



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

July 9, 2010

MEMORANDUM FOR THE EXECUTIVE DIRECTOR

FROM: JAMES B. PETRICK
CHIEF FINANCIAL OFFICER

A handwritten signature in blue ink, appearing to be "JBP", written over the printed name and title of James B. Petrick.

SUBJECT: QUARTERLY FINANCIAL ASSESSMENT OF TSP'S PRIMARY
VENDORS – JULY 2010

The Board has requested that each quarter we review the TSP's primary vendors and report on their financial standing. This quarter, we have again reviewed Serco Group, R.R. Donnelley & Sons, MetLife, BlackRock Inc., and The Active Network, Inc. We have replaced Switch & Data, Inc. with Equinix Inc. as part of the review given the acquisition of Switch & Data, Inc. which closed in the second quarter of 2010.

For each vendor we have analyzed the following:

1. Current Financial Condition:

Our financial analysis consists of a review of the vendor's key financial statistics from their current income statement and balance sheet for the most recent quarter available to determine their overall financial stability. For this report, we are using available data for the period through March 31, 2010. We determine whether there is evidence of stable or growing income (i.e., the profitability of the company). We also review the current balance sheet to determine: 1) the current ratio of assets to liabilities to ascertain the vendor's ability to meet short term liquidity needs, and 2) the ratio of total debt to total assets to ascertain the prospects for longer term profitability. Then, we look for significant changes from prior to current periods to identify trends that may require further explanation. At the Board's request, for comparative purposes, we have included information from year-end 2009, first quarter of 2009, and year-end 2008. We also continue to provide the stock price history and a statement of cash flows.

2. Dun & Bradstreet Credit Score:

We continue our practice of reviewing the Dun & Bradstreet credit scores. These scores predict the likelihood of a firm paying in a severely delinquent manner (90+ days past term) over the next twelve months. The score range is 1-5 with 1 being the lowest risk and 5 the highest risk of the firm paying in a severely delinquent manner. While this score has some descriptive value in

terms of the firm's current relationship with its creditors and can disclose potential financial problems, it should only be considered one part of a firm's overall financial picture.

3. Significant Events:

This section includes a description of any significant items that could impact the company's financial situation, such as significant pending litigation, 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 its contract obligations and the steps we would take to mitigate the risk to ongoing TSP operations.

Attachments

Serco Services Inc. (a subsidiary of Serco Group plc)

General Information: Serco Group plc is a business services company based in Hook, North Hampshire in the United Kingdom. Serco was founded in 1929 as a United Kingdom division of the Radio Corporation of America and initially provided services to the cinema industry. It changed its name to Serco in 1987 and has been a London Stock Exchange listed company since 1988. Serco established its North American foothold in 1988 when it was incorporated, acquiring companies that shared a similar vision of transforming how public services are delivered.

In 2005, Serco acquired Resource Consultants Inc. (RCI), which expanded its capabilities in information technology (IT) services, systems engineering, strategic consulting and HR-focused business process management. In 2005, Serco acquired Resource Consultants Inc. (RCI), which expanded its capabilities in IT services, systems engineering, strategic consulting and human resource-focused business process management. Then, in 2008 Serco acquired SI International, further broadening its capabilities in IT and professional services in North America and gaining new federal government and DoD relationships. Serco now employs more than 11,500 people in over 100 locations across North America.

Serco Services Inc. is the prime contractor for operating both FRTIB data centers, operating and maintaining the TSP record keeping system, providing incoming mail, data entry and imaging support, and operating the Clintwood Call Center. Serco Services Inc. also administers the accounting, court ordered payments, death benefits, and payroll office liaison functions. Serco Services Inc. relies on subcontracting support as follows: Jacob and Sundstrum, Inc. for systems programming support for both our primary and secondary data centers; SunGard for TSP record keeping support and maintenance of our core record keeping capabilities contained in its commercial-off-the-shelf proprietary software packages, and for incoming mail, data entry and imaging support.

Assessment: Serco Services 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 at this time that Serco Services Inc. is unable to fulfill its contractual obligations to the TSP.

Current Financial Condition: Interim Results for the first six months of 2010 are scheduled to be released on August 25, 2010. Quarterly results are not reported. Ahead of its Annual General Meeting, Serco Group plc entered 2010 with a record order book of £17.1 billion, signed contracts of £1 billion, and prospective business ventures of £28 billion across the UK and internationally. The company has reported that the first half of 2010 delivered high levels of operational performance, expansion of scope and scale of existing contracts and that it is on track to meet its financial projections for 2010. Results stated below are unchanged from prior report.

- **Income Statement:** Serco Group plc reported 2009 audited year-end revenues of £4.0 billion compared to £3.1 billion reported at year-end 2008, an increase of 27 percent. In the U.S., Serco Services Inc.'s year-end 2009 results were in line with revenue expectations of \$618.5 million, compared with \$575.5 million at year-end 2008, an

increase of 7.5 percent. Serco Group plc's 2009 net profit climbed 31 percent to £130.2 million from £99.6 million in 2008.

- **Balance Sheet:** As of December 31, 2009, Total Assets for Serco Group plc increased £19.4 million from year-end 2008 to £2.53 billion. Most of the increase was attributed to higher cash and cash equivalents, and trade and other receivables. During the same period, liabilities increased by £12.6 million due to an increase in retirement benefit obligations.
- **Cash Flow:** At December 31, 2009, Serco Group plc reported a cash balance of £319.4 million compared to £250.8 million at year-end 2008, reflecting a 27 percent increase.
- **Current Ratio (Current Assets/Current Liabilities)** decreased to 1.2 as of December 31, 2009, from 1.3 at year-end 2008.
- **Leverage:** Through December 31, 2009, Total Liabilities as a percent of Total Assets was 73 percent, the same ratio reported at year-end 2008.

