0
Derivative financial instruments	3.6	7.6	3.9
Trade and other receivables	856.1	798.6	786.2
Inventories	64.4	58.8	65.4
Total current assets	<u>1,143.7</u>	<u>1,129.0</u>	<u>1,138.8</u>
Non-current assets			
Goodwill	1,312.3	1,259.0	899.5
Other intangible assets	226.9	184.9	145.0
Property, plant and equipment	190.6	194.8	135.4
Trade and other receivables	260.5	261.9	156.7
Retirement benefit assets	69.7	122.3	-
Deferred tax assets	43.3	28.2	38.1
Derivative financial instruments	0.1	2.0	3.5
Total non-current assets	<u>2,103.4</u>	<u>2,053.1</u>	<u>1,378.2</u>
Total assets	<u>3,247.1</u>	<u>3,182.1</u>	<u>2,517.0</u>
Liabilities			
Current liabilities			
Trade and other payables	883.1	804.2	805.5
Current tax liabilities	14.0	17.8	19.5
Obligations under finance leases	10.8	10.3	7.1
Provisions	11.5	10.4	-
Loans	64.6	206.6	159.5
Derivative financial instruments	13.8	12.3	2.4
Total current liabilities	<u>997.8</u>	<u>1,061.6</u>	<u>994.0</u>
Non-current liabilities			
Trade and other payables	42.5	61.4	22.2
Obligations under finance leases	40.0	35.6	19.3
Loans	665.1	636.2	354.6
Derivative financial instruments	24.5	26.3	5.2
Retirement benefit obligations	271.0	278.7	226.2
Provisions	46.2	56.2	39.6
Deferred tax liabilities	31.1	22.3	14.6
Total Long-term liabilities	<u>1,120.4</u>	<u>1,116.7</u>	<u>681.7</u>
Total liabilities	<u>2,118.2</u>	<u>2,178.3</u>	<u>1,675.7</u>
Equity			
Share capital	10.0	9.9	9.9
Share premium account	326.5	322.7	306.7
Capital redemption reserve	0.1	0.1	0.1
Retained earnings	909.7	706.3	568.5
Retirement benefit obligations reserve	(157.6)	(92.0)	(142.8)
Share-based payment reserve	77.7	66.1	58.7
Own shares reserve	(58.8)	(48.2)	(27.5)
Hedging and translation reserve	20.0	38.9	67.7
Equity attributable to equity holders of the parent	<u>1,127.6</u>	<u>1,003.8</u>	<u>841.3</u>
Equity attributable to owners of the Company	<u>1,127.6</u>	<u>1,003.8</u>	<u>841.3</u>
Non-controlling interest	<u>1.3</u>	<u>-</u>	<u>-</u>
Total equity	<u>1,128.9</u>	<u>1,003.8</u>	<u>841.3</u>
Total liabilities and shareholders' equity	<u>3,245.8</u>	<u>3,182.1</u>	<u>2,517.0</u>

Serco Group
Cash Flow Statement
(In £ millions)

	12/31/2012	12/31/2011	12/31/2010
	Unaudited	Audited	Audited
Net cash inflow/(outflow) from operating activities	303.4	217.0	241.0
Investing activities			
Interest received	3.1	3.4	3.3
Increase in security deposits	-	(8.2)	-
Proceeds from disposal of property, plant and equipment	21.0	9.2	6.1
Proceeds from disposal of intangible assets	0.1	-	7.3
Proceeds from disposal of subsidiary and business undertakings	131.0	-	-
Acquisition of subsidiaries, net of cash acquired	(141.8)	(325.3)	(2.1)
Purchase of other intangible assets	(49.9)	(35.2)	(20.9)
Purchase of property, plant and equipment	(52.7)	(49.7)	(35.4)
Net cash inflow/(outflow) from investing activities	(89.2)	(405.8)	(41.7)
Financing activities			
Interest paid	(47.4)	(35.8)	(27.9)
Dividends paid	(41.9)	(37.3)	(32.3)
Non-controlling interest dividends paid	(0.4)	(0.1)	(0.2)
Cash inflow from matured derivative financial instruments	-	4.9	1.6
Repayment of loans	(366.6)	(559.8)	(167.8)
Repayment of non recourse loans	(8.7)	(7.9)	(7.6)
New loan advances	216.8	818.4	10.1
Capital element of finance lease repayments	(2.9)	(10.7)	(8.7)
Purchase of own shares for employee benefit trust (ESOP)	(16.0)	(24.0)	(23.0)
Proceeds from issue of share capital	5.7	17.3	8.3
Net cash inflow/(outflow) from financing activities	(261.4)	165.0	(247.5)
Net increase/(decrease) in cash and cash equivalents	(47.2)	(23.8)	(48.2)
Cash and cash equivalents at beginning of period	254.8	279.3	319.4
Net exchange gain(loss)	(9.0)	(0.7)	8.1
Cash and cash equivalents at end of period	198.6	254.8	279.3

Serco Group
Cash Flow Statement
(In £ millions)

	12/31/2012	12/31/2011	12/31/2010
	Unaudited	Audited	Audited
Net cash inflow/(outflow) from operating activities	303.4	217.0	241.0
Net cash inflow/(outflow) from investing activities	(89.2)	(405.8)	(41.7)
Net cash inflow/(outflow) from financing activities	(261.4)	165.0	(247.5)
Change in cash and cash equivalents	(47.2)	(23.8)	(48.2)
Net exchange gain (loss)	(9.0)	(0.7)	8.1
Cash and cash equivalents at beginning of period	254.8	279.3	319.4
Cash and cash equivalents at end of period	198.6	254.8	279.3

BlackRock, Inc.

General Information: BlackRock, Inc. is one of the leading investment management companies in the U.S. The firm's products include a spectrum of fixed income and mutual funds, as well as investment tools, outsourcing and advisory services to institutional investors. The Company also offers risk management, strategic advisory and enterprise investment system services to insurance companies, finance companies, pension funds, foundations, REITs, commercial and mortgage banks, savings institutions and government agencies, with portfolios totaling approximately \$12 trillion. Headquartered in New York City, the firm has approximately 10,500 employees in 30 countries and a major presence in key global markets.

Assessment: As of December 31, 2012, BlackRock's assets under management totaled \$3.79 trillion (up 3% from the prior quarter) across equity, fixed income, cash management, alternative investment, real estate and advisory strategies. BlackRock posted record earnings in the fourth quarter. We find no indication that BlackRock is unable to fulfill its contractual obligations to the TSP.

Current Financial Condition:

- **Income Statement:** For the twelve months ended December 31, 2012, BlackRock reported total revenue of \$9.34 billion, which was an increase of 3 percent from the \$9.08 billion reported for the same period in 2011. The Company reported a Net Income of \$2.46 billion, up 5 percent from a Net Income of \$2.34 billion reported at year-end 2011.
- **Balance Sheet:** As of December 31, 2012, Total Assets of \$200.5 billion were reported, an increase of 11 percent from the \$179.9 billion reported at year-end 2011. Total Liabilities reported were \$174.8 billion, up 13 percent from the \$154.5 billion reported for the twelve month period ending December 31, 2011.
- **Cash Flow:** As of December 31, 2012, the Company reported cash and cash equivalents of \$4.6 billion, an increase of 31 percent from the \$3.5 billion reported at year-end 2011.

Credit Score: As of December 31, 2012, Dun & Bradstreet placed BlackRock in credit score class 2 (low risk), unchanged from the prior quarter. Moody's rated BlackRock's long term senior debt A1, and gave a P-1 short term rating. These reflect BlackRock Inc.'s position as the world's largest asset management company. Their key credit qualities include their high

earnings capacity, moderate leverage, global distribution capabilities, and market-leading depth and diversity of products and clients. Moody's outlook is stable, based on expectations that BlackRock will hold its leading market position and existing margins.

Stock Performance: BlackRock Inc.'s closing share price on December 31, 2012, was \$206.71. The 52-week high of \$209.29 was reached on December 20, 2012, and the 52-week low was \$163.37, on May 22, 2012. The company announced a 12% quarterly dividend increase to \$1.68 per share, payable on March 25. For the year, BlackRock distributed \$1.1 billion as dividends and repurchased \$1.5 billion of stock for a payout ratio of 104%. The company also announced that its board of directors upped its share repurchase authority by 7.5 million shares, bringing the company's total capacity to 10.2 million shares. This program is expected to be executed over time, and is not expected to put a strain on BlackRock's liquidity.

SAS 70/SSAE 16 Report: The most current report is Deloitte & Touche's SSAE 16 Report, which covers operations from October 1, 2011 through September 30, 2012. The report identifies no areas of concern to the TSP.

Significant Events:

- February 11, 2013 – Italian and British regulators are investigating whether there was market abuse surrounding the BlackRock sale of a large stake in Italian oil services group Saipem. On January 28, BlackRock sold a 2.3 percent stake, or about €315m worth of shares ahead of a profit warning from Saipem. Less than 24 hours later, a warning on profits by Saipem wiped nearly a third off the company's market capitalization. Previous management of Saipem had reassured in October that the group would meet its 2012 targets. (WSJ)
- February 4, 2013 - Two pension funds have sued BlackRock, alleging the company's iShares ETF business improperly kept revenue from securities lending. The suit also alleges the firm breached its fiduciary duties. According to the suit filed by Laborers' Local 265 Pension Fund (Cincinnati) and Plumbers and Pipefitters Local 572 Pension Fund (Nashville), BlackRock, iShares and nine directors "systematically violated their fiduciary duties, setting up an excessive fee structure designed to loot securities lending returns properly due to iShares investors." BlackRock has said it will contest the complaint vigorously. (Reuters)

Risk Mitigation: BlackRock manages the TSP's bond and equity funds. TSP assets are held in trust and cannot be accessed by BlackRock's creditors. The main risk to the TSP is that BlackRock's investment operations could be interrupted or terminated. If it were then

necessary to hire another investment manager, the TSP might be unable to invest and disinvest participants' money in a timely fashion during that transition. 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 BlackRock, which provides for the transfer in kind of the TSP assets.

