



**Federal Retirement
Thrift Investment Board**

QUARTERLY VENDOR FINANCIAL ASSESSMENT

Board Presentation: January 26, 2014

Prepared by:
Office of Enterprise Risk Management (OERM)

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BlackRock, Inc. (BLK)

Exchange: NYSE

Sector: Financials

Industry: Asset Management

Company Overview:

- BlackRock, Inc. (BlackRock) is the world's largest publicly traded investment management firm with portfolio managers located around the world. As of March 31, 2014, BlackRock managed \$4.401 trillion of assets under management (AUM) on behalf of institutional and individual investors worldwide. BlackRock offers clients diversified access to global markets through separate accounts, collective investment trusts, open-end and closed-end mutual funds, exchange-traded products, hedge funds, and funds of funds.

Strengths

- Leading market position and reputation across asset management industry with deep, granular and global customer base
- Strong earnings and cash flow generation capacity

Challenges

- Increasing price competition in the ETF market
- Potential regulatory changes in asset management business

Services Provided:

- BlackRock is the investment manager for the Thrift Savings Plan (TSP)'s C, F, S, and I Funds. BlackRock Institutional Trust Company, N.A. (BTC) has selected State Street Corporation to provide custodial services.

Credit Ratings:

- Moody's: A1** (Aaa–C) – Investment grade – Judged to be upper-medium grade and subject to low credit, and has best ability to repay short-term debt
- S&P: AA-** (AAA–D) – Investment grade – Very strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances
- D&B: 550** (101–670) – Lower risk – D&B predicts a low likelihood that BlackRock will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (July – September 2014):

- In July, BlackRock declared a quarterly cash dividend of \$1.93 per share of common stock, payable September 22, 2014.

Subsequent Events (after September 2014):

- In November, BlackRock declared a quarterly cash dividend of \$1.93 per share of common stock, payable December 23, 2014.

Risk Monitoring:

- Risk of increased regulatory and compliance costs, including potential designation as a Systemically Important Financial Institution (SIFI) by the U.S. Treasury's Financial Stability Oversight Council (FSOC)* – BlackRock does not view itself as a SIFI for the following reasons: It is not significantly levered, no wholesale funding, does not sell insured products to the retail market, balance sheet not reliant on government bailout, and does not take deposits. No determination has been made by Treasury.

Given the current analysis of the vendor, we find no indication that BlackRock is unable to fulfill its contractual obligations to FRTIB.

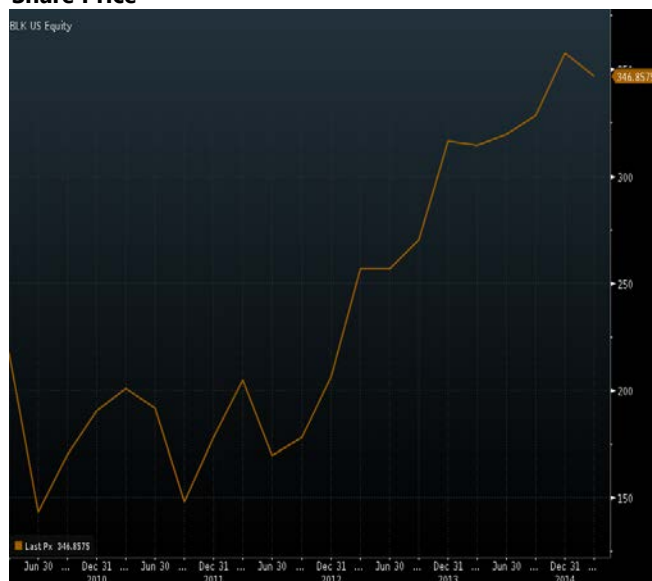
BlackRock, Inc. (BLK)

Exchange: NYSE

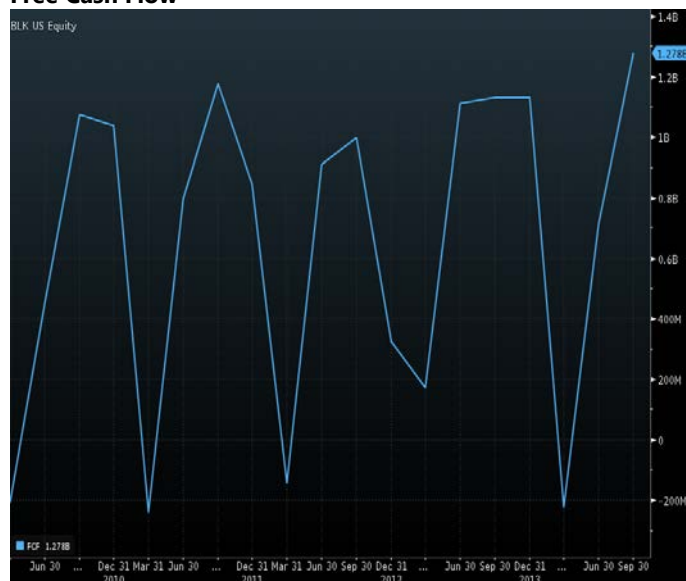
Sector: Financials

Industry: Asset Management

Share Price



Free Cash Flow



Key Metrics Supporting Analysis

(\$ In Millions, except ratios, yields, and)	Q3 2013	Q3 2014	% Change	Direction
Solvency				
Debt to Equity Ratio	26.80	32.41	21%	↑
Debt to Capital Ratio	21.13	24.48	16%	↑
Interest Coverage Ratio	22.73	22.86	1%	↑
Enterprise Value	\$48,340	\$56,960	18%	↑
Liquidity				
Cash Ratio	1.81	2.92	61%	↑
Current Ratio	1.81	2.92	61%	↑
Quick Ratio	1.81	2.92	61%	↑
Profitability				
Revenue	\$2,472	\$2,849	15%	↑
EBITDA	\$1,069	\$1,194	12%	↑
EBIT	\$1,000	\$1,166	17%	↑
ROA	1.37	1.53	12%	↑
ROE	10.00	12.09	21%	↑
ROIC	8.34	9.57	15%	↑
Operating Margin	39.08	40.61	4%	↑
Profit Margin	29.53	32.19	9%	↑
Revenue Growth	6.55	15.25	133%	↑
EPS	4.21	5.37	28%	↑