Dun & Bradstreet Credit Score Class: As of June 30, 2010, the credit score for Serco Services Inc. as a subsidiary of Serco Group plc, was 2, (slight risk), compared to a credit score of 3 (moderate risk) reported in the prior quarter.

Stock Performance: Serco Group plc's closing share price on June 30, 2010, was £588.00, down from its 52-week high of £656.50 on April 26, 2010. The 52-week low was £394.30 on August 6, 2009.

SAS 70 Report: There is no SAS 70 report available.

Significant Events:

- Notable contracts this year in the U.S. are the FAA air traffic control project, a Georgia Department of Transportation systems project, and a large U.S. Army HR solutions contract. Serco Group plc also won an operations contract for the new Makkah Metro in Saudi Arabia.
- As of May 13, 2010, Serco Inc. ranked No. 28 on *Washington Technology's 2009 Top 100* list of the largest federal government prime contractors.
- As of June 2010, Serco Inc. ranked No. 32 on *Federal Times* among the *Top 250 GSA Vendors* ranking.

Risk Mitigation: Should Serco Services Inc. cease operations, we could issue letter contracts (an agreement to be negotiated at a later point) on an emergency basis to: a) Jacob and Sundstrum to continue systems programming and possibly expand support to data center operations, and; b) Sungard to continue incoming mail, data entry, and other operations as well as for expanded capabilities to maintain the TSP record keeping system, accounting, legal, and Agency interface operations.

If Serco Services Inc. were unable to operate the Clintwood call center, The Active Network, Inc.'s call center in Frostburg, MD, could serve as a temporary backup.

The Agency is continuing to develop the requirements for a new statement of work (SOW) for the recompetition of Serco record keeping services. This effort was delayed due to relocating the Agency's primary data center while keeping the TSP modernization initiative on track. We are currently planning to conduct the competition in FY 2011.
2011.

Serco Group
Income Statement
(In £ millions)

	12/31/2009	12/31/2008	12/31/2007
	Audited	Audited	Audited
Revenue	3,970.0	3,123.5	2,810.7
Cost of sales	(3,383.2)	(2,666.7)	(2,404.5)
Gross profit	586.8	456.8	406.2
Administrative expenses	(357.1)	(291.6)	(264.2)
Other expenses – amortisation of intangibles arising on acquisition	(17.6)	(9.2)	(8.6)
Total administrative expenses	(374.7)	(300.8)	(272.8)
Operating profit	212.1	156.0	133.4
Investment revenue	2.7	8.2	12.2
Finance costs	(37.7)	(28.1)	(31.0)
Profit before tax	177.1	136.1	114.6
Tax	(46.9)	(36.5)	(32.2)
Profit for the period	130.2	99.6	82.4

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

	12/31/2009	12/31/2008	12/31/2007
	Audited	Audited	Audited
Assets			
Current assets			
Cash and cash equivalents	319.4	250.8	185.0
Derivative financial instruments	1.4	5.0	1.5
Trade and other receivables	720.9	725.7	573.6
Inventories	65.9	50.2	46.3
Total current assets	1,107.6	1,031.7	806.4
Non-current assets			
Goodwill	898.4	963.2	542.1
Other intangible assets	164.4	192.7	139.4
Property, plant and equipment	129.2	115.4	95.1
Trade and other receivables	181.4	121.1	104.6
Retirement benefit assets	-	62.4	-
Deferred tax assets	48.0	20.0	51.6
Derivative financial instruments	2.5	5.6	1.2
Total non-current assets	1,423.9	1,480.4	934.0
Total assets	2,531.5	2,512.1	1,740.4
Liabilities			
Current liabilities			
Trade and other payables	771.6	756.2	670.0
Current tax liabilities	14.1	19.5	14.8
Obligations under finance leases	6.0	4.5	7.7
Loans	110.7	36.8	13.5
Derivative financial instruments	5.5	4.2	2.1
Total current liabilities	907.9	821.2	708.1
Non-current liabilities			
Trade and other payables	23.1	32.7	13.3
Obligations under finance leases	18.0	12.7	8.7
Loans	543.2	710.9	317.4
Derivative financial instruments	1.7	0.4	11.2
Retirement benefit obligations	294.2	177.1	142.6
Provisions	42.3	45.9	18.6
Deferred tax liabilities	9.0	25.9	22.0
Total Long-term liabilities	931.5	1,005.6	533.8
Total liabilities	1,839.4	1,826.8	1,241.9
Equity			
Share capital	9.8	9.7	9.7
Share premium account	304.1	301.1	299.3
Capital redemption reserve	0.1	0.1	0.1
Retained earnings	444.1	339.8	260.6
Retirement benefit obligations reserve	(150.0)	(47.7)	(90.2)
Share-based payment reserve	49.6	40.0	34.6
Own shares reserve	(13.0)	(19.7)	(15.1)
Hedging and translation reserve	47.3	61.9	(1.8)
Equity attributable to equity holders of the parent	-	685.2	497.2
Minority interest	0.1	0.1	1.3
Total equity	692.1	685.3	498.5
Total liabilities and shareholders' equity	2,531.5	2,512.1	1,740.4
 Current ratio: Current assets/Current liabilities	1.22	1.26	1.14
Leverage: Total liabilities/Total assets	0.73	0.73	0.71