BlackRock, Inc.
Income Statement
(In \$ millions)

	12/31/12 Audited	12/31/11 Audited	12/31/10 Audited
Revenue			
Investment advisory, administration fees and securities lending revenue	8,072	7,896	7,290
Investment advisory performance fees	463	371	540
<i>BlackRock Solutions</i> and advisory	518	510	460
Distribution fees	71	100	116
Other revenue	213	204	206
Total revenue	<u>9,337</u>	<u>9,081</u>	<u>8,612</u>
Expenses			
Employee compensation and benefits	3,287	3,199	3,097
Distribution and servicing costs	364	386	408
Amortization of deferred sales commissions	55	81	102
Direct fund expenses	591	563	493
General and administration	1,359	1,415	1,354
Restructuring charges	-	32	-
Amortization of intangible assets	157	156	160
Total expenses	<u>5,813</u>	<u>5,832</u>	<u>5,614</u>
Operating income	<u>3,524</u>	<u>3,249</u>	<u>2,998</u>
Non-operating income (expense)			
Net gain (loss) on investments	163	46	179
Net gain (loss) on consolidated variable interest entities	(38)	(18)	(35)
Interest and dividend income	36	34	29
Interest expense	(215)	(176)	(150)
Total non-operating income (expense)	<u>(54)</u>	<u>(114)</u>	<u>23</u>
Income before income taxes	3,470	3,135	3,021
Income tax expense	1,030	796	971
Net income	<u>2,440</u>	<u>2,339</u>	<u>2,050</u>
Less: Net income (loss) attributable to redeemable non-controlling interests	9	-	3
Less: Net income (loss) attributable to nonredeemable non-controlling interests	(27)	2	(16)
Net income attributable to BlackRock, Inc.	<u><u>2,458</u></u>	<u><u>2,337</u></u>	<u><u>2,063</u></u>

BlackRock, Inc.
Balance Sheet
(in \$ millions)

	12/31/12	12/31/11	12/31/10
	Audited	Audited	Audited
Assets			
Cash and cash equivalents	4,606	3,506	3,367
Accounts receivable	2,250	1,960	2,095
Due from related parties	77	142	150
Investments	1,750	1,631	1,540
Assets of consolidated variable interest entities			
Cash and cash equivalents	297	54	93
Bank loans and other investments	2,264	1,639	1,312
Separate account assets	134,768	118,871	121,137
Collateral held under securities lending agreements	23,021	20,918	17,638
Deferred sales commissions, net	24	38	66
Property and equipment (net of accumulated depreciation)	557	537	428
Intangible assets (net of accumulated amortization)	17,402	17,356	17,512
Goodwill	12,910	12,792	12,805
Other assets	525	452	316
Total Assets	200,451	179,896	178,459
Liabilities			
Accrued compensation and benefits	1,547	1,383	1,520
Accounts payable and accrued liabilities	1,055	923	1,068
Due to related parties	14	22	57
Short-term borrowings	100	100	100
Liabilities of consolidated variable interest entities			
Borrowings	2,402	1,574	1,278
Other liabilities	103	9	7
Convertible debentures	-	-	67
Long-term borrowings	5,687	4,690	3,192
Separate account liabilities	134,768	118,871	121,137
Collateral liability under securities lending agreements	23,021	20,918	17,638
Deferred income tax liabilities	5,293	5,323	5,477
Other liabilities	844	721	584
Total Liabilities	174,834	154,534	152,125

BlackRock, Inc.
Balance Sheet (cont'd)
(in \$ millions)

	12/31/12	12/31/11	12/31/10
	Audited	Audited	Audited
Temporary equity			
Redeemable non-controlling interests	32	92	6
Total Temporary Equity	<u>32</u>	<u>92</u>	<u>6</u>
Permanent Equity			
BlackRock, Inc. stockholders' equity			
Common stock	2	1	1
Preferred stock	-	-	1
Additional paid-in capital	19,419	20,275	22,502
Retained earnings	6,444	5,046	3,723
Appropriated retained earnings	29	72	75
Accumulated other comprehensive loss	(59)	(127)	(96)
Escrow shares, common, at cost	-	(1)	(1)
Treasury stock, common, at cost	(432)	(218)	(111)
Total BlackRock, Inc. stockholders' equity	<u>25,403</u>	<u>25,048</u>	<u>26,094</u>
Nonredeemable non-controlling interests	155	184	189
Nonredeemable non-controlling interests of consolidated variable interest entities	27	38	45
Total Permanent Equity	<u>25,585</u>	<u>25,270</u>	<u>26,328</u>
Total Liabilities, Temporary Equity and Permanent Equity	<u>200,451</u>	<u>179,896</u>	<u>178,459</u>

BlackRock, Inc.
Statement of Cash Flows
(In \$ millions)

	12/31/12	12/31/11	12/31/10
	Audited	Audited	Audited
Cash inflow/(outflow) from operating activities			
Net income	2,440	2,339	2,050
Adjustments to reconcile net income to cash from operating activities:			
Depreciation and amortization	295	299	310
Amortization of deferred sales commissions	55	81	102
Stock-based compensation	451	497	445
Deferred income tax expense (benefit)	(61)	(137)	3
Net (gains) losses on non-trading investments	(43)	(40)	(62)
Purchases of investments within consolidated funds	(108)	(41)	(26)
Proceeds from sale and maturities of investments within consolidated funds	96	50	54
Assets and liabilities of consolidated VIEs:			
Change in cash and cash equivalents	(24)	54	(45)
Net (gains) losses within consolidated VIEs	38	18	35
Net (purchases)/proceeds within consolidated VIEs	(203)	82	44
(Earnings) losses from equity method investees	(175)	(23)	(141)
Distributions of earnings from equity method investees	42	30	14
Other adjustments	(4)	-	(1)
Changes in operating assets and liabilities:			
Accounts receivable	(292)	124	(364)
Due from related parties	(4)	(6)	45
Deferred sales commissions	(41)	(53)	(65)
Investments, trading	(664)	(116)	(118)
Other assets	35	(122)	236
Accrued compensation and benefits	138	(140)	52
Accounts payable and accrued liabilities	114	(152)	164
Due to related parties	(8)	(35)	(356)
Other liabilities	163	117	112
Cash flows from operating activities	2,240	2,826	2,488

BlackRock, Inc.
Statement of Cash Flows (cont'd)
(in \$ millions)

	12/31/12	12/31/11	12/31/10
	Audited	Audited	Audited
Cash inflow/(outflow) from investing activities			
Purchases of investments	(402)	(204)	(656)
Purchases of assets held for sale	-	-	(1)
Proceeds from sales of disposal group	-	-	2
Proceeds from sales and maturities of investments	695	213	181
Distributions of capital from equity method investees	73	34	53
Net consolidation (deconsolidations) of sponsored investment funds	(215)	-	(52)
Acquisitions, net of cash acquired, and contingent payments	(267)	-	(23)
Purchases of property and equipment	(150)	(247)	(131)
Cash flows from investing activities	(266)	(204)	(627)
Cash inflow/(outflow) from financing activities			
Repayments of short term borrowings	-	(600)	(2,134)
Proceeds from short term borrowings	-	600	-
Repayments of convertible debt	-	(67)	(176)
Repayments of long term borrowings	(500)	-	-
Proceeds from long term borrowings	1,495	1,496	-
Cash dividends paid	(1,060)	(1,014)	(776)
Proceeds from stock options exercised	47	16	10
Proceeds from issuance of common stock	7	5	6
Repurchases of common stock	(1,645)	(2,885)	(264)
Merrill Lynch capital contribution	7	8	10
Net proceeds from (repayments of) borrowings by consolidated VIEs	331	(125)	-
Net (redemptions/distributions paid)/subscriptions received from non-controlling interests holders	300	54	110
Excess tax benefit from stock-based compensation	74	27	44
Cash inflow/(outflow) from financing activities	(944)	(2,485)	(3,170)
Effect of exchange rate changes on cash and cash equivalents	70	2	(32)
Net increase (decrease) in cash and cash equivalents	1,100	139	(1,341)
Cash and cash equivalents, beginning of period	3,506	3,367	4,708
Cash and cash equivalents, end of period	4,606	3,506	3,367

BlackRock, Inc.
Cash Flow Summary
(in \$ millions)

	12/31/12	12/31/11	12/31/10
	Audited	Audited	Audited
Net cash inflow/(outflow) from operating activities	2,240	2,826	2,488
Net cash inflow/(outflow) from investing activities	(266)	(204)	(627)
Net cash inflow/(outflow) from financing activities	(944)	(2,485)	(3,170)
Change in cash and cash equivalents	<u>1,100</u>	<u>139</u>	<u>(1,341)</u>
Cash and cash equivalents - beginning of the period	<u>3,506</u>	<u>3,367</u>	<u>4,708</u>
Cash and cash equivalents - end of the period	4,606	3,506	3,367

Equinix Inc.

General Information: Equinix, Inc. is a U.S. based public corporation that provides network-neutral data centers (IBX or "Internet Business Exchange") and interconnection services. The company offers collocation, traffic exchange and outsourced IT infrastructure solutions to enterprises, content companies, systems integrators and network service providers. Equinix was recently ranked 45th on 2012's InformationWeek 500, which is a list of the top technology innovators in the United States. Equinix has 90 IBX data centers in 31 strategic markets across the Americas, EMEA and Asia-Pacific, connecting more than 4,000 customers. In the U.S., data centers are in 12 metropolitan areas.

Assessment: Equinix is under contractual obligation to host data center services for the TSP at two sites. The TSP's primary data center operates out of a northern Virginia facility. On November 1, 2012, Equinix sold 16 U.S. data centers previously owned by Switch and Data to 365 Main for \$75 million. One of these data centers sold is the Pennsylvania center which serves as the backup data center for TSP. Equinix remains contractually obligated to oversee data center services for the TSP at this site. We have no indication that Equinix will be unable to perform its contractual commitments.