Equinix, Inc. (EQIX)

Exchange: NASDAQ **Sector:** Technology **Industry:** Computer Services

Company Overview:

- Equinix, Inc. (Equinix) provides global data center services that protect and connect information assets for its clients. Global enterprises, financial services companies, and content and network service providers rely upon Equinix's data centers in over 30 markets around the world for the safe housing of their critical IT equipment and the ability to directly connect to the networks that enable today's information-driven economy. As of December 31, 2013, Equinix operated or had partner international business exchanges (IBX) data centers in the Americas, Europe-Middle East-Africa (EMEA), and the Asia-Pacific regions.

Strengths

- Diversified and global customer base
- Well positioned to take advantage of the growing cloud market

Challenges

- Debt level is high creating poor financial leverage
- ROA and EBIT margin decreased when compared to prior year

Services Provided:

- Equinix is under contractual obligation to host data center services for the FRTIB. The FRTIB's primary data center operates out of a Northern Virginia facility. In 2012, Equinix sold 16 U.S. data centers to 365 Main, Inc. for \$75 million. One of the data centers sold to 365 Main is the backup data center for FRTIB in Pennsylvania. Equinix remains contractually obligated to oversee the Pennsylvania data center services through September 30, 2015.

Credit Ratings:

- Moody's: Ba3** (Aaa-C) – Speculative grade – Judged to be speculative and is subject to significant credit risk, and does not have prime ability to repay short-term debt
- S&P: BB** (AAA-D) – Speculative grade – Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions
- D&B: 473** (101-670) – Moderately low risk – D&B predicts a moderately low likelihood that Equinix will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (July – September 2014):

- No significant events were noted.

Subsequent Events (after September 2014):

- In January, Equinix Board of Directors approved Equinix's conversion to a real estate investment trust ("REIT"). Equinix believes that the REIT structure will help the company achieve its desired profitability along with growth in the domestic and international markets. Additionally, Equinix believes that this restructuring will not have any impact on the service delivery or the performance of the data center.

Risk Monitoring:

- Risk of substantial increases in cost associated with REIT conversion (effective 1/1/15)* – Equinix is using cash to pay advisors related to the Real Estate Investment Trust (REIT) conversion, and working to define its adjusted funds from operations (AFFO), which is used to estimate the value of a REIT, and will provide this calculation upon receiving approval from the IRS. IRS approval is pending.
- Risk of excessive leverage (Debt/EBITDA is approximately 11x industry average of 7x)* – Debt levels increased from previous year and EBITDA decreased. The company's debt levels are a concern.

Given the current analysis of the vendor, we find no indication that Equinix is unable to fulfill its contractual obligations to FRTIB.

Equinix, Inc. (EQIX)

Exchange: NASDAQ **Sector:** Technology **Industry:** Computer Services

EQIX US Equity

Date	Price (\$)
Jun 30, 2010	90.00
Dec 31, 2010	80.00
Jun 30, 2011	100.00
Dec 31, 2011	110.00
Jun 30, 2012	160.00
Dec 31, 2012	200.00
Jun 30, 2013	210.00
Dec 31, 2013	224.625
Jun 30, 2014	220.00
Dec 31, 2014	220.00

Legend: Last Pr: 224.625

EOX US Equity

43.64M

EOX US Equity

FCF 43.64M

Jun 30 2009 Dec 31 2009 Jun 30 2010 Dec 31 2010 Jun 30 2011 Dec 31 2011 Jun 30 2012 Dec 31 2012 Jun 30 2013 Sep 30 2013

(\$ In Millions, except ratios, yields, and)	Q3 2013	Q3 2014	% Change	Direction
Solvency				
Debt to Equity Ratio	158.44	153.35	-3%	↓
Debt to Capital Ratio	61.31	60.53	-1%	↓
Interest Coverage Ratio	1.79	1.95	9%	↑
Enterprise Value	\$12,440	\$14,830	19%	↑
Liquidity				
Cash Ratio	1.28	0.73	-43%	↓
Current Ratio	1.73	1.28	-26%	↓
Quick Ratio	1.62	1.14	-30%	↓
Profitability				
Revenue	\$543	\$620	14%	↑
EBITDA	\$225.03	\$255.28	13%	↑
EBIT	\$115.19	\$135.13	17%	↑
ROA	1.42	1.90	34%	↑
ROE	6.50	7.40	14%	↑
ROIC	1.77	2.52	42%	↑
Operating Margin	21.21	21.78	3%	↑
Profit Margin	7.82	6.90	-12%	↓
Revenue Growth	12.01	14.24	19%	↑
EPS	0.83	0.79	-5%	↓

Company Overview:

- MetLife, Inc. (MetLife) is a leading global provider of insurance, annuities, and employee benefit programs throughout the United States, Japan, Latin America, Asia, Europe and the Middle East.