Serco Group
Cash Flow Statement
(In £ millions)

	12/31/2009	12/31/2008	12/31/2007
	Audited	Audited	Audited
Net cash inflow/(outflow) from operating activities	235.1	162.6	134.1
Net cash inflow/(outflow) from investing activities	(64.5)	(348.5)	(48.5)
Net cash inflow/(outflow) from financing activities	(96.7)	230.0	(125.3)
Change in cash and cash equivalents	<u>73.9</u>	<u>44.1</u>	<u>(39.7)</u>
Net exchange gain	(5.3)	21.7	6.8
Cash and cash equivalents at beginning of period	<u>250.8</u>	<u>185.0</u>	<u>217.9</u>
Cash and cash equivalents at end of period	319.4	250.8	185.0

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. It also offers risk management and investment technology services to insurance companies, finance companies, pension funds, foundations, REITs, commercial and mortgage banks, savings institutions and government agencies. These services are provided under the brand name BlackRock Solutions to clients in over 60 countries, primarily the United States, the United Kingdom, Japan and Australia.

As of March 31, 2010, BlackRock's assets under management totaled \$3.36 trillion across equity, fixed income, cash management, alternative investment, real estate and advisory strategies. BlackRock is publicly-traded, with Bank of America, PNC Financial Services, and Barclays PLC holding 34.1%, 24.6%, and 19.9% of its shares respectively, with the remainder owned by institutional and individual investors, as well as BlackRock employees. The company acquired Barclays Global Investors (BGI) in December 2009 under the BlackRock name, making it the largest money manager in the world.

Current Financial Condition:

- **Income Statement:** As of March 31, 2010, BlackRock reported total revenue of \$2 billion which increased 102 percent from \$987 million for the same period in 2009. Most of the increase is related to products and sales commissions from the BGI acquisition as well as growth in long-term assets under management due to market growth and net new business. The Company reported a Net Income of \$423 million, up 404 percent from a Net Income of \$84 million reported for the same period in 2009.
- **Balance Sheet:** As of March 31, 2010, Total Assets of \$168.1 billion were reported, a decrease of \$9.9 billion from \$178.0 billion reported at year-end 2009. Total Liabilities reported were \$143.1 billion, down \$10.3 billion from the \$153.4 billion reported at year-end 2009.
- **Cash Flow:** As of March 31, 2010, the Company reported cash and cash equivalents of \$2.7 billion, a decrease of \$2.0 billion from the \$4.7 billion reported at year-end 2009. BlackRock completed its acquisition of BGI from Barclays in December 2009. In exchange for BGI, BlackRock paid approximately \$6.65 billion in cash and issued capital stock valued at \$8.53 billion.
- **Leverage:** As of March 31, 2010, Total Liabilities reported were 85 percent of Total Assets, compared to 86 percent at year-end 2009.
- **Current Ratio:** N.A. (BlackRock Inc. does not present current assets and current liabilities in its balance sheet presentation).

Dun & Bradstreet Credit Score Class: As of June 30, 2010, the credit score was 3 (moderate risk), unchanged from the previous quarter.

Stock Performance: BlackRock Inc.'s closing share price on June 30, 2010, was \$143.01, down from its 52-week high of \$243.80 on January 11, 2010. The 52-week low was \$143.01 on June 30, 2010.

SAS 70 Report: Price Waterhouse Coopers' SAS-70 reported on the Processing of Transactions results (January 1, 2009 through November 30, 2009), as of December 18, 2009, and identified no areas of concern.

Significant Events:

- On April 29, 2010, BlackRock, Inc. announced that its Board of Directors declared a quarterly cash dividend of \$1.00 per share of common stock payable on June 23, 2010 to shareholders of record at the close of business of June 7, 2010.

Risk Mitigation: BlackRock has assumed the management of the TSP's bond and equity funds. The company is subject to the same contract provisions as Barclays. TSP assets are held in commingled trust funds, which cannot be accessed by BlackRock's creditors. In the event of bankruptcy by BlackRock, the actual securities could be transferred by the Agency to another investment manager. There is a risk during the transition period that the TSP might be unable to invest and disinvest participants' money in a timely fashion. Additionally, there may be transaction costs associated with transferring the assets to another investment manager, but this risk is mitigated by the terms of the current contract with BlackRock, which provides for the transfer in kind of the TSP assets.

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

	03/31/10	12/31/09	03/31/09	12/31/08
	Unaudited	Audited	Unaudited	Audited
Revenue				
Investment advisory, administration fees and securities lending revenue				
Related parties	1,149	2,616	507	2,962
Other third parties	604	1,210	293	1,295
Investment advisory performance fees	50	202	11	177
Investment advisory, administration fees and securities lending revenue	1,803	4,028	811	4,434
<i>BlackRock Solutions</i> and advisory	113	477	135	393
Distribution fees	28	100	25	139
Other revenue	51	95	16	98
Total revenue	1,995	4,700	987	5,064
Expenses				
Employee compensation and benefits	773	1,802	351	1,815
Distribution and servicing costs				
Related parties	64	368	103	495
Other third parties	36	109	24	96
Amortization of deferred mutual fund sales commissions	26	100	27	130
Direct fund expenses	113	95	13	86
General and administration	289	779	140	665
Restructuring charges	-	22	22	38
Amortization of intangible assets	40	147	36	146
Total expenses	1,341	3,422	716	3,471
Operating income	654	1,278	271	1,593
Non-operating income (expense)				
Net gain (loss) on investments	38	42	(172)	(573)
Interest and dividend income	4	20	8	65
Interest expense	(40)	(68)	(15)	(69)
Total non-operating income (expense)	2	(6)	(179)	(577)
Income before income taxes	656	1,272	92	1,016
Income tax expense	228	375	30	387
Net income	428	897	62	629
Less:	-	2	-	(1)
Net income (loss) attributable to nonredeemable non-controlling interests	5	20	(22)	(154)
Net income attributable to BlackRock, Inc.	423	875	84	784