Current Financial Condition:

- **Income Statement:** Equinix reported revenue of \$1.9 billion for the twelve month period ending December 31, 2012, up 21 percent from the \$1.57 billion reported at year-end 2011. The Company reported Net Income of \$144.7 million at year-end 2012, an increase of 54 percent from the Net Income of \$94.0 million reported at year-end 2011.
- **Balance Sheet:** As of December 31, 2012, Total Assets of \$6.13 billion were reported, an increase of 6 percent from the \$5.8 billion reported at year-end 2011. Total Liabilities were \$3.71 billion, a decrease of 1 percent from the \$3.77 billion at year-end 2011.
- **Cash Flow:** Cash and cash equivalents were \$252.2 million at December 31, 2012, a decrease of 10 percent from the \$278.8 million reported for the twelve month period ending December 31, 2011.

Credit Score: As of December 31, 2012, the Dun & Bradstreet credit score class was 1 (lowest risk) unchanged from the prior quarter. Moody's conferred a long term rating of Ba3, Not on Watch, with a Positive Outlook.

Stock Performance: Equinix' closing share price and 52-week high was \$206.20 on December 31, 2012. The 52-week low was \$100.90 on January 4, 2012.

SAS 70/SSAE 16 Report: Brightline CPA & Associates Inc. reported in "The Independent Service Auditor's Report on a Description of a Service Organization's System and the Suitability of the Design and Operating Effectiveness of Controls" dated December 12, 2012. This report covers a review of 11 Equinix data centers, (including the northern Virginia data center used by FRTIB) and the Company's data center hosting services system for providing physical and environmental security support for user entities' information systems. The examination of the 11 Equinix data centers was conducted in the manner of attestation standards established in accordance with ISAE 3402 "Assurance Reports on Controls at a Service Organization," issued by the International Auditing and Assurance Standards Board. The report covered the period from November 1, 2011 to October 31, 2012, and identified no areas of concern to the TSP.

Significant Events:

- March 28, 2013 – Equinix announced that The Priceline Group, a leader in global online hotel reservations, is leveraging Platform Equinix (EQIX) to scale its operations rapidly and meet the growing demands of the online travel industry. Through the utilization of a virtualized architecture in Equinix DC6 International Business Exchange" (IBX®) data center in Ashburn, Virginia, Priceline has reduced its server count by 40 percent and achieved a 50 percent reduction in power consumption since deploying at Equinix. As a result of the deployment, Priceline has also improved its response time significantly. (Equinix website)
- March 11, 2013 - ElasticHosts, a global Cloud Server provider with hundreds of customers in over 60 countries worldwide, has established its first Asia-Pacific point-of-presence by deploying in Equinix' IBX data center in Hong Kong. (Equinix website)

Risk Mitigation: FRTIB considers it a very low probability that Equinix would suddenly cease to provide host services at the primary data center location in Northern Virginia. FRTIB has concluded the probability to be very low based in part on Equinix' own history and performance. They corporately survived the collapse of many "dot com" companies in the early 2000's upon which data hosting companies such as Equinix depended for revenue and profit. Equinix emerged out of that period stronger and more resilient as indicated in their overall growth and expanded international presence in more than 30 markets across 15 countries in the Americas, EMEA (Europe, Middle East, and Africa), and Asia-Pacific. Equinix is publicly traded on NASDAQ under the ticker symbol EQIX and there have been no reports of financial stress or service degradation. However, should either FRTIB determine or should Equinix indicate that

the Northern Virginia data center is no longer financially or operationally viable, FRTIB would work with Equinix to transfer our assets to another Equinix location in the greater Washington DC area that currently provides services and availability at least equal to the Northern Virginia location. Alternatively, FRTIB could issue letter contracts (an agreement to be negotiated at a later point) on an emergency basis to another data center hosting company if it was determined that the transfer to an alternate Equinix colocation site was not in the Board's best interests. A transfer to another location would require FRTIB to move the TSP off-line for a period of time.

Equinix Inc.
Income Statement
(in \$ thousands)

	12/31/12	12/31/11	12/31/10
	Audited	Audited	Audited
Revenues	1,895,744	1,569,784	1,196,214
Costs and operating expenses:			
Cost of revenues	943,995	833,851	652,156
Sales and marketing	202,914	158,347	110,765
General and administrative	329,399	265,554	220,618
Restructuring charges	-	3,481	6,734
Impairment charges	9,861	-	-
Acquisition costs	8,822	3,297	12,337
Total costs and operating expenses	1,494,991	1,264,530	1,002,610
Income from operations	400,753	305,254	193,604
Interest income	3,466	2,280	1,515
Interest expense	(200,328)	(181,303)	(140,475)
Other than temporary impairment loss on investments	-	-	3,626
Loss on debt extinguishment and interest rate swaps, net	(5,204)	-	(10,187)
Other income (expense)	(2,208)	2,821	692
Income before taxes	196,479	129,052	48,775
Income tax expense	(61,783)	(37,451)	(12,562)
Net income from continuing operations	134,696	91,601	36,213
Net income from discontinued operations	1,234	1,009	668
Gain on sale of discontinued operations	11,852	-	-
Net income attributable to redeemable non-controlling interests	(3,116)	1,394	-
Net income attributable to Equinix	144,666	94,004	36,881

Equinix Inc.
Balance Sheet
(In \$ thousands)

	12/31/12	12/31/11	12/31/10
	Audited	Audited	Audited
Assets			
Cash and cash equivalents	252,213	278,823	442,841
Short-term investments	166,492	635,721	147,192
Accounts receivable, net	163,840	139,057	116,358
Other current assets	57,206	182,156	71,657
Total Current Assets	639,751	1,235,757	778,048
Long term investments	127,819	161,801	2,806
Property, plant and equipment, net	3,918,999	3,225,912	2,650,953
Goodwill	1,042,564	866,495	774,365
Intangible assets, net	201,562	148,635	150,945
Other assets	202,269	146,724	90,892
Total assets	6,132,964	5,785,324	4,448,009
Liabilities and shareholders' equity			
Accounts payable and accrued expenses	268,853	229,043	145,854
Accrued property, plant and equipment	63,509	93,224	91,667
Current portion of capital lease and other financing obligations	15,206	11,542	7,988
Current portion of loans payable	52,160	87,440	19,978
Current portion of convertible debt	-	246,315	-
Other current liabilities	139,561	57,690	52,628
Total current liabilities	539,289	725,254	318,115
Capital lease and other financing obligations, less current portion	545,853	390,269	253,945
Loans payable, less current portion	188,802	168,795	100,337
Convertible debt	708,726	694,769	916,337
Senior notes	1,500,000	1,500,000	750,000
Other liabilities	230,843	286,424	228,760
Total liabilities	3,713,513	3,765,511	2,567,494
Redeemable non-controlling interests	84,178	67,601	-

Equinix Inc.
Balance Sheet (cont'd)
(in \$ thousands)

	12/31/12	12/31/11	12/31/10
	Audited	Audited	Audited
Shareholders' equity			
Common stock	49	48	46
Additional paid-in capital	2,583,371	2,437,623	2,341,586
Treasury Stock	(36,676)	(86,666)	-
Accumulated other comprehensive loss	(101,042)	(143,698)	(112,018)
Accumulated deficit	(110,429)	(255,095)	(349,099)
Total shareholders' equity	2,335,273	1,952,212	1,880,515
Total liabilities and shareholders' equity	6,132,964	5,785,324	4,448,009

Equinix Inc.
Statement of Cash Flows
(in \$ thousands)

	12/31/12	12/31/11	12/31/10
	Audited	Audited	Audited
Cash flows from operating activities			
Net income	147,782	92,610	36,881
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	374,716	328,610	246,544
Stock based compensation	84,158	71,532	67,489
Excess tax benefits from stock-based compensation	(72,631)	(81)	-
Restructuring charges	-	3,481	6,734
Impairment charges	9,861	-	-
Amortization of intangible assets	23,575	19,064	13,632
Accretion of asset retirement obligation and accrued restructuring charges	3,395	4,720	3,128
Amortization of debt issuance costs and debt discount	23,365	32,172	27,915
Allowance for doubtful accounts	4,186	4,987	2,056
Loss on debt extinguishment and interest rate swaps, net	5,204	-	10,187
Gain on sale of discontinued operations	(11,852)	-	-
Other items	2,704	5,146	2,254
Changes in operating assets and liabilities			
Accounts receivable	(26,601)	(23,061)	(39,886)
Income taxes, net	27,308	24,865	1,992
Other assets	1,334	(30,956)	(11,855)
Accounts payable and accrued expenses	31,282	41,973	35,175
Accrued restructuring charges	(2,556)	(3,079)	(4,426)
Other liabilities	6,796	15,626	(4,948)
Net cash provided by operating activities	632,026	587,609	392,872

Equinix Inc.
Statement of Cash Flows (cont'd)
(in \$ thousands)