Strengths

- Market leader and well diversified in individual and group life insurance as well as commercial mortgage

Challenges

- MetLife business and results of operations are materially affected by conditions in the global capital markets and the overall economy

Services Provided:

- MetLife has been the annuity provider to the TSP since 1987. The Federal Employees Retirement System Act of 1986 (FERSA) requires FRTIB to offer a participant who has separated from federal service the option of purchasing an annuity, using all or a portion of the participant's account balance.

Credit Ratings:

- Moody's: A3** (Aaa–C) – Investment grade – Judged to be upper-medium grade and is subject to low credit risk, and has high ability to repay short-term debt
- S&P: A-** (AAA–D) – Investment grade – Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances
- D&B: 546** (101–670) – Lower risk – D&B predicts a low likelihood that MetLife will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (July – September 2014):

- In July, MetLife declared third quarter 2014 common stock dividend.
- In September, Financial Stability Oversight Council (FSOC) notified MetLife that it has been preliminarily designated a non-bank Systemically Important Financial Institution (SIFI). MetLife strongly disagrees with the Financial Stability Oversight Councils preliminary designation of MetLife as a SIFI.

Subsequent Events (after September 2014):

- In October, MetLife requested a hearing before the Financial Stability Oversight Council (FSOC) to explain why the firm should not be considered a systemic risk.
- In November, MetLife declared fourth quarter 2014 dividend.
- In December, MetLife was designated a "Systemically Important Financial Institution" (SIFI) by FSOC. MetLife has challenged the designation in court.

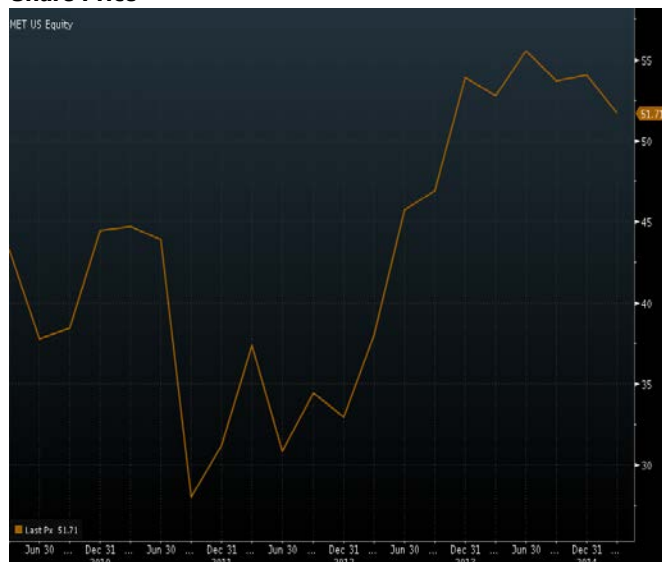
Risk Monitoring:

Risk of increased regulatory and compliance costs – On December 19, MetLife was designated a Systemically Important Financial Institution (SIFI) by the U.S. Treasury's Financial Stability Oversight Council (FSOC). Three other nonbank institutions (AIG, Prudential and General Electric Capital) have already been designated as systemically important financial institution or SIFIs. Designation as SIFI would subject MetLife to regulation by the Federal Reserve, which has not yet crafted final rules for the supervision.

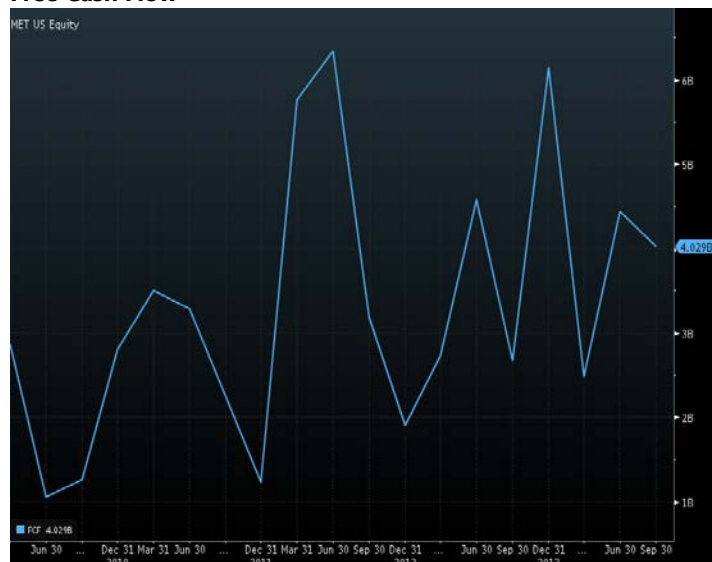
SIFI designation may be followed by regulators testing capital compliance scenarios at various stress levels that may require MetLife to increase its capital-adequacy levels. However, even with the potential increased regulation, there appears to be minimal risk of a significant impact on MetLife's bottom line. TSP participants in the immediate future are not likely to be impacted but we will monitor the situation on a quarterly basis by tracking changes in MetLife's business strategy due to additional regulations.

Given the current analysis of the vendor, we find no indication that MetLife is unable to fulfill its contractual obligations to FRTIB.