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

	03/31/10	12/31/2009	03/31/09	12/31/2008
	Unaudited	Audited	Unaudited	Audited
Assets				
Cash and cash equivalents	2,703	4,708	1,793	2,032
Accounts receivable	1,868	1,730	953	901
Due from related parties	170	189	110	309
Investments	1,096	1,049	1,137	1,429
Separate account assets	116,187	119,629	2,452	2,623
Assets of consolidated variable interest entities				
Cash and cash equivalents	90	-	-	-
Bank loans and other investments	1,288	-	-	-
Collateral held under securities lending agreements	13,417	19,335	-	-
Deferred mutual fund sales commissions, net	100	103	120	135
Property and equipment (net of accumulated depreciation)	450	445	256	260
Intangible assets (net of accumulated amortization)	17,626	17,648	6,405	6,441
Goodwill	12,641	12,570	5,736	5,533
Other assets	424	588	261	261
Total assets	168,060	177,994	19,223	19,924
Liabilities				
Accrued compensation and benefits	616	1,482	221	826
Accounts payable and accrued liabilities	1,037	845	551	545
Due to related parties	391	439	116	103
Short-term borrowings	880	2,234	200	200
Liabilities of consolidated variable interest entities				
Borrowings	1,214	-	-	-
Other liabilities	4	-	-	-
Convertible debentures	95	243	246	245
Long-term borrowings	3,191	3,191	697	697
Separate account liabilities	116,187	119,629	2,452	2,623
Collateral liability under securities lending agreements	13,417	19,335	-	-
Deferred tax liabilities	5,577	5,526	1,783	1,826
Other liabilities	504	468	546	299
Total liabilities	143,113	153,392	6,812	7,364
Temporary equity				
Redeemable non-controlling interests	79	49	134	266
Convertible debentures	-	-	3	-
Total temporary equity	79	49	137	266
Permanent Equity				
BlackRock, Inc. stockholders' equity				
Common stock	1	1	-	1
Preferred stock	1	1	1	-
Additional paid-in capital	22,174	22,127	10,471	10,473
Retained earnings	2,663	2,436	1,961	1,982
Appropriated retained earnings	114	-	-	-
Accumulated other comprehensive (loss)	(165)	(96)	(192)	(186)
Escrow shares, common, at cost	(137)	(137)	(143)	(143)
Treasury stock, common, at cost	(3)	(3)	(25)	(58)
Total BlackRock, Inc. stockholders' equity	24,648	24,329	12,073	12,069
Nonredeemable non-controlling interests	174	224	201	225
Nonredeemable non-controlling interests of consolidated variable interest entities	46	-	-	-
Total permanent equity	24,868	24,553	12,274	12,294
Total liabilities, temporary equity and permanent equity	168,060	177,994	19,223	19,924
 Total liabilities/Total assets	 85.2%	 86.2%	 35.4%	 37.0%

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

	03/31/10	12/31/09	03/31/09	12/31/08
	Unaudited	Audited	Unaudited	Audited
Net cash inflow/(outflow) from operating activities	(164)	1,399	(126)	1,916
Net cash inflow/(outflow) from investing activities	(30)	(5,519)	104	(394)
Net cash inflow/(outflow) from financing activities	(1,755)	6,749	(201)	(887)
Change in cash and cash equivalents	<u>(2,005)</u>	<u>2,676</u>	<u>(239)</u>	<u>376</u>
Cash and cash equivalents - beginning of the period	<u>4,708</u>	<u>2,032</u>	<u>2,032</u>	<u>1,656</u>
Cash and cash equivalents - end of the period	2,703	4,708	1,793	2,032

Equinix Inc. (formerly Switch & Data)

General Information: Equinix, Inc. is an 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 has 87 data centers located in 35 major metropolitan areas in 11 countries in North America, Europe and Asia-Pacific. In the U.S., data centers are in 22 metropolitan areas. Data centers are located in France, Germany, Netherlands, Switzerland, UK, Hong Kong, China, Singapore, Japan, and Australia. More than 200 different carriers and ISPs now participate in Equinix IBX centers.

Assessment: On October 21, 2009, Equinix and Switch & Data, a provider of global data center services, entered into a definitive agreement for Equinix to acquire Switch & Data. On May 3, 2010, Equinix completed its acquisition of Switch and Data, a transaction valued at about \$683.4 million. Equinix's data center hosts services for the TSP at two sites. The TSP's primary data center operates out of a northern Virginia facility under contract with Serco Services Inc. The Agency has a direct contract with Equinix for the western Pennsylvania facility that houses our backup data center.

Current Financial Condition:

- **Income Statement:** Equinix reported total revenue of \$248.6 million in the first quarter, up 25 percent from the \$199.2 million reported for the same period in 2009. The Company reported Net Income of \$14.2 million, a decrease of 9 percent from the \$15.5 million reported in the same period in 2009.
- **Balance Sheet:** As of March 31, 2010, Total Assets of \$3.7 billion were reported, an increase of \$0.7 billion from \$3.0 billion reported at year-end 2009. Total Liabilities were \$2.5 billion, an increase of \$0.6 billion from the \$1.9 billion at year-end 2009.
- **Cash Flow:** Cash and cash equivalents were \$1.0 billion at March 31, 2010, an increase of \$693.2 million from \$346.1 million reported at year-end 2009.
- **Leverage:** As of March 31, 2010, Total Liabilities were 67.6 percent of Total Assets, increasing from 61.1 percent at year-end 2009.
- **Current Ratio:** As of March 31, 2010, the Current Ratio (Current Assets/Current Liabilities) was 4.2, compared to 2.3 reported at year-end 2009.