	12/31/12 Audited	12/31/11 Audited	12/31/10 Audited
Cash flows from investing activities			
Purchases of investments	(442,870)	(1,268,574)	(744,798)
Sales of investments	362,266	125,674	25,174
Maturities of investments	579,855	495,865	827,540
Purchase of Asia Tone and ancotel, net of cash acquired	(202,338)	-	-
Purchase of ancotel, net of cash acquired	(84,236)	-	-
Purchase of Dubai IBX data center, net of cash acquired	(22,918)	-	-
Purchase of ALOG, net of cash acquired	-	(41,954)	-
Purchase of Switch and Data, net of cash acquired	-	-	(113,289)
Purchase of real estate	(24,656)	(28,066)	(14,861)
Purchases of other property, plant and equipment	(764,500)	(685,675)	(579,397)
Proceeds from the sale of discontinued operations	76,458	-	-
Increase in restricted cash	(8,696)	(97,724)	(1,582)
Release of restricted cash	88,762	1,000	244
Other investing activities, net	-	10	-
Net cash used in investing activities	(442,873)	(1,499,444)	(600,969)
Cash Flows from financing activities			
Purchases of treasury stock	(13,364)	(86,666)	-
Proceeds from employee equity awards	56,137	38,893	39,817
Excess tax benefits from stock-based compensation	72,631	81	-
Proceeds from senior notes	-	750,000	750,000
Proceeds from loans payable	262,591	95,336	121,581
Repayment of convertible debt	(250,007)	-	-
Repayment of mortgage and loans payable	(329,111)	(22,829)	(558,007)
Repayment of capital lease and other financing obligations	(12,378)	(10,426)	(16,133)
Debt issuance costs	(9,220)	(15,661)	(23,124)
Debt extinguishment costs	-	-	(4,448)
Net cash (used in) provided by financing activities	(222,721)	748,728	309,686

Equinix Inc.
Statement of Cash Flows (cont'd)
(in \$ thousands)

	12/31/12	12/31/11	12/31/10
	Audited	Audited	Audited
Effect of exchange rate on cash flows and cash equivalents	6,958	(911)	(4,804)
Net increase/decrease in cash and cash equivalents	(26,610)	(164,018)	96,785
Cash and equivalents at beginning of period	278,823	442,841	346,056
Cash and equivalents at end of period	252,213	278,823	442,841

Equinix Inc.
Cash Flow Summary
(in \$ thousands)

	12/31/12	12/31/11	12/31/10
	Audited	Audited	Audited
Net cash provided by operating activities from continuing operations	632,026	587,609	392,872
Net cash used in investing activities	(442,873)	(1,499,444)	(600,969)
Net cash provided by financing activities	(222,721)	748,728	309,686
Effect of exchange rate charges on cash	6,958	(911)	(4,804)
Net increase in cash and cash equivalents	(26,610)	(164,018)	96,785
Cash and cash equivalents - beginning of the period	278,823	442,841	346,056
Cash and cash equivalents - end of the period	252,213	278,823	442,841

R.R. Donnelley & Sons

General Information: R.R. Donnelley & Sons and Company provides bulk mailing services for the TSP. These services include printing and mailing Agency documents, education, and marketing materials to participants, beneficiaries, and third parties. R.R. Donnelley & Sons employs a suite of Internet based capabilities and other resources to provide pre-media, printing, logistics and Business Processing Outsourcing (BPO) products and services to clients in virtually every private and public sector.

Assessment: R.R. Donnelley was ranked number one in the publishing and printing industry with a Fortune 500 ranking of 249 in 2012, and has locations throughout North America, Latin America, Asia and Europe. The Company reported annual losses for 2007, 2008, 2009, 2011, and 2012 related to restructuring in light of reduced printing demand. The printing industry as a whole has steadily lost ground to electronic distribution of content and online advertising. R.R. Donnelley & Sons, as the largest participant in the industry, has broad-based services that address a variety of end markets. Its size confers important efficiencies, the capacity to provide one-stop service to clients, the ability to invest in leading technology, and the ability to cope with pricing pressure more successfully than many of its competitors. There is no indication at this time that it will be unable to meet its contractual obligations to the TSP.

Current Financial Condition:

- **Income Statement:** For the twelve month period ending December 31, 2012, R.R. Donnelley reported net sales of \$10.2 billion, down 4 percent from the \$10.6 billion reported for the year 2011. As of December 31, 2012, the Company reported a net loss of \$369.8 million, compared to a net income of \$65.2 million reported for the twelve month period ending December 31, 2011. This was due in large part to restructuring and impairment charges of \$1.1 billion, which included \$848.4 million for the impairment of goodwill, and \$158 million for the impairment of acquired customer relationship intangible assets. Other restructuring charges include \$66.6 million for employee termination costs, \$25.3 million for other costs attributable to lease termination and other facility closure costs, and \$20.2 million of impairment charges for other long-lived assets.
- **Balance Sheet:** As of December 31, 2012, \$7.3 billion of Total Assets were reported, down 12 percent from the \$8.3 billion reported at the end of 2011. Total Liabilities of

\$7.19 billion were reported, essentially flat from the \$7.2 billion reported for the twelve-month period ending December 31, 2011.

- **Cash Flow:** As of December 31, 2012, the Company reported cash and cash equivalents of \$430.7 million, a decrease of 4 percent from the \$449.7 million reported for the twelve-month period ending December 31, 2011.

Credit Score: As of March 18, 2013, the commercial credit score class (which is an indication of the likelihood that this company will pay its bills in a severely delinquent manner) was 1 (low risk), unchanged from the prior quarter. However, as of March 14, 2013, the financial stress class rating was changed to 3 (moderate risk), up from a low rating of 2 in the prior quarter. Moody's conferred a long term rating of Ba2, with a Negative Outlook, as of February 29, 2013. S & P's most recent rating was as of November 6, 2012, at which time they affirmed their BB rating of the company, revising their outlook to negative from stable.

Stock Performance: R. R. Donnelley's closing share price on December 31, 2012, was \$8.99, down from its 52-week high of \$15.09 on January 3, 2012. The 52-week low was \$8.58 on December 17, 2012. The removal of R.R. Donnelley from the S&P 500 has hurt their share price. In addition, investment analysts explain that stock market investors were shying away from high dividend-yield stocks such as R.R. Donnelley because of fears that the tax rate on dividends would jump to 43.4% from 15% in 2013. Recent dividend yields of 10%, however, have seen the stock price bounce back to \$11.02 on March 15, 2013.

SAS 70/SSAE 16 Report: The Board has just received a SOC 2 Type II report on March 27, 2013, which our Offices of Risk Management and Financial Management are reviewing. This is a Deloitte & Touch LLP report on controls relevant to security, availability, and confidentiality, and the dates of coverage are May 1, 2012 through October 31, 2012.

Significant Events:

- March 14, 2013 – R.R. Donnelley & Sons Company announced it has priced an offering of \$450 million of its 7.875% notes due 2021 in an underwritten public offering. The offering closed March 14, 2013. The Company intends to use the net proceeds from the offering, along with borrowings under its revolving credit facility, to fund tender offers up to \$500 million for certain of its outstanding debt securities, and to pay premiums in connection with those tender offers. (Financial Times)
- March 12, 2013 – R.R. Donnelley & Sons Company was awarded a multi-year agreement by International Airlines Group. R.R. Donnelley will provide a range of print

management, direct response, warehousing, and logistics services. (R.R. Donnelley website)

Risk Mitigation: If there were a work stoppage at the facilities currently producing our notices or statements, R.R. Donnelley would move that work from the affected facility to one or more of its other business sites. If R.R. Donnelley were to cease operations, we would pursue a new contract as soon as possible with other printing vendors and could procure emergency printing services in the interim.

R. R. Donnelley & Sons

Income Statement

(in \$ millions)

	12/31/12	12/31/11	12/31/10
	Audited	Audited	Audited
Net sales	10,221.9	10,611.0	10,018.9
Cost of sales	7,889.0	8,091.8	7,642.9
Selling, general & administrative expenses	1,102.6	1,236.3	1,123.4
Restructuring and impairment charges - net	1,118.5	667.8	157.9
Depreciation & amortization	481.6	549.9	539.2
Total operating expenses	10,591.7	10,545.8	9,463.4
Income from continuing operations	(369.8)	65.2	555.5
Interest expense - net	251.8	243.3	222.6
Investment and other income (expense) - net	2.3	10.6	(9.9)
Loss on debt extinguishment	16.1	(69.90)	-
Earnings before income taxes	(640.0)	(237.4)	323.0
Income taxes	13.6	(116.3)	105.9
Net earnings	(653.6)	(121.1)	217.1
Less: Income (loss) attributable to non-controlling interests	(2.2)	1.5	(4.6)
Net earnings attributable to RR Donnelley common shareholders	(651.4)	(122.6)	221.7

R. R. Donnelley & Sons

Balance Sheet

(In \$ millions)

	12/31/12 Audited	12/31/11 Audited	12/31/10 Audited
Assets			
Cash and cash equivalents	430.7	449.7	519.1
Receivables, less allowance for doubtful accounts	1,878.8	1,844.2	1,922.9
Income taxes receivable	-	32.4	49.3
Inventories	510.2	510.9	560.6
Prepaid expenses and other current assets	157.7	131.4	115.4
Total current assets	2,977.4	2,968.6	3,167.3
Property, plant and equipment - net	1,616.6	1,854.6	2,138.7
Goodwill	1,436.4	2,222.1	2,526.8
Other intangible assets net	382.9	590.3	775.0
Deferred income taxes	445.1	273.8	-
Other noncurrent assets	404.3	372.3	475.4
Total assets	7,262.7	8,281.7	9,083.2
Liabilities and shareholders' equity			
Accounts payable	1,210.3	1,063.3	939.8
Accrued liabilities	825.2	817.0	902.2
Short-term and current portion of long-term debt	18.4	243.7	131.4
Total current liabilities	2,053.9	2,124.0	1,973.4
Long-term debt	3,420.2	3,416.8	3,398.6
Pension liability	1,150.5	1,076.3	533.0
Postretirement benefit	241.7	227.3	287.4
Deferred income taxes	-	-	174.5
Other noncurrent liabilities	327.7	375.1	470.9
Total liabilities	7,194.0	7,219.5	6,837.8
Shareholders' equity			
Common stock	303.7	303.7	303.7
Additional paid-in capital	2,839.4	2,888.7	2,907.0
Retained earnings	(496.1)	342.4	670.2
Accumulated other comprehensive income	(1,029.2)	(863.3)	(490.4)
Treasury stock, at cost	(1,565.0)	(1,628.8)	(1,166.2)
Total shareholders' equity	52.8	1,042.7	2,224.3
Noncontrolling interests	15.9	19.5	21.1
Total liabilities and shareholders equity	7,262.7	8,281.7	9,083.2