Share Price



Free Cash Flow



Key Metrics Supporting Analysis

(\$ In Millions, except ratios, yields, and)	Q3 2013	Q3 2014	% Change	Direction
Solvency				
Debt to Equity Ratio	41.94	33.44	-20%	↓
Debt to Capital Ratio	29.55	25.06	-15%	↓
Interest Coverage Ratio	-	-	-	-
Enterprise Value	\$50,470	\$63,470	26%	↑
Liquidity				
Cash Ratio	0.35	0.23	-34%	↓
Current Ratio	1.44	1.19	-17%	↓
Quick Ratio	1.06	0.86	-19%	↓
Profitability				
Revenue	\$16,340	\$18,550	14%	↑
EBITDA	\$1,293	\$3,247	151%	↑
EBIT	1.29	3.25	152%	↑
ROA	0.31	0.66	113%	↑
ROE	11.10	9.97	-10%	↓
ROIC	3.00	6.37	112%	↑
Operating Margin	5.97	15.66	162%	↑
Profit Margin	5.95	11.11	87%	↑
Revenue Growth	-1.01	15.36	1621%	↑
EPS	0.84	1.81	115%	↑

Company Overview:

- R.R. Donnelley & Sons Company (RR Donnelley) is a global provider of integrated communications. The Company works collaboratively with more than 60,000 customers worldwide to develop custom communications solutions. It designs, manages, and produces words and images on paper and in digital form for customers in the publishing, healthcare, advertising, retail, technology, financial services, and other industries. RR Donnelley operates business through three segments: U.S. Print & Related Services, International, and Corporate.

Strengths

- One of the largest entities by revenue in its industry
- Diverse product and service offering

Challenges

- Operating Margin decreased compared to prior year
- Changing industry with increased use of digital technology and electronic substitution

Services Provided:

- RR Donnelley provides bulk outgoing mailing services for FRTIB from its Thurmont, MD, Logan, UT and Hyde Park, MA facilities. These services include printing and mailing FRTIB documents, education, and marketing materials to participants, beneficiaries, and third parties.

Credit Ratings:

- **Moody's: Ba2** (Aaa–C) – Negative – Judged to have speculative elements and a significant credit risk
- **S&P: BB-** (AAA–D) – Negative – Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions
- **D&B: 496** (101–670) – Moderately low risk – D&B predicts a moderately low likelihood that RR Donnelley will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (July – September 2014):

- In July, RR Donnelley declared quarterly dividend for common stock.
- In September, RR Donnelley was awarded a \$60 million multi-year agreement by Crain Communications expanding the companies' relationship through 2020.

Subsequent Events (after September 2014):

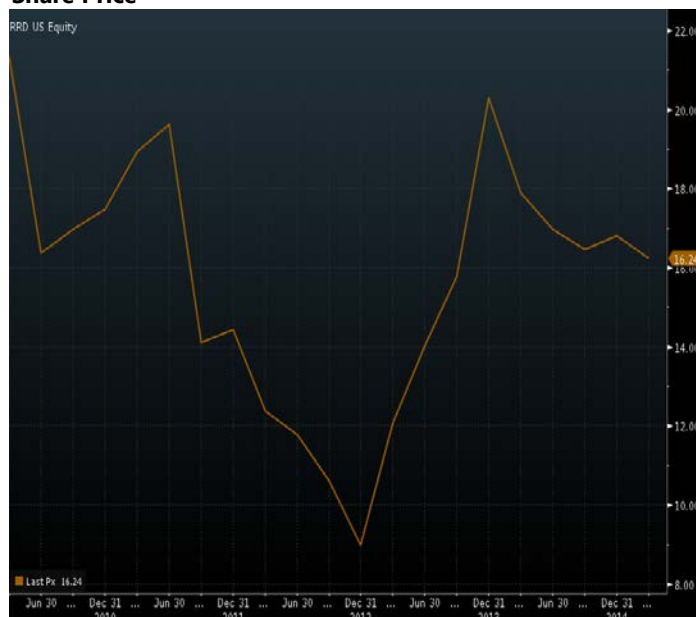
- In October, RR Donnelley declared quarterly dividend for common stock.

Risk Monitoring:

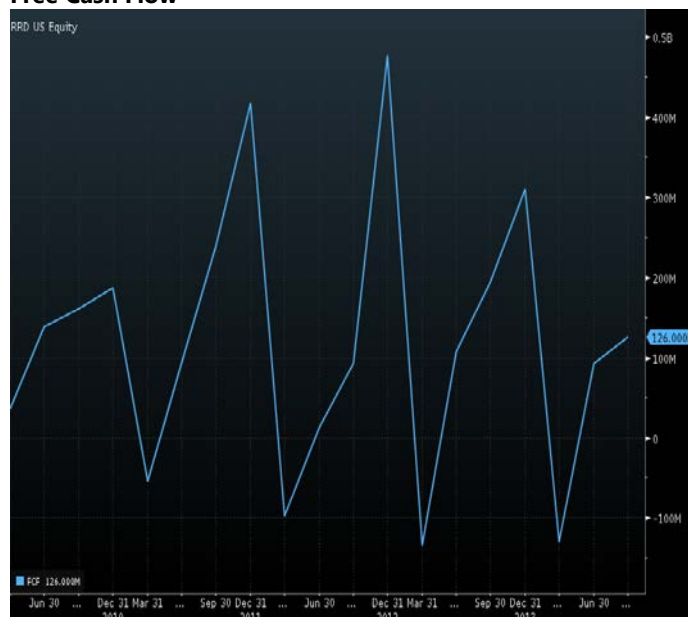
- *Risk of not successfully integrating series of latest acquisitions* – RR Donnelley is focused on successfully integrating its acquisitions and expects to increase net sales, drive cost savings from synergies, and provide additional capacity to meet customer needs.
- *Risk of excessive leverage (Debt/EBITDA is approximately 4x industry average of 2.43x)* – Debt levels seem adequately supported by EBITDA levels but should be monitored carefully because leverage increase in the near term could raise credit concern.