Dun & Bradstreet Credit Score Class: As of June 30, 2010, the credit score was 2 (slight risk), the same as reported in the prior quarter.

Stock Performance: Equinix's closing share price on June 30, 2010, was \$81.22, down from its 52-week high of \$110.57 on January 06, 2010. The 52-week low was \$63.69 on July 8, 2009.

SAS 70 Report: No current information is available.

Significant Events:

- On April 30, 2010, Equinix updated its guidance of expected results for the second quarter and the full year of 2010 following its acquisition of Switch & Data Inc. Equinix expects second quarter revenues to be in the range of \$296 to \$298 million and full year 2010 revenues to be in the range of \$1.22 to \$1.24 billion.
- May 6, 2010 - Equinix announced an \$80 million third phase expansion of its NY4 International Business Exchange™ (IBX®) data center comprising 1,250 cabinet equivalents. This will enable Equinix to serve the largest U.S. metropolitan area including leading financial firms and some of the largest media and enterprise companies in the world.

Risk Mitigation: The merger of Switch & Data with Equinix allows for a greater number of services available to the TSP, offering a more comprehensive solution to our data center needs. We are closely monitoring the Company's long-term viability, which includes periodic site visits and dialogue with onsite personnel to ascertain the condition and use of facilities, and timeliness of payrolls.

Equinix Inc.
Income Statement
(in \$ thousands)

	03/31/10 Unaudited	12/31/09 Audited	03/31/09 Unaudited	12/31/08 Audited
Revenues	248,649	882,509	199,231	704,680
Costs and operating expenses:				
Cost of revenues	133,050	483,420	111,805	414,799
Sales and marketing	19,468	63,584	14,403	66,913
General and administrative	43,155	155,324	35,150	146,564
Acquisition costs	4,994	5,155	-	-
Restructuring charges	-	(6,053)	(5,833)	3,142
Total costs and operating expenses	200,667	701,430	155,525	631,418
Income from operations	47,982	181,079	43,706	73,262
Interest income	506	2,384	916	8,940
Interest expense	(25,675)	(74,232)	(13,451)	(61,677)
Other than temporary impairment loss on investments	3,420	(2,590)	(2,687)	(1,527)
Loss on debt extinguishment and interest rate swaps, net	(3,377)	-	-	-
Other income (expense)	20	2,387	(1,419)	1,307
Income before taxes	22,876	109,028	27,065	20,305
Income tax benefit (expense)	(8,677)	(39,597)	(11,608)	87,619
Net income	14,199	69,431	15,457	107,924

Equinix Inc.
Balance Sheet
(in \$ thousands)

	03/31/10 Unaudited	12/31/09 Audited	03/31/09 Unaudited	12/31/08 Audited
Assets				
Cash and cash equivalents	1,039,302	346,056	222,049	220,207
Short-term investments	140,611	248,508	29,720	42,112
Accounts receivable, net	69,722	64,767	60,022	66,029
Deferred tax assets	-	46,822	27,063	35,936
Other current assets	64,014	21,734	18,231	15,227
Total Current Assets	1,313,649	727,887	357,085	379,511
Long term investments	5,225	9,803	32,206	45,626
Property, plant and equipment net	1,874,325	1,808,115	1,512,908	1,492,830
Goodwill	359,319	381,050	335,259	342,829
Intangible assets, net	46,661	51,015	49,378	50,918
Deferred tax assets, net	-	5,171	81,521	65,228
Other assets	68,589	55,109	48,632	57,794
Total assets	3,667,768	3,038,150	2,416,989	2,434,736
Liabilities and shareholders' equity				
Accounts payable and accrued expenses	113,018	99,053	78,987	74,317
Accrued property and equipment	98,993	109,876	53,336	89,518
Current portion of capital lease and other financing obligations	6,490	6,452	5,675	4,499
Current portion of mortgage and loans payable	56,225	58,912	51,929	52,054
Current portion of convertible debt	-	-	19,150	19,150
Other current liabilities	41,381	41,166	47,247	50,455
Total current liabilities	316,107	315,459	256,324	289,993
Capital lease and other financing obligations, less current portion	152,173	154,577	131,864	133,031
Mortgage and loans payable, less current portion	247,718	371,322	371,406	386,446
Senior notes	750,000	-	-	-
Convertible debt, less current portion	899,182	893,706	611,025	608,510
Other liabilities	115,101	120,603	113,174	100,095
Total liabilities	2,480,281	1,855,667	1,483,793	1,518,075
Shareholders' equity				
Common stock	40	39	38	38
Additional paid-in capital	1,691,726	1,665,662	1,540,583	1,524,834
Accumulated other comprehensive income/(loss)	(132,498)	(97,238)	(167,471)	(152,800)
Accumulated deficit	(371,781)	(385,980)	(439,954)	(455,411)
Total shareholders' equity	1,187,487	1,182,483	933,196	916,661
Total liabilities and shareholders' equity	3,667,768	3,038,150	2,416,989	2,434,736
Current ratio:	4.2	2.3	1.4	1.3
Current assets/Current liabilities				
Leverage:	67.6%	61.1%	61.4%	62.4%
Total liabilities/Total assets				