R. R. Donnelley & Sons
Statement of Cash Flows
(in \$ millions)

	12/31/12	12/31/11	12/31/10
	Audited	Audited	Audited
Cash flows from operating activities			
Net earnings/(loss)	(653.6)	(121.1)	217.1
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Impairment charges	1,027.1	532.0	92.5
Depreciation & amortization	481.6	549.9	539.2
Provision for doubtful accounts receivable	8.7	18.8	22.8
Share-based compensation	25.4	28.3	28.6
Deferred taxes	(52.0)	(123.0)	(34.6)
Changes in uncertain tax positions	(26.4)	(107.8)	(42.6)
Gain on sale of investments and other assets-net	(1.0)	(16.0)	(1.8)
Net pension and postretirement benefits (income) expense	(42.4)	61.6	49.1
Loss on debt extinguishment	16.1	69.9	-
Gain on pension curtailment	(3.7)	(38.7)	(0.4)
Loss related to Venezuela currency devaluation	-	-	8.9
Other	41.7	27.3	47.5
Changes in operating assets and liabilities of continuing operations - net of acquisitions:			
Accounts receivable - net	(5.7)	38.3	(152.1)
Inventories	6.5	43.1	31.0
Prepaid expenses	4.0	(1.8)	8.2
Accounts payable	120.8	135.4	17.7
Income taxes payable and receivable	6.5	9.5	15.0
Accrued liabilities and other	(113.0)	(104.8)	(44.8)
Pension and postretirement benefits contributions	(148.7)	(54.6)	(48.8)
Net cash provided by operating activities of continuing operations	691.9	946.3	752.5
Net cash inflow/(outflow) from operating activities	691.9	946.3	752.5

R. R. Donnelley & Sons
Statement of Cash Flows (cont'd)
(in \$ millions)

	12/31/12 Audited	12/31/11 Audited	12/31/10 Audited
Cash flows from investing activities			
Capital expenditures	(205.9)	(250.9)	(229.4)
Acquisition of business, net of cash acquired	(126.9)	(142.4)	(439.8)
Proceeds from sale of Investments and other assets	50.7	27.2	26.1
Purchases of other investments	(2.5)	(7.0)	(31.7)
Transfers from restricted cash	(0.2)	(2.3)	0.3
Net Cash used for Investing Activities of continuing operations	(284.8)	(375.4)	(674.5)
Net cash inflow/(outflow) from investing activities	(284.8)	(375.4)	(674.5)
Cash flows from financing activities			
Proceeds from issuance of long-term debt	450.0	600.0	400.0
Net change in short-term debt	(1.4)	10.7	(3.8)
Payments of current maturities and long-term debt	(625.2)	(495.1)	(355.2)
Payments of credit facility borrowings	(65.0)	(55.0)	-
Proceeds from credit facility borrowings	-	-	120.0
Proceeds from termination of interest rate swaps	11.0	-	-
Debt issuance costs	(23.6)	(10.0)	(12.2)
Issuance of common stock	4.9	7.1	9.2
Acquisition of common stock	-	(500.0)	-
Dividends paid	(187.1)	(205.2)	(214.4)
Distribution to non-controlling interests	(1.6)	(3.5)	(1.6)
Net cash provided by (used for) financing activities of continuing operations	(438.0)	(651.0)	(58.0)
Net cash inflow/(outflow) from financing activities	(438.0)	(651.0)	(58.0)
Effect of exchange rate on cash flows and cash equivalents	11.9	10.7	(0.1)
Net increase/decrease in cash and cash equivalents	(19.0)	(69.4)	19.9
Cash and equivalents at beginning of period	449.7	519.1	499.2
Cash and equivalents at end of period	430.7	449.7	519.1

R. R. Donnelley & Sons
Cash Flow Summary
(in \$ millions)

	12/31/12	12/31/11	12/31/10
	Audited	Audited	Audited
Net cash inflow/(outflow) from operating activities from operating activities	691.9	946.3	752.5
Net cash inflow/(outflow) from investing activities	(284.8)	(375.4)	(674.5)
Net cash inflow/(outflow) from financing activities	(438.0)	(651.0)	(58.0)
Change in cash and cash equivalents	<u>(19.0)</u>	<u>(69.4)</u>	<u>19.9</u>
Effect of exchange rate charges on cash	<u>11.9</u>	<u>10.7</u>	<u>(0.1)</u>
Cash and cash equivalents - beginning of the period	<u>449.7</u>	<u>519.1</u>	<u>499.2</u>
Cash and cash equivalents - end of the period	430.7	449.7	519.1

MetLife

General Information: Metropolitan Life Insurance Company (MetLife) has been the annuity provider to the Thrift Savings Plan since 1987. The contract is competitively bid approximately every five years. The current contract was extended until August 2013, and is in the process of being re-bid.

Assessment: MetLife is a leading provider of insurance and financial services with operations throughout the United States and Latin America, Europe, and Asia. MetLife reaches more than 70 million customers around the world and is the largest life insurer in the United States, based on life insurance in force. MetLife's current financial position is strong and there is no indication at this time that MetLife will be unable to meet its contractual obligations to the TSP.

Current Financial Condition: As of December 31, 2012, MetLife reported Total Revenues of \$68.2 billion for the year, which is down 3 percent from the \$70.2 billion reported for the twelve-month period ending December 31, 2011.

- **Income Statement:** As of December 31, 2012, the Company reported Net Income of \$1.2 billion, down 80 percent from the \$6.2 billion gain reported at year-end 2011. The company attributes this change to predominantly a \$6.74 billion unfavorable charge in derivative gain/loss (net derivative loss of \$1.9 billion in 2012 versus a net derivative gain of \$4.8 billion in 2011), primarily driven by changes in interest rates, equity market movements, decreased volatility and the impact of a nonperformance risk adjustment. In addition, the current period includes a \$1.9 billion non-cash charge for goodwill impairment. Moreover, policyholder benefits and claims were higher than last year, due in large part to Superstorm Sandy.
- **Balance Sheet:** As of December 31, 2012, Total Assets of \$836.8 billion were reported, an increase of 5 percent from \$796.2 billion reported for the twelve-month period ending December 31, 2011. Total Liabilities were \$771.8 billion, also an increase of 5 percent from \$738.2 billion reported at year-end 2011.
- **Cash Flow:** The Company's short-term liquidity position, defined as cash and cash equivalents, was \$15.7 billion on December 31, 2012, an increase of 50 percent from the \$10.5 billion in cash and cash equivalents reported at year-end 2011.

Company Ratings: In May 2012 MetLife ratings on insurer's financial strength improved to stable, from negative. These ratings affirmations came on the back of solid performance

exhibited by the company in managing its diversified investment portfolio and enterprise risk to generate high quality earnings, and simultaneously securing its competitive advantage in the market. For instance, Standard & Poor's Ratings Services believes that MetLife is well positioned financially and its effort to sustain excess capital enables the company to attain more flexibility in the operational process, and conferred a rating of AA- as of February 5, 2013.

Credit Score: As of March 20, 2013, the credit score class was 1 (lowest risk) unchanged from the prior quarter. Moody's affirmed a long term rating of A3, Not on Watch, with a Negative Outlook, as of February 5, 2013.

Stock Performance: The MetLife closing share price on December 31, 2012 was \$32.94, up from its 52-week low of \$27.60.

SAS 70 Report: There is no SAS report available.

Significant Events:

- March 8, 2013 – Carlos M. Gutierrez (former U.S. Secretary of Commerce) was elected to MetLife's Board of Directors. (WSJ)
- January 14, 2013 – MetLife completed the sale of MetLife Bank, N.A.'s deposit business to GE Capital Retail Bank, FSB. Approximately \$6.4 billion in bank deposits have been transferred to GE Capital Retail Bank. This move allows MetLife, the largest life insurer, to exit from a bank holding company structure. As a bank holding company MetLife was subject to oversight by the Federal Reserve, which had blocked MetLife from raising dividends or buying back shares due to a failed stress test. (MarketWatch)

Risk Mitigation: The Company ratings show that MetLife continues to have adequate reserves to pay all annuities into the future. It is the Board's practice to select only annuity providers that meet the highest standards. By requiring that providers be licensed to do business in all 50 states and the District of Columbia, we ensure that state insurance funds would be available to reimburse annuitants should a loss occur and that the provider would meet the most stringent state regulations.

MetLife, Inc.
Income Statement
(in \$ millions)

	12/31/12	12/31/11	12/31/10
	Audited	Audited	Audited
Revenues			
Premiums	37,975	36,361	27,071
Universal life and investment-type product policy fees	8,556	7,806	6,028
Net investment income	21,984	19,585	17,493
Other revenues	1,906	2,532	2,328
Net investment gains (losses)	(352)	(867)	(408)
Net derivative gains (losses)	(1,919)	4,824	(265)
Total revenues	68,150	70,241	52,247
Expenses			
Policyholder benefits and claims	37,987	35,471	29,187
Interest credited to policyholder account balances	7,729	5,603	4,919
Policyholder dividends	1,369	1,446	1,485
Goodwill impairment	1,868	-	-
Other expenses	17,755	18,537	12,927
Total expenses	66,708	61,057	48,518
Income (loss) from continuing operations before provision for income taxes	1,442	9,184	3,729
Provision for income tax expense (benefit)	128	2,793	1,110
Income from continuing operations	1,314	6,391	2,619
Income (loss) from discontinued operations, net of income taxes	48	24	44
Net income/(loss)	1,362	6,415	2,663
Less: Net income (loss) attributable to no-controlling interests	38	(8)	(4)
Income before cumulative effect of a change in accounting, net of income taxes	1,324	6,423	2,667
Less: Preferred Stock Dividends & redemption premium	122	268	122
Net income/(loss)	1,202	6,155	2,545

MetLife, Inc.
Balance Sheet
(in \$ millions)