Given the current analysis of the vendor, we find no indication that RR Donnelley is unable to fulfill its contractual obligations to FRTIB.

Share Price



Free Cash Flow



Key Metrics Supporting Analysis

(\$ In Millions, except ratios, yields, and)	Q3 2013	Q3 2014	% Change	Direction
Solvency				
Debt to Equity Ratio	9659.34	409.49	-96%	↓
Debt to Capital Ratio	98.97	80.37	-19%	↓
Interest Coverage Ratio	1.35	2.41	79%	↓
Enterprise Value	\$6,845	\$6,845	-	-
Liquidity				
Cash Ratio	0.21	0.01	-95%	↓
Current Ratio	1.41	1.38	-3%	↓
Quick Ratio	1.10	1.00	-9%	↓
Profitability				
Revenue	\$2,615	\$2,958	13%	↑
EBITDA	\$240.90	\$293.30	22%	↑
EBIT	\$134.60	\$173.70	29%	↑
ROA	-9.63	2.75	129%	↑
ROE	52.33	74.37	42%	↑
ROIC	-19.37	4.53	123%	↑
Operating Margin	5.15	5.87	14%	↑
Profit Margin	.56	2.10	275%	↑
Revenue Growth	4.23	13.11	210%	↑
EPS	.36	.31	-14%	↓

Serco Group Plc (SRP)

Exchange: LSE

Sector: Technology

Industry: Technology Services

Company Overview:

- Serco Group Plc, (Serco) is a public limited company based in the United Kingdom with its North American headquarters in Reston, VA. Serco N.A. is an independent subsidiary that provides professional, technology, and management services focused on U.S. federal and Canadian governments.

Strengths

- One of the largest entities by revenue in its industry
- Diverse and unique business model

Challenges

- Operating Margin decreased when compared to prior year
- Spending reductions and uncertainty around federal funding and contracts in the U.S.

Services Provided:

- Serco currently operates a call center, court order, death benefit and agency technical service center, as well as provides incoming mail data entry, imaging, and special processing support through its subcontractor.

Credit Ratings:

- Moody's:** NR (Aaa–C) – N/A
- S&P:** NR (AAA–D) – N/A
- D&B:** 497 (101–670) – Moderately low risk – D&B predicts a moderately low likelihood that Serco will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (July – September 2014):

- In July, Serco N.A. announced the award of a new \$25 Million contract to provide parking enforcement, management of parking meter operations and traffic control operations for the City of Inglewood, California.
- In September, Serco N.A. announced the award of a \$14 Million contract to support the United States Navy Reserve Psychological Health Outreach Program (PHOP).

Subsequent Events (after September 2014):

- No significant events were noted.

Risk Monitoring:

- Risk of reputational damage and adverse financial impact* – As stated by the Huffington Post UK, "Serco was involved in scandals" in the U.K. and Australia. Serco agreed to repay the U.K. government for overcharging for prisoner electronic tags and the Australian government for the escaped detainees. The company was audited and cleared for new contract awards.

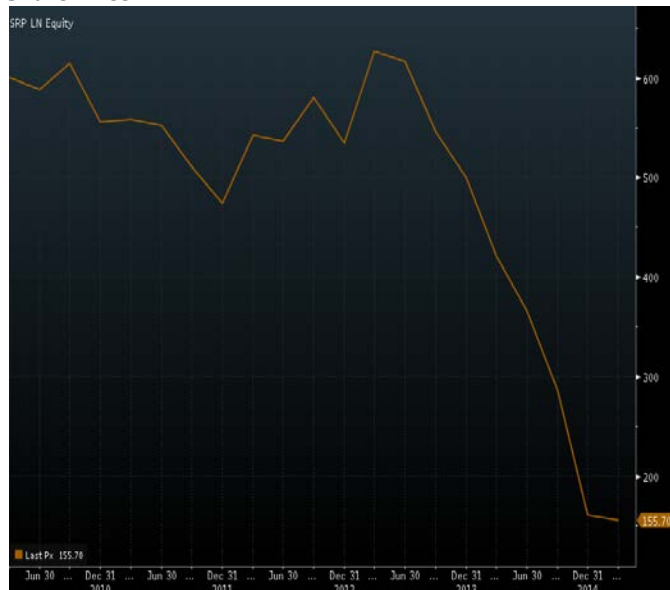
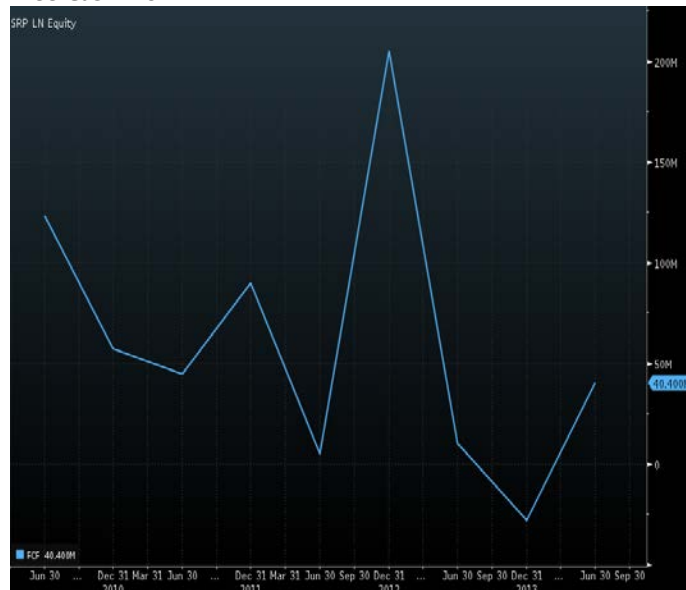
Given the current analysis of the vendor, we find no indication that Serco is unable to fulfill its contractual obligations to FRTIB.