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

	03/31/10	12/31/09	03/31/09	12/31/08
	Unaudited	Audited	Unaudited	Audited
Net cash provided by operating activities from continuing operations	99,812	355,492	86,704	267,558
Net cash used in investing activities	(31,557)	(558,178)	(77,885)	(478,040)
Net cash provided by financing activities	629,796	323,598	(3,625)	145,106
Effect of exchange rate charges on cash	(4,805)	4,937	(3,352)	(5,050)
Net increase in cash and cash equivalents	<u>693,246</u>	<u>125,849</u>	<u>1,842</u>	<u>(70,426)</u>
Cash and cash equivalents - beginning of the period	<u>346,056</u>	<u>220,207</u>	<u>220,207</u>	<u>290,633</u>
Cash and cash equivalents - end of the period	1,039,302	346,056	222,049	220,207

R.R. Donnelley & Sons

General Information: R.R. Donnelley & Sons and Company of Chicago, IL, was awarded the contract for bulk mailing services in March 2006. These services include printing and mailing Agency documents, education, and marketing materials to participants, beneficiaries, and third parties.

Assessment: R.R. Donnelley was ranked number one in the publishing and printing industry with a Fortune 500 ranking of 233 in 2009, and has locations throughout the United States, Europe, Mexico, South America, and China. The Company reported annual losses for 2007, 2008 and 2009. However, 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 first quarter in 2010, R.R. Donnelley reported net sales of \$2.41 billion compared to \$2.46 billion in the same period of 2009. The Company reported net income of \$52.6 million, compared to \$13.9 million for the first quarter of 2009. The increase in net income was driven by lower cost of sales, closure of seven facilities, and workforce reductions of 2,693 employees (all terminated as of March 31, 2010). Restructuring activities through 2010 are expected to streamline the Company's manufacturing, sales and administrative operations.
- **Balance Sheet:** As of March 31, 2010, \$8.6 billion of Total Assets were reported, down from \$8.7 billion reported at year-end 2009. Total Liabilities of \$6.4 billion were reported, a decrease from \$6.6 billion reported at year-end 2009.
- **Cash Flow:** As of March 31, 2010, the Company reported cash and cash equivalents of \$451.3 million, a decrease from the \$499.2 million reported at year-end 2009.
- **Current Ratio:** As of March 31, 2010, the Current Ratio (Current Assets/Current Liabilities) was 1.5, flat from 1.5 at year-end 2009.
- **Leverage:** As of March 31, 2010, Total Liabilities were 74.8 percent of Total Assets; compared to 75.3 percent at year-end 2009.

Dun & Bradstreet Credit Score Class: As of June 30, 2010, the credit score was 1 (lowest risk) the same as reported in the prior quarter.

Stock Performance: R. R. Donnelley's closing share price on June 30, 2010, was \$16.37, down from its 52-week high of \$23.20 on January 15, 2010. The 52-week low was \$10.36 on July 8, 2009.

SAS 70 Report: The SAS-70 report as of December 8, 2008 by Deloitte & Touche LLP revealed no issues related to the TSP. Dates of coverage are May 1, 2008 to October 31, 2008.

Significant Events:

- June 16, 2010 - R.R. Donnelley priced an offering of \$400 million aggregate principal amount of 7.625% notes due June 15, 2020. Part of the net proceeds will be used to repay borrowings under its revolving credit facility drawn on May 13, 2010, which were used to repay \$325.7 million of the Company's 4.95% senior notes due May 15, 2010.
- Apr 14, 2010 - R.R. Donnelley announced a regular quarterly dividend of 26 cents per common share, paid on June 1, 2010 to stockholders of record as of April 29, 2010.

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.

R. R. Donnelley & Sons
Income Statement
(in \$ millions)

	03/31/10	12/31/09	03/31/09	12/31/08
	Unaudited	Audited	Unaudited	Audited
Net sales	2,415.1	9,857.4	2,455.6	11,581.6
Cost of sales	1,841.7	7,462.9	1,882.8	8,576.3
Selling, general & administrative expenses	273.5	1,088.5	283.2	1,220.5
Restructuring and impairment charges - net	15.5	382.7	54.2	1,184.7
Depreciation & amortization	138.6	579.0	148.0	640.6
Total operating expenses	<u>2,269.3</u>	<u>9,513.1</u>	<u>2,368.2</u>	<u>11,622.1</u>
Income from continuing operations	145.8	344.3	87.4	(40.5)
Interest expense - net	55.7	234.6	59.1	226.4
Investment and other income (expense) - net	(9.0)	(16.6)	(0.3)	(2.4)
Earnings before income taxes	<u>81.1</u>	<u>93.1</u>	<u>28.0</u>	<u>(269.3)</u>
Income taxes	32.4	114.5	11.6	(83.9)
Less: Income attributable to noncontrolling interests	-	5.9	-	6.3
Net earnings	<u>48.7</u>	<u>(27.3)</u>	<u>16.4</u>	<u>(191.7)</u>
Income (loss) from discontinued operations, net of tax	-	-	-	1.8
Less: Income (loss) attributable to RR Donnelley common shareholders	(3.9)	-	2.5	-
Net Income/(loss)	<u>52.6</u>	<u>(27.3)</u>	<u>13.9</u>	<u>(189.9)</u>