	12/31/12	12/31/11	12/31/10
	Audited	Audited	Audited
Assets			
Investments:			
Fixed maturity securities available for sale	374,266	350,271	324,797
Equity securities	2,891	3,023	3,602
Trading and other securities available for sale	16,348	18,268	18,589
Mortgage loans	57,006	72,093	62,297
Policy loans	11,884	11,892	11,761
Real estate and real estate joint ventures held for investment	9,918	8,563	8,030
Other limited partnership interests	6,688	6,378	6,416
Short term investments	16,906	17,310	9,384
Other invested assets	21,145	23,581	15,430
Total investments	517,052	511,379	460,306
Cash and cash equivalents	15,738	10,461	12,957
Accrued investment income	4,374	4,344	4,328
Premiums, reinsurance and other receivables	21,634	22,481	19,799
Deferred policy acquisition costs	24,761	24,619	27,092
Current income taxes recoverable	-	-	-
Goodwill	9,953	11,935	11,781
Other assets	7,876	7,984	8,174
Assets of subsidiaries held for sale	-	-	3,331
Separate account assets	235,393	203,023	183,138
Total assets	836,781	796,226	730,906

MetLife, Inc.
Balance Sheet (cont'd)
(in \$ millions)

	12/31/12	12/31/11	12/31/10
	Audited	Audited	Audited
Liabilities and stockholders' equity			
Liabilities			
Future policy benefits	192,351	184,275	170,912
Policyholder account balances	225,821	217,700	210,757
Other policy-related balances	15,463	15,599	15,750
Policyholder dividends payable	728	774	830
Policyholder dividend obligation	3,828	2,919	876
Payables for collateral under securities loaned and other transactions	33,687	33,716	27,272
Bank deposits	6,416	10,507	10,316
Short term debt	100	686	306
Long term debt	19,062	23,692	27,586
Collateral financing arrangements	4,196	4,647	5,297
Junior subordinated debt securities	3,192	3,192	3,191
Current income tax payable	401	193	297
Deferred income tax liability	8,693	6,395	1,856
Other liabilities	22,492	30,914	20,366
Liabilities of subsidiaries held for sale	-	-	3,043
Separate account liabilities	235,393	203,023	183,138
Total liabilities	771,823	738,232	681,793

MetLife, Inc.
Balance Sheet (cont'd)
(in \$ millions)

	12/31/12	12/31/11	12/31/10
	Audited	Audited	Audited
Redeemable non-controlling interest in partially owned consolidated subsidiaries	121	105	117
Stockholders' equity			
Preferred stock	1	1	1
Common stock	11	11	10
Additional paid in capital	28,011	26,782	26,423
Retained earnings	25,205	24,814	21,363
Treasury stock, at cost	(172)	(172)	(172)
Accumulated other comprehensive income (loss)	11,397	6,083	1,000
Total stockholders equity	64,453	57,519	48,625
Non-controlling interests	384	370	371
Total Equity	64,837	57,889	48,996
Total liabilities and equity	836,781	796,226	730,906

MetLife, Inc.
Statement of Cash Flows
(in \$ millions)

	12/31/12	12/31/11	12/31/10
	Audited	Audited	Audited
Cash flows from operating activities			
Net income (loss)	1,362	6,415	2,663
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expenses	596	679	585
Amortization of premiums and accretion of discounts, net	(426)	(477)	(1,078)
(Gains) losses from sales of investments and businesses, net	3,197	(3,181)	854
(Income) loss from equity method investments, net of dividends or distributions	108	315	48
Interest credited to policyholder account balances	7,729	5,603	4,925
Interest credited to bank deposits	78	95	137
Universal life and investment type product policy fees	(8,556)	(7,806)	(6,037)
Goodwill impairment	1,868	-	-
Change in fair value option and trading securities	1,900	648	(1,369)
Change in residential mortgage loans held-for-sale, net	3,370	(4,530)	(487)
Change in mortgage servicing rights	153	(60)	(165)
Change in accrued investment income	219	525	(206)
Change in premiums and other receivables	(109)	58	(1,023)
Change in deferred policy acquisition costs, net	(1,139)	(591)	(370)
Change in income tax payable	(883)	1,742	1,231
Change in other assets	2,951	2,360	1,948
Change in insurance related liabilities and policy-related balances	5,918	7,081	6,491
Change in other liabilities	(1,699)	1,136	(315)
Other, net	523	261	153
Net cash inflow/(outflow) from operating activities	<u>17,160</u>	<u>10,273</u>	<u>7,985</u>

MetLife, Inc.
Statement of Cash Flows (cont'd)
(in \$ millions)

	12/31/12	12/31/11	12/31/10
	Audited	Audited	Audited
Cash flows from investing activities			
Sales, maturities and repayments of:			
Fixed maturity securities	103,823	104,302	86,529
Equity securities	1,140	2,006	1,371
Mortgage loans	14,673	13,486	6,361
Real estate and real estate joint ventures	1,018	1,296	322
Other limited partnership interests	974	1,121	522
Purchases of:			
Fixed maturity securities	(115,793)	(116,939)	(100,713)
Equity securities	(627)	(1,481)	(949)
Mortgage loans	(11,442)	(14,694)	(8,967)
Real estate and real estate joint ventures	(1,942)	(1,534)	(786)
Other limited partnership interests	(1,323)	(1,147)	(1,008)
Cash received in connection with freestanding derivatives	1,933	2,815	1,814
Cash paid in connection with freestanding derivatives	(3,258)	(3,478)	(2,548)
Net change in securitized reverse residential mortgage loans	(1,198)	-	-
Sales of businesses, net of cash received	576	126	-
Sale of interest in joint ventures	-	265	-
Disposal of subsidiary	-	4	-
Purchases of businesses, net of cash disposed	(16)	(163)	(3,021)
Net change in policy loans	(111)	(66)	(225)
Net change in short term investments	593	(7,949)	3,033
Net change in other invested assets	(791)	(19)	148
Other, net	(158)	(169)	(186)
Net cash inflow/(outflow) from investing activities	(11,929)	(22,218)	(18,303)

MetLife, Inc.
Statement of Cash Flows (cont'd)
(in \$ millions)

	12/31/12	12/31/11	12/31/10
	Audited	Audited	Audited
Cash Flows from financing activities			
Policy holder account balance:			
Deposits	91,284	91,946	74,296
Withdrawals	(86,994)	(87,625)	(69,739)
Net change in payables for collateral under securities loaned and other transactions	(29)	6,444	3,076
Net change in bank deposits	(4,169)	96	(32)
Net change in short term debt	(586)	380	(606)
Long term debt issued	750	1,346	5,090
Long term debt repaid	(1,702)	(2,042)	(1,061)
Collateral financing arrangements repaid	(349)	(502)	-
Cash received (paid) in connection with collateral financing arrangements	(44)	37	-
Net change in liability for securitized reverse residential mortgage loans	1,198	-	-
Common stock issued, net of issuance costs	1,000	2,950	3,529
Redemption on convertible preferred stock	-	(2,805)	-
Preferred stock redemption premium	-	(146)	-
Dividends on preferred stock	(122)	(122)	(122)
Dividends on common stock	(811)	(787)	(784)
Other, net	609	212	(266)
Net cash inflow/(outflow) from financing activities	35	9,382	13,381
Effect of change in foreign currency exchange rates on cash balances	11	(22)	(129)
Change in cash and cash equivalents	5,277	(2,585)	2,934
Cash and cash equivalents, beginning of period	10,461	13,046	10,112
Cash and cash equivalents, end of period	15,738	10,461	13,046

MetLife, Inc.
Cash Flow Summary
(in \$ millions)

	12/31/12 Audited	12/31/11 Audited	12/31/10 Audited
Net cash inflow/(outflow) from operating activities	17,160	10,273	7,985
Net cash inflow/(outflow) from investing activities	(11,929)	(22,218)	(18,303)
Net cash inflow/(outflow) from financing activities	35	9,382	13,381
Change in cash and cash equivalents	5,277	(2,585)	2,934
Cash and cash equivalents - beginning of the period	10,461	13,046	10,112
Cash and cash equivalents - end of the period	15,738	10,461	13,046

The Active Network, Inc.

General Information: The Active Network, Inc., formerly InfoSpherix, formerly Spherix, has managed the Maryland TSP call center since July 2004. The current contract began in March 2009 and runs through March 2015. We are in option year two (March 4, 2013 – March 3, 2014) and have one option year left.

Active Network provides technology to organizations throughout the world that host activities or manage facilities. The Company services over 50,000 global business customers and over 80 million transactions annually to include helping organizations get participants. The Company's application services are used by event organizers, parks and recreation department administrators, and sports league administrators to provide online registration, transaction processing, and data management. The Company markets its services in North America, Europe, China, and Australia/New Zealand, managing online entry, software needs and websites for over 1,000 events, tournaments, golf courses and facilities in these regions. About 99 percent of its sales are in the United States and Canada. Revenues consist of fees received for registration services, software licensing, software maintenance, subscription revenues related to hosting arrangements, and marketing services.

Assessment: The Active Network, Inc. was founded in 1998 and has shown a pattern of rapid growth through acquisition. These acquisitions have strengthened The Active Network's presence in such business segments as sports marketing, online registration, data management, and tee time reservations. We will continue to monitor The Active Network's financial data to ensure they remain able to fulfill the terms of the call center contract.

Current Financial Condition: Results from The Active Network's audited financial statements for the twelve month period ended December 31, 2012, are reported below.

- **Income Statement:** The Active Network reported Total Net Revenues of \$418.9 million as of December 31, 2012, an increase of 24 percent over the same period in 2011, when revenues were \$337.4 million. The Company reported operations net loss of \$43 million for the period, compared to a net loss of \$15.3 million reported for same period in 2011.
- **Balance Sheet:** As of December 31, 2012, Total Assets were \$542.5 million, a 10 percent decrease from \$600.6 million same time 2011. Total Liabilities of \$210 million were reported on December 31, 2012, a decrease of 17 percent from \$253.9 million reported for the same period in 2011.