Serco Group Plc (SRP LN)

Exchange: LSE

Sector: Technology

Industry: Technology Services

Share Price**Free Cash Flow****Key Metrics Supporting Analysis**

(\$ In Millions, except ratios, yields, and)	Q3 2013	Q3 2014	% Change	Direction
Solvency				
Debt to Equity Ratio	83.93	65.67	-22%	↓
Debt to Capital Ratio	45.63	39.63	-13%	↓
Interest Coverage Ratio	16.88	1.295	-92%	↓
Enterprise Value	\$3,834	\$2,595	-32%	↓
Liquidity				
Cash Ratio	.23	.27	17%	↑
Current Ratio	1.33	1.25	-6%	↓
Quick Ratio	1.21	1.24	2%	↑
Profitability				
Revenue	\$3,247	\$3,397	5%	↑
EBITDA	\$192	\$18	-91%	↓
EBIT	\$148	\$68	-54%	↓
ROA	7.87	.16	-98%	↓
ROE	21.26	.41	-98%	↓
ROIC	11.06	-	-	-
Operating Margin	4.83	1.28	-73%	↓
Profit Margin	3.98	-.32	-108%	↓
Revenue Growth	-	-	-	-
EPS	.17	-.01	-106%	↓

*Serco reports semi-annually.

SunGard (privately held company)

Company Overview:

- SunGard (SunGard) is a privately held company based in Wayne, Pennsylvania, that provides software and technology services to education, financial services, and public sector organizations. SunGard provides disaster recovery services, managed IT services, information availability consulting services and business continuity management software to its clients.

Strengths

- Diversified client base where no one customer accounts for more than 3% of sales in the last three years

Challenges

- Revenue decreased year over year
- High level of debt delaying IPO plans
- Cost cutting/spending by financial services companies which would impact revenue base

Services Provided:

- FRTIB contracts with SunGard for use of their suite of Omni software products that form the core of the FRTIB recordkeeping system.
- SunGard's Professional Services unit provides incoming mail data entry and imaging support as a subcontractor to Serco.
- SunGard's Professional Services unit provides recordkeeping business process services as a subcontractor to SAIC.

Credit Ratings:

- **Moody's: B2** (Aaa–C) – Negative – Judged to have speculative elements and a high credit risk
- **S&P: B+** (AAA–D) – Negative – More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments
- **D&B: 499** (101–670) – Moderately low risk – D&B predicts a moderately low likelihood that SunGard will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (July – September 2014):

- No significant events were noted.

Subsequent Events (after September 2014):

- No significant events were noted.

Risk Monitoring:

- *Risk of SunGard not meeting its profitability goals* – SunGard is highly leveraged as a result of the leveraged buy-out ("LBO"), but has been consistently and significantly reducing its debt levels through cash generated from operations, SunGard Availability Services' (AS) split-off, and the sale of certain non-strategic businesses. As of September 30, 2014: Cash balances were \$396 million and total debt was \$4.7 billion. The Company's leverage ratio, as defined in its senior secured credit agreement, was 5.64. SunGard has ample ability to service its debt and over \$900 million of liquidity. No material debt maturities until 2017.

Given the current analysis of the vendor, we find no indication that SunGard is unable to fulfill its contractual obligations to FRTIB.

SunGard (privately held company)

Key Metrics Supporting Analysis:

Note: SunGard is a privately held company and, therefore, there is limited amount of information reported by financial news and data service companies, such as Bloomberg. However, due to obligations in connection with bond debt, it is a registrant with the Securities and Exchange Commission (SEC).

The Active Network, Inc. (privately held company acquired by Vista Equity Partners)

Company Overview:

- The Active Network, Inc. (Active Network), headquartered in Dallas, TX, is a provider of organization-based cloud computing applications serving a range of customer group.

Strengths

- Leader in cloud-based Activity & Participant Management (APM) solutions.

Challenges

- Active Network's outdoor segment and marketing businesses continue to face headwinds.

Services Provided:

- Active Network and its predecessor organizations have managed the Maryland FRTIB Call center since July 2004.

Credit Ratings:

- **Moody's: B3** (Aaa-C) – Speculative grade – Judged to be speculative and is subject to significant credit risk, and does not have prime ability to repay short-term debt
- **S&P: NR** (AAA-D) – N/A
- **D&B: 490** (101-670) – Moderately low risk – D&B predicts a moderately low likelihood that Active Network will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (July – September 2014):

- In July, Active Network announced the relocation of its global headquarters to Dallas, TX.

Subsequent Events (after September 2014):

- No significant events were noted.

Risk Monitoring:

- *Risk of not meeting profitability goals* – Active Network has incurred net losses since its inception and anticipates operating expenses will continue to increase in the coming years as it expands. Private ownership by Vista Equity Partners may allow the company to execute on its strategy without pressure from market investors.

Given the current analysis of the vendor, we find no indication that Active Network is unable to fulfill its contractual obligations to FRTIB.