R. R. Donnelley & Sons
Balance Sheet
(in \$ millions)

	03/31/10	12/31/09	03/31/09	12/31/08
	Unaudited	Audited	Unaudited	Audited
Assets				
Cash and cash equivalents	451.3	499.2	1,027.6	324.0
Restricted cash equivalents	38.9	-	0.2	7.9
Receivables, less allowance for doubtful accounts	1,659.3	1,675.9	1,706.3	1,903.2
Income taxes receivable	48.0	63.2	27.9	189.4
Inventories	526.1	561.8	592.2	695.7
Prepaid expenses and other current assets	184.2	160.8	88.6	104.6
Deferred income taxes	-	-	55.3	56.2
Total current assets	2,907.8	2,960.9	3,498.1	3,281.0
Property, plant and equipment - net	2,193.2	2,271.4	2,462.8	2,564.0
Goodwill	2,327.8	2,333.3	2,431.7	2,425.9
Other intangible assets net	716.9	747.4	810.5	831.1
Other noncurrent assets	424.8	434.6	392.2	392.3
Total assets	8,570.5	8,747.6	9,595.3	9,494.3
Liabilities and shareholders' equity				
Accounts payable	850.3	886.4	718.9	767.6
Accrued liabilities	751.1	813.4	764.5	795.7
Short-term and current portion of long-term debt	336.1	339.9	826.7	923.5
Total current liabilities	1,937.5	2,039.7	2,310.1	2,486.8
Long-term debt	2,982.6	2,982.5	3,603.3	3,203.3
Pension liability	506.2	509.8	482.7	491.5
Postretirement benefit	328.0	324.5	292.5	291.9
Deferred income taxes	201.0	205.5	255.9	260.9
Other noncurrent liabilities	457.1	524.6	407.8	418.0
Liabilities of discontinued operations	-	-	0.4	-
Total liabilities	6,412.4	6,586.6	7,352.7	7,152.4
Shareholders' equity				
Common stock	303.7	303.7	303.7	303.7
Additional paid-in capital	2,888.3	2,906.2	2,892.2	2,885.7
Retained earnings	662.0	662.9	864.6	903.8
Accumulated other comprehensive income	(548.7)	(545.0)	(647.2)	(580.7)
Treasury stock, at cost	(1,169.5)	(1,193.8)	(1,195.7)	(1,194.0)
Total shareholders' equity	2,135.8	2,134.0	2,217.6	2,318.5
Noncontrolling interests	22.3	27.0	25.0	23.4
Total liabilities and shareholders equity	8,570.5	8,747.6	9,595.3	9,494.3
Current ratio: Current assets/Current liabilities	1.5	1.5	1.5	1.3
Leverage: Total liabilities/Total assets	74.8%	75.3%	76.6%	75.3%

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

	03/31/10	12/31/09	03/31/09	12/31/08
	Unaudited	Audited	Unaudited	Audited
Net cash inflow/(outflow) from operating activities from operating activities	75.6	1,425.8	538.7	1,015.9
Net cash inflow/(outflow) from investing activities	(63.3)	(260.9)	(72.2)	(351.2)
Net cash inflow/(outflow) from financing activities	(51.6)	(1,028.0)	249.3	(676.8)
Change in cash and cash equivalents	<u>(47.9)</u>	<u>175.2</u>	<u>703.6</u>	<u>(55.0)</u>
Effect of exchange rate charges on cash	(8.6)	38.3	(12.2)	(42.9)
Cash and cash equivalents - beginning of the period	<u>499.2</u>	<u>324.0</u>	<u>324.0</u>	<u>379.0</u>
Cash and cash equivalents - end of the period	451.3	499.2	1,027.6	324.0

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 every five years. In January 2006, MetLife was re-awarded the TSP annuity provider contract.

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.

On March 7, 2010, the MetLife Holding Company entered into a stock purchase agreement with ALICO Holdings LLC and American International Group, Inc., pursuant to which the Holding Company agreed to acquire all of the issued and outstanding capital stock of American Life Insurance Company ("Alico") and Delaware American Life Insurance Company. The transaction is expected to close by the end of 2010, subject to certain regulatory approvals and determinations, as well as other customary closing conditions.

Current Financial Condition:

- **Income Statement:** As of March 31, 2010, MetLife reported Total Revenues of \$13.2 billion, up 29 percent from the \$10.2 billion reported for the same period of 2009. MetLife reported a Net Profit of \$805 million, compared to a Net Loss of \$574 million reported in the same period of 2009.
- **Balance Sheet:** As of March 31, 2010, Total Assets of \$565.6 billion were reported, an increase of \$26.3 billion from \$539.3 billion reported at year-end 2009. Total Liabilities were \$529.4 billion in the first quarter of 2010, an increase of \$23.6 billion from the \$505.8 billion at year-end 2009.
- **Cash Flow:** The Company's short-term liquidity position, defined as cash and cash equivalents, was \$9.2 billion and \$10.1 billion at March 31, 2010 and year-end 2009, respectively, which reflected a 9 percent decrease. The Company is exposed to concentrations of credit risk related to securities of the U.S. government and certain U.S. government agencies included within cash equivalents.
- **Leverage:** As of March 31, 2010, Total Liabilities were 93.6 percent of Total Assets, a decline from 93.8 percent at year-end 2009.
- **Current Ratio:** N.A. (MetLife does not present current assets and current liabilities in its balance sheet presentation).
- **Company Ratings:** Based on MetLife's disclosure of the potential acquisition of Alico in February 2010, the rating agencies downgraded or placed the ratings of MetLife, Inc. and its subsidiaries on "Credit Watch" and "Under Review." Insurer financial strength ratings as of May 12, 2010 are as follows:

<i>Rating Agency</i>	<i>Rating</i>	<i>Descriptor</i>	<i>Modifier</i>	<i>Outlook</i>
A.M. Best Company	A+	Superior	Ratings Under Review	Negative
Fitch Ratings	AA-	Very Strong	Stable	Stable
Moody's Investor Services	Aa3	Excellent	Negative Watch	Negative
Standard & Poor's	AA-	Very Strong	Credit Watch	Negative

While still strong and stable over the last few months, these ratings represent deterioration in MetLife's overall ratings. As a result, we have entered into regular conversations with MetLife about its financial situation and are seeking an expert review of the adequacy of the current ratings. Our expectation is that the credit watches will not be rescinded until MetLife's acquisition of Alico is completed. The process for the Alico acquisition is on track and expected to close by the end of 2010.