- **Cash Flow:** The Company's short-term liquidity position, defined as cash and cash equivalents, was reported as \$58.5 million for the twelve month period ending December 31, 2012 and \$108.7 million as of December 31, 2011, which reflected a 46 percent decrease.

Dun & Bradstreet Credit Score Class: As of March 22, 2013, Dun & Bradstreet was not reporting a credit score for The Active Network, Inc. Moody's has no report available.

Stock Performance: The Active Network's closing share price on December 31, 2012, was \$4.91. The 52 week high was \$17.74, reached on March 13, 2012, and the 52 week low was \$4.65, on December 6, 2012.

SAS 70 Report: Not available.

Significant Events:

- Mar. 27, 2013 - Organizations spend an estimated 9% on meetings and events each year¹, yet determining the return on investment (ROI) of those programs can be difficult. Choosing smart event management software can not only help organizations increase efficiency and attendee engagement, but also extract the intelligence needed to grow their business. Today, the leader in cloud based activity and participant management" (APM) solutions, published a buyers guide on the top ten questions smart companies need to ask when purchasing event management software.
- Jan. 22, 2013 - Announced that travel, hospitality, and meetings industry veteran, Rick Binford, CMP, will be joining its Business Solutions Group as Vice President, Strategic Marketplace Development. In this role, Binford will further ACTIVE Network's commitment to deliver solutions and programs that help drive growth for suppliers and intermediaries and foster strategic partnerships with industry innovators to enable smart events for customers globally.

Risk Mitigation: If The Active Network were unable to operate the Frostburg, Maryland call center, the Serco Inc. (formerly SI International) call center in Clintwood, Virginia could handle all calls pending establishment of a new call center. Although Clintwood would be able to handle all calls, they would not be able to maintain service level metrics.

The Active Network, Inc.

Income Statement

(in \$ thousands)

	12/31/2012	12/31/2011	12/31/2010
	Audited	Audited	Audited
Net Revenue:			
Technology revenue	370,472	290,480	237,688
Marketing services revenue	48,421	46,910	41,912
Total Net Revenue	418,893	337,390	279,600
Cost of net revenue:			
Cost of Technology revenue	184,954	144,962	115,148
Cost of Marketing services revenue	6,865	5,952	6,203
Total cost of net revenue	191,819	150,914	121,351
Gross Profit	227,074	186,476	158,249
Operating Expenses:			
Sales and marketing	97,091	70,251	59,106
Research and development	81,408	66,753	61,107
General and administrative	65,924	51,126	42,404
Amortization of intangibles	22,277	14,962	16,147
Total operating expenses	266,700	203,092	178,764
Income / (Loss) From Operations	(39,626)	(16,616)	(20,515)
Interest Income (Loss)	87	119	150
Interest expense	(664)	(2,890)	(5,438)
Other (expense) income, net	1,157	(14)	455
Loss before income taxes	(39,046)	(19,401)	(25,348)
Income tax provision	3,980	(4,074)	1,924
Net loss	(43,026)	(15,327)	(27,272)
Accretion of redeemable convertible preferred stock	-	(11,810)	(28,157)
Net loss attributable to common stockholders	(43,026)	(27,137)	(55,429)

The Active Network, Inc.

Balance Sheet

(in \$ thousands)

	12/31/2012	12/31/2011	12/31/2010
	Audited	Audited	Audited
Assets:			
Cash and cash equivalents	58,493	108,699	31,441
Restricted cash	1,145	1,502	5,000
Registration Receivable	16,260	14,006	-
Accounts Receivable, Net	51,363	52,463	34,096
Inventories	4,809	1,662	-
Prepaid Expenses & Other Current Assets	8,922	7,509	4,181
Total Current Assets	140,992	185,841	74,718
Property & Equipment, Net	41,236	33,830	28,181
Software Development Costs, Net	51,151	45,093	37,013
Goodwill	243,716	243,320	207,113
Intangible Assets, Net	62,806	90,340	41,208
Other LT Assets	2,569	2,133	-
Deposits and other assets	-	-	2,315
Total Assets	542,470	600,557	390,548
Current Liabilities:			
Accounts payable	8,174	8,516	5,372
Registration fees payable	61,272	72,405	40,667
Accrued expenses	38,865	41,106	32,172
Deferred Revenue	66,846	54,919	34,013
Current portion of debt	-	5,000	16,866
Capital lease obligations, current portion	2,774	3,317	1,983
Other current liabilities	4,373	42,613	1,630
Total Current Liabilities	182,304	227,876	132,703
Debt, net of current portion	-	-	27,537
Capital lease obligations, net of current portion	2,462	1,652	1,663
Other long-term Liabilities	6,192	6,147	4,353
Deferred Tax liability	19,065	18,243	17,960
Total Liabilities	210,023	253,918	184,216

The Active Network, Inc.

Balance Sheet (cont'd)

(in \$ thousands)

	12/31/2012	12/31/2011	12/31/2010
	Audited	Audited	Audited
Convertible Preferred Stock	-	-	21,187
Redeemable Convertible Preferred Stock	-	-	371,126
Total Preferred Stock	-	-	392,313
Common stock	62	58	9
Treasury stock	(11,959)	(11,959)	(11,959)
Additional paid-in capital	653,694	625,875	65,224
Accumulated other comprehensive income	8,934	7,923	8,866
Accumulated deficit	(318,284)	(275,258)	(248,121)
Total Stockholders Equity (deficit)	332,447	346,639	(185,981)
Total Liabilities & Equity	542,470	600,557	390,548

The Active Network, Inc.
Cash Flow Statement
(in \$ thousands)

	12/31/2012	12/31/2011	12/31/2010
	Audited	Audited	Audited
Cash flows from operation activities			
Net income (loss)	(43,026)	(15,327)	(27,272)
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Depreciation and amortization	33,343	24,386	19,230
Amortization of intangible assets	27,972	20,471	21,057
Stock-based compensation expense	16,728	7,795	5,348
Allowance for doubtful accounts	(648)	258	(566)
Deferred tax liability	1,370	(5,016)	1,239
Amortization of acquisition-related costs	(897)	(813)	-
Gain on contingent consideration	(1,123)	-	-
Accretion of discount on debt	-	191	1,055
Loss on extinguishment of debt	-	538	-
Gain on bargain purchase in business combination	-	-	(21)
Loss on disposition of assets	-	-	46
Change in operating assets and liabilities - net of effect of acquisitions			
Restricted cash	357	4,190	-
Registration receivable	(2,254)	(5,378)	(1,685)
Accounts receivable	1,849	(6,961)	(4,586)
Inventories	(3,147)	(1,662)	-
Prepaid expenses and other assets	(2,513)	1,071	(262)
Accounts payable	(237)	(279)	1,080
Registration fees payable	(11,133)	31,738	10,509
Accrued expenses	(2,904)	1,166	5,486
Deferred revenue	11,894	6,400	8,800
Other liabilities	1,921	2,935	2,637
Net cash inflow/(outflow) from operating activities	27,552	65,703	42,095
Cash flows from investing activities:			
Purchases of property and equipment	(17,765)	(12,514)	(14,767)
Capitalized software development	(23,026)	(18,651)	(15,651)
Cash (paid) received from acquisitions, net of cash acquired	(38,175)	(35,144)	(125)
Payment of contingent consideration	-	(625)	(2,182)
Net cash inflow/(outflow) from investing activities	(78,966)	(66,934)	(32,725)

The Active Network, Inc.
Cash Flow Statement (cont'd)
(in \$ thousands)

	12/31/2012	12/31/2011	12/31/2010
	Audited	Audited	Audited
Cash flows from financing activities:			
Proceeds from issuance of common stock	10,955	5,187	2,584
Payments on capital lease obligations	(4,730)	(2,595)	(1,898)
Proceeds (repayment) of long-term debt	(5,000)	(36,628)	(5,035)
Net Proceeds from initial public offering	-	112,566	-
Net cash Inflow/(outflow) from financing activities	1,225	78,530	(4,349)
Effect of exchange rates on cash	(17)	(41)	39
Change in cash and cash equivalents	(50,206)	77,258	5,060
Cash and cash equivalents - beginning of period	108,699	31,441	26,381
Cash and cash equivalents - end of period	58,493	108,699	31,441

The Active Network, Inc.
Cash Flow Summary
(In \$ thousands)

	12/31/2012	12/31/2011	12/31/2010
	<u>Audited</u>	<u>Audited</u>	<u>Audited</u>
Net cash inflow/(outflow) from operating activities	27,552	65,703	42,095
Net cash inflow/(outflow) from investing activities	(78,966)	(66,934)	(32,725)
Net cash inflow/(outflow) from financing activities	1,225	78,530	(4,349)
Change in cash and cash equivalents	<u>(50,206)</u>	<u>77,258</u>	<u>5,060</u>
Effect of exchange rate charges on cash	(17)	(41)	39
Cash and cash equivalents - beginning of the period	108,699	31,441	26,381
Cash and cash equivalents - end of the period	58,493	108,699	31,441

SunGard

General Information: FRTIB contracts directly with SunGard for their suite of Omni software products that form the core of the TSP Recordkeeping System. SunGard's Professional Services unit also operates as a key subcontractor to Serco, FRTIB's prime contractor for software development and maintenance, including Recordkeeping software. SunGard is a multinational company based in Wayne, Pennsylvania, which provides software and services to education, financial services, and public sector organizations. SunGard also provides disaster recovery services, managed IT services, information availability consulting services and business continuity management software. The company has more than 25,000 customers in more than 70 countries.

Assessment: SunGard was ranked at 480th in the U.S. Fortune 500 list in the year 2012. SunGard provides software and processing for financial services, higher education and the public sector. The Company has reported annual Net Losses for 2009 through 2012 but has continued to improve results. There is no indication at this time that it will be unable to meet its direct contractual obligations to the TSP or its subcontractor obligations to Serco.