The Active Network, Inc. (privately held company acquired by Vista Equity Partners)

Key Metrics Supporting Analysis:

Note: Active Network became a privately held company and, therefore, there is limited amount of information available to the general public.

Science Applications International Corp. (SAIC) **Exchange:** NYSE **Sector:** Technology **Industry:** Information

Company Overview:

- Science Applications International Corp. (SAIC) is a scientific, engineering, and technology applications company, serving the U.S. and foreign governments, and selected commercial customers.

Strengths

- Balanced distribution of revenue sources with more than 1500 contracts and task orders
- Potential for SAIC to access \$25B in new market opportunities, for a total market of \$185B in government contracts

Challenges

- Decrease in sales and current customer base
- Spending reductions and pricing pressures for federal contracts.

Serviced Provided:

- SAIC provides software development, business process services, data center and operations, under the Technology and Enterprise Support Services (TESS) contract.

Credit Ratings:

- Moody's:** NR (Aaa–C) – N/A
- S&P:** **S&P: BBB** (AAA–D) – Adequate grade – Has capacity to meet financial commitments, but more subject to adverse economic conditions
- D&B:** **512** (101–670) – Lower risk – D&B predicts a low likelihood that SAIC will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (July – September 2014):

- SAIC declared a regular quarterly cash dividend of \$0.28 per share payable on October 30, 2014.
- SAIC was awarded \$424M Defense Logistics Agency Maintenance, Operations Contract and \$408 Million Blanket Purchase Agreement by GSA FEDSIM On Behalf Of DoD.

Subsequent Events (after September 2014):

- No significant events were noted.

Risk Monitoring:

- Risk of organizational conflicts of interest (OCI)* – It is speculated that spinning off SAIC may allow the company to more effectively pursue new and existing market opportunities without OCI constraints.

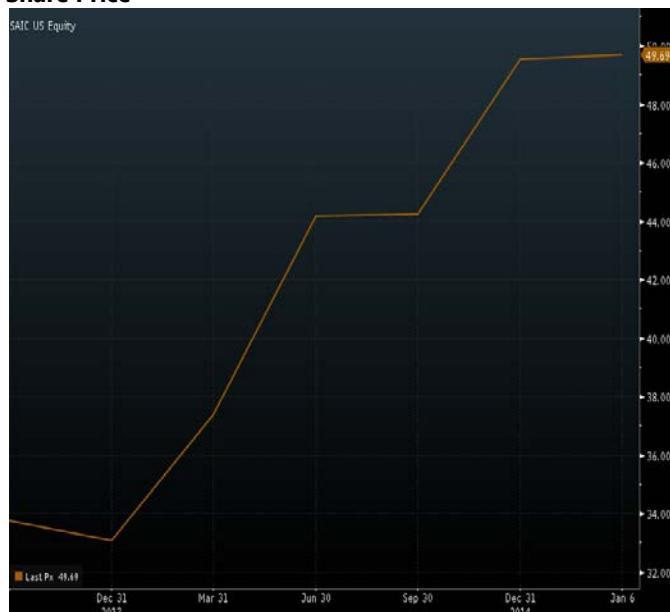
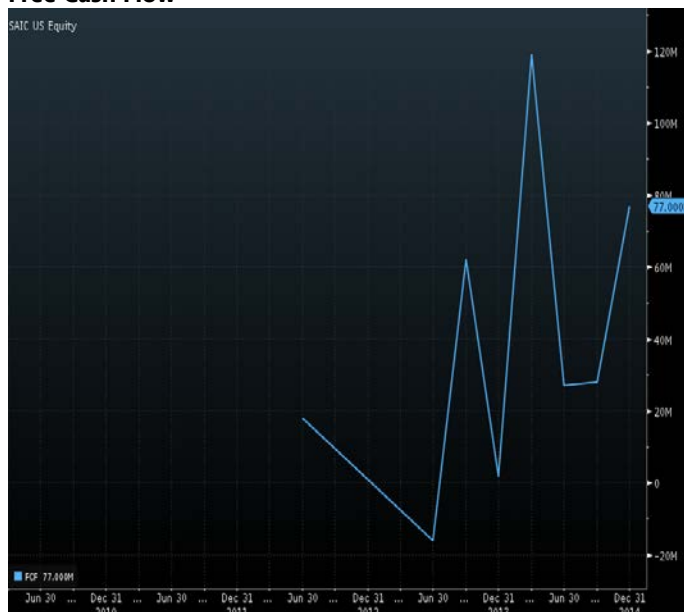
Given the current analysis of the vendor, we find no indication that SAIC is unable to fulfill its contractual obligations to FRTIB.