Current Financial Condition:

- **Income Statement:** For the twelve month period ending December 31, 2012, SunGard reported Net Revenues of \$4.26 billion, down 4 percent from the \$4.44 billion reported at year-end 2011. The Company reported a Net Loss of \$66 million (including a \$385 million non-cash write-down of goodwill in the Availability Services business), an improvement from the Net Loss of \$149 million reported at year-end 2011.
- **Balance Sheet:** As of December 31, 2012, \$10.02 billion of Total Assets were reported, down 20 percent from the \$12.55 billion reported at year-end 2011. Total Liabilities of \$9.3 billion were reported, down 16 percent from the \$11.1 billion reported for the twelve-month period ending December 31, 2011.
- **Cash Flow:** As of December 31, 2012, the Company reported cash and cash equivalents of \$546 million, a decrease of 37 percent from the \$873 million reported at year-end 2011.

Credit Scores: As of December 31, 2012, Dun & Bradstreet's credit score class was 1 (low risk). On February 19, 2013, Standard & Poor's Rating Services (S&P) assigned a "BB" rating to SunGard Data Systems' proposed issuance of a \$2 billion term loan maturing 2020. The recovery rating for this loan is "1", indicating S&P's expectation of a very high (90%-100%)

recovery in the event of a payment default. The issue proceeds will be used to refinance existing debt. S&P's corporate credit rating of "B+" for SunGard is unchanged from prior periods. Moody's conferred a long term rating of B2, Not on Watch, as of February 20, 2013, and their Outlook has remained Stable since August 17, 2005.

Stock Performance: SunGard is a privately held company but because of obligations in connection with bond debt, it is a registrant with the Securities and Exchange Commission (SEC).

SAS 70/SSAE 16 Report: Not available at this time.

Significant Events:

- March 25, 2013 – SunGard was announced as a finalist in the 2013 Revenue Performance Excellence Awards in the category "Most Dramatic Business Impact" for representing a stellar example of marketers developing innovative best practices and executing at the highest levels. Finalists were selected based on the following criteria: innovation, leadership, success metrics, and business impact. (SunGard website)
- March 14, 2013 – Burton-Taylor International Consulting's report on 2012 global spend for market data and analysis shows that SunGard MarketMap (12.25 percent of market share) delivered one of the highest five-year growth rates among market data/analysis vendors with at least 25 percent of revenue coming from outside their base country. (MarketWatch)

Risk Mitigation: The risk of losing product support and maintenance and professional services from SunGard is low. Because SunGard is an industry leader in the sales and support of Recordkeeping software (Omni), should SunGard be acquired or merge with another vendor, FRTIB can reasonably assume that the critical product suite Omni would be part of the transition, and support and maintenance would continue. Professional services staff would most likely transfer to the acquiring or merger firm as well. In the latter case, however, the low risk is further mitigated as there are numerous third party companies from which we could obtain equivalent Omni professional services.

SunGard*
Income Statement
(In \$ millions)

	12/31/12	12/31/11	12/31/10
	Audited	Audited	Audited
Revenue:			
Services	\$3,926	4,056	4,024
License and resale fees	275	289	294
Total products and services	4,201	4,345	4,318
Reimbursed expenses	62	95	119
Total	4,263	4,440	4,437
Costs and expenses:			
Cost of sales and direct operating	1,740	1,848	1,895
Sales, marketing and administration	1039	1,108	1,057
Product development	353	393	350
Depreciation and amortization	287	271	278
Amortization of acquisition-related intangible assets	385	435	448
Goodwill impairment charge and merger costs	385	48	205
Total operating expenses	4,189	4,103	4,233
Operating Income (loss)	74	337	204
Interest income	1	3	2
Interest expense and amortization of deferred financing fees	(428)	(524)	(638)
Loss of extinguishment of debt	(82)	(3)	(58)
Other income (expense)	-	-	7
Income (loss) from continuing operations before income taxes	(435)	(187)	(483)
Benefit from (provision for) income taxes	38	118	69
Income (loss) from continuing operations	(397)	(69)	(414)
Income (loss) from discontinued operations, net of tax	331	(80)	(156)
Net income (loss)	(66)	(149)	(570)

*SunGard Data Systems, Inc.

SunGard*
Balance Sheet
(in \$ millions)

	Audited		
	12/31/12	12/31/11	12/31/10
Assets			
Current:			
Cash and cash equivalents	546	867	771
Accounts receivable, net	900	934	833
Prepaid expenses and other current assets	224	117	166
Clearing broker assets	6	213	230
Deferred income taxes	-	-	7
Assets related to discontinued operations	-	1,350	1,339
Total current assets	1,676	3,481	3,346
Property, plant and equipment, less accumulated depreciation	874	893	892
Software products, less accumulated amortization	411	554	723
Customer base, less accumulated amortization	1,367	1,574	1,806
Other intangible assets, less accumulated amortization**	1,151	1,163	187
Goodwill	4,539	4,885	4,856
Long term assets of discontinued operations	-	-	-
Total long term assets	8,342	9,069	8,464
Total assets	10,018	12,550	11,810
Liabilities and shareholders' equity			
Current:			
Short-term and current portion of long-term debt	63	10	9
Accounts payable	32	59	856
Accrued compensation and benefits	297	291	-
Accrued interest expense	41	92	
Other accrued expenses	234	262	
Clearing broker liabilities	4	179	210
Deferred revenue	836	862	887
Deferred income taxes	-	76	-
Liabilities related to discontinued operations	-	246	243
Total current liabilities	1,507	2,077	2,205
Long-term debt	6599	7,819	8,046
Other long-term liabilities	76	76	-
Deferred income taxes	1120	1,117	1,114
Total long term liabilities	7,795	9,012	9,160
Total liabilities	9,302	11,089	11,365

SunGard*
Balance Sheet (cont'd)
(in \$ millions)

	Audited		
	12/31/12	12/31/11	12/31/10
Capital in excess of par value	3,490	3,793	2,703
Treasury stock, at cost	-	-	(34)
Accumulated deficit	(2,771)	(2,286)	(2,970)
Accumulated other comprehensive income (loss)	(3)	(46)	(29)
Total SunGard Capital Corp. stockholders' equity (deficit)	716	1,461	(330)
Total liabilities and shareholders equity	10,018	12,550	11,035

*SunGard Data Systems, Inc.

**Customer base and Other assets, less accumulated amortization

SunGard*
Statement of Cash Flows
(In \$ millions)

	12/31/12 Audited	12/31/11 Audited	12/31/10 Audited
Cash flows from operating activities			
Net loss	(66)	(149)	(570)
Income (loss) from discontinued operations	331	(80)	(156)
Income (loss) from continuing operations	(397)	(69)	(414)
Reconciliation of income (loss) from continuing operations to cash flow from (used in) operations:			
Depreciation and amortization	672	706	726
Goodwill impairment charge	385	48	205
Deferred income tax provision (benefit)	(80)	(156)	(84)
Stock compensation expense	38	33	29
Amortization of deferred financing costs and debt discount	36	40	43
Loss on extinguishment of debt	82	3	58
Other noncash items	(1)	2	3
Accounts receivable and other current assets	51	75	25
Accounts payable and accrued expenses	(128)	(36)	28
Accrued Income Tax	-	-	-
Clearing broker assets and liabilities, net	33	(14)	18
Deferred revenue	(46)	(26)	(36)
Cash flow from (used in) continuing operations	645	606	601
Cash flow from (used in) discontinued operations	(401)	72	120
Cash flow from (used in) operations	244	678	721
Cash flows from investing activities			
Cash paid for acquired businesses, net of cash acquired	(40)	(35)	(82)
Cash paid for property and equipment and software	(260)	(276)	(298)
Other investing activities	3	(4)	4
Cash flow provided by (used in) continuing operations	(297)	(315)	(376)
Cash flow provided by (used in) discontinued operations	1,758	(11)	116
Cash flow provided by (used in) investment activities	1,461	(326)	(260)

SunGard*
Statement of Cash Flows
(in \$ millions)

	12/31/12	12/31/11	12/31/10
	Audited	Audited	Audited
Cash flows from financing activities			
Cash received from borrowings, net of fees	1,715	1	1,633
Cash used to repay debt	(2,946)	(239)	(1,924)
Premium to retire debt	(48)	-	(41)
Dividends paid	(724)	-	-
Other financing activities	(36)	(15)	(12)
Cash flow provided by (used in) continuing operations	(2,039)	(253)	(344)
Cash flow provided by (used in) discontinued operations	-	-	-
Cash flow provided by (used in) financing activities	(2,039)	(253)	(344)
 Effect of exchange rate changes on cash	 7	 (4)	 (3)
 Increase/decrease in cash and cash equivalents	 (327)	 95	 114
 Cash and equivalents at beginning of year includes cash of discontinued operations:	 <u>873</u>	 <u>778</u>	 <u>664</u>
 Cash and equivalents at end of year includes cash of discontinued operations:	 <u>546</u>	 <u>873</u>	 <u>778</u>

*SunGard Data Systems, Inc.

SunGard*
Cash Flow Summary
(In \$ millions)

	12/31/2012	12/31/11	12/31/10
	Audited	Audited	Audited
Net cash inflow/(outflow) from operating activities	244	678	721
Net cash inflow/(outflow) from investing activities	1,461	(326)	(260)
Net cash inflow/(outflow) from financing activities	(2,039)	(253)	(344)
Change in cash and cash equivalents	<u>(327)</u>	<u>95</u>	<u>114</u>
Effect of exchange rate charges on cash	<u>7</u>	<u>(4)</u>	<u>(3)</u>
Cash and cash equivalents - beginning of the period	<u>873</u>	<u>778</u>	<u>664</u>
 Cash and cash equivalents - end of the period	 546	 873	 778

*SunGard Data Systems Inc.