Science Applications International Corp. (SAIC)

Exchange: NYSE

Sector: Technology

Industry: Information

Share Price**Free Cash Flow****Key Metrics Supporting Analysis:**

Note: This information is reported for second quarter ended October 31, 2014

Key Metrics Supporting Analysis

(\$ In Millions, except ratios, yields, and)	Q3 2013	Q3 2014	% Change	Direction
Solvency				
Debt to Equity Ratio	1.50	1.46	-3%	↓
Debt to Capital Ratio	59.98	59.28	-1%	↓
Interest Coverage Ratio	12.33	15.75	28%	↑
Enterprise Value	\$2,498	\$2,498	-	-
Liquidity				
Cash Ratio	0.26	0.43	65%	↑
Current Ratio	1.66	1.64	-1%	↓
Quick Ratio	1.51	1.50	-1%	↓
Profitability				
Revenue	\$1,007	\$1,004	-	-
EBITDA	\$89	\$43	-52%	↓
EBIT	\$85	\$37	-56%	↓
ROA	3.95	9.68	145%	↑
ROE	9.26	38.55	316%	↑
ROIC	6.31	16.07	155%	↑
Operating Margin	3.67	6.27	71%	↑
Profit Margin	2.18	3.69	69%	↑
Revenue Growth	-16.98	-0.30	98%	↑
EPS	0.44	0.77	75%	↑

365 Data Centers (privately held company renamed/rebranded from 365 Main)

Company Overview:

- 365 Data Centers (renamed/rebranded from 365 Main) is a privately held company backed by Crosslink Capital and Housatonic Partners. It is based in San Francisco, CA and is a nationwide owner and operator of 17 U.S. based data centers. 365 Data Centers provides facilities optimized for modern data center requirements, featuring 24/7/365 power, cooling, connectivity and security capabilities to ensure mission-critical operations and business continuity.

Strengths

- Industry reputation for high touch customer service, satisfaction, and retention

Challenges

- Capitalizing on geographic demand through the acquisition of additional data centers in key markets

Services Provided:

- 365 Data Centers owns and operates the backup data center for FRTIB in Pittsburg, PA. As part of the carve-out acquisition of data centers from Equinix in August 2012, Equinix remains contractually obligated to oversee data center services for the FRTIB at this site through the second option year, which ends on September 30, 2015.

Credit Ratings:

- **Moody's:** NR (Aaa-C) – N/A
- **S&P:** NR (AAA-D) – N/A
- **D&B:** 344 (101-670) – Moderately high risk – D&B predicts a moderately high likelihood that 365 Main will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (July – September 2014):

- In September, 365 Data Centers announced that it raised \$16 million in Series B funding from existing investors Crosslink Capital and Housatonic Partners and has secured a \$55 million credit facility from Fortress Credit Corp.

Subsequent Events (after September 2014):

- No significant events were noted.

Risk Monitoring:

- *Risk of challenging internal controls environment during expansion* – 365 Data Centers completed a 2013 SSAE 16 examination that provided a clean opinion on internal controls within the organization. Scope included: examinations of customer service, physical and environmental security, technical support, equipment, and administration for each data center and its headquarters. 365 Data Centers completed Audit Opinion and Reporting on Financial Statements. Audit Opinion: consolidated financial statements (December 31, 2013 and 2012) present fairly, in all material respects, the financial position of vendor.

Given the current analysis of the vendor, we find no indication that 365 Data Centers is unable to fulfill its contractual obligations to FRTIB.

365 Data Centers (privately held company renamed/rebranded from 365 Main)

Key Metrics Supporting Analysis:

Note: 365 Data Centers is a privately held company and, therefore, there is limited amount of information reported by financial news and data service companies, such as Bloomberg. However, due to obligations in connection with bond debt, it is a registrant with the Securities and Exchange Commission (SEC).

Glossary of Financial Terms

Cash Ratio: A liquidity ratio that measures a company's ability to pay short-term obligations.	Operating margin: A measurement the proportion of revenue left over after paying the variable costs of production. It is an important indicator of efficiency and profitability
Current Ratio: A liquidity ratio that measures a company's ability to pay short-term obligations.	Profit Margin: A ratio of profitability calculated as net income divided by revenues, or net profits divided by sales. It measures how much out of every dollar of sales a company actually keeps in earnings.
Debt/Capital: A measurement of a company's financial leverage, calculated as the company's debt divided by its total capital; Debt includes all short-term and long-term obligations; Total capital includes the company's debt and shareholders' equity, which includes common stock, preferred stock, minority interest and net debt.	Quick Ratio: A solvency metric to determine a firm's ability to pay down current liabilities with its cash, short term equivalents, and accounts receivables.
Debt/Equity: A measure of a company's financial leverage calculated by dividing its total liabilities by stockholders' equity; It indicates what proportion of equity and debt the company is using to finance its assets.	Return on Asset (ROA): An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings.
Earnings per share (EPS): The amount of income that "belongs" to each share of common stock. An important tool for investors, EPS is often used in determining the value of a stock.	Return on Equity: A measurement a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.
EBIT: An indicator of a company's profitability, calculated as revenue minus expenses, excluding tax and interest; EBIT is also referred to as "operating earnings", "operating profit" and "operating income."	Return on Invested Capital (ROIC): A calculation used to assess a company's efficiency at allocating the capital under its control to profitable investments.
EBITDA: An indicator of a company's financial performance; EBITDA is essentially net income with interest, taxes, depreciation, and amortization added back to it, and can be used to analyze and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.	Revenue: The amount of money that a company actually receives during a specific period, including discounts and deductions for returned merchandise; It is the "top line" or "gross income" figure from which costs are subtracted to determine net income.
Enterprise Value: An economic measure reflecting the market value of a whole business; It is a sum of claims of all claimants: creditors (secured and unsecured) and equity holders (preferred and common).	Revenue Growth: An increase of a company's sales when compared to a previous period revenue performance; The current period's sales figure can be compared on a year-over-year basis or sequentially; This helps to give analysts, investors, and participants an idea of how much a company's sales are increasing over time.
Interest Coverage Ratio: A ratio used to determine how easily a company can pay interest on outstanding debt; The interest coverage ratio is calculated by dividing a company's earnings before interest and taxes (EBIT) of one period by the company's interest expenses of the same period.	