Dun & Bradstreet Credit Score Class: As of June 30, 2010, the credit score was 5 (highest risk), compared to a credit score of 3 (moderate risk) in the prior quarter. The Dun & Bradstreet report states that the company is \$3 million past due on a \$10 million telecommunications account balance. However, we confirmed with MetLife that this issue has since cleared and the Company currently reports a \$0 balance.

Stock Performance: MetLife's closing share price on June 30, 2010, was \$37.76, down from its 52-week high of \$47.75 on April 26, 2010. The 52-week low was \$26.00 on July 8, 2009.

SAS 70 Report: There is no SAS report available.

Significant Events:

- May 17, 2010 - MetLife announced a second quarter 2010 dividend of \$0.26 per share on the company's floating rate non-cumulative preferred stock, Series A, and \$0.41 per share on the company's 6.50% non-cumulative preferred stock, Series B. Both dividends were paid June 15, 2010 to shareholders of record as of May 31, 2010.

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 regulatory standards.

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

	03/31/10 Unaudited	12/31/09 Audited	03/31/09 Unaudited	12/31/08 Audited
Revenues				
Premiums	6,854	26,460	6,122	25,914
Universal life and investment-type product policy fees	1,407	5,203	1,183	5,381
Net investment income	4,344	14,838	3,261	16,291
Other revenues	513	2,329	554	1,586
Net investment gains (losses)	72	(7,772)	(906)	1,812
Total revenues	13,190	41,058	10,214	50,984
Expenses				
Policyholder benefits and claims and policyholder dividends	7,914	29,986	6,582	29,188
Interest credited to policyholder account balances	1,143	4,849	1,168	4,788
Interest credited to bank deposits	-	163	424	166
Capitalization of DAC	-	(3,019)	-	(3,092)
Amortization of DAC and VOBA	-	1,307	-	3,489
Interest expense	-	1,044	-	1,051
Other expenses	2,942	11,061	3,002	10,333
Total expenses	11,999	45,391	11,176	45,923
Income (loss) from continuing operations before provision for income taxes	1,191	(4,333)	(962)	5,061
Provision for income tax expense (benefit)	358	(2,015)	(377)	1,580
Income from continuing operations	833	(2,318)	(585)	3,481
Income (loss) from discontinued operations, net of income taxes	1	40	37	(203)
Net income/(loss)	834	(2,278)	(548)	3,278
Less: Net income (loss) attributable to noncontrolling interests	(1)	(32)	(4)	69
Income before cumulative effect of a change in accounting, net of income taxes	835	(2,246)	(544)	3,209
Less: Preferred Stock Dividends	30	122	30	125
Net income/(loss)	805	(2,368)	(574)	3,084

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

	03/31/10 Unaudited	12/31/09 Audited	03/31/09 Unaudited	12/31/08 Audited
Assets				
Investments:				
Fixed maturities	239,566	227,642	191,415	188,251
Equity securities	3,066	3,084	2,817	3,197
Trading securities	3,039	2,384	922	946
Mortgage loans	57,436	50,909	53,044	51,364
Policy loans	10,146	10,061	9,851	9,802
Real estate and real estate joint ventures held for investment	6,826	6,852	7,380	7,585
Real estate held for sale	40	44	1	1
Other limited partnership interests	5,753	5,508	5,365	6,039
Short term investments	8,019	8,374	10,896	13,878
Other invested assets	12,327	12,709	15,130	17,248
Total investments	346,218	327,567	296,821	298,311
Cash and cash equivalents	9,202	10,112	19,424	24,207
Accrued investment income	3,392	3,173	3,142	3,061
Premiums and other receivables	17,554	16,752	18,514	16,973
Deferred policy acquisition costs	18,697	19,256	20,754	20,144
Current income taxes recoverable	-	316	-	-
Deferred income tax assets	149	1,228	6,349	4,927
Goodwill	5,049	5,047	5,010	5,008
Assets of subsidiaries held for sale	-	-	-	946
Other assets	6,869	6,822	7,028	7,262
Separate account assets	158,436	149,041	114,366	120,839
Total assets	565,566	539,314	491,408	501,678
Liabilities and stockholders' equity				
Future policy benefits	137,516	135,879	131,609	130,555
Policyholder account balances	141,734	138,673	148,568	149,805
Other policyholder funds	8,682	8,446	8,136	7,762
Policyholder dividends payable	745	761	846	1,023
Payables for collateral under securities loaned and other transactions	25,982	24,196	24,341	31,059
Bank deposits	10,032	10,211	-	-
Short term debt	318	912	5,878	2,659
Long term debt	20,177	13,220	11,042	9,667
Collateral financing arrangements	5,297	5,297	5,242	5,192
Junior subordinated debt securities	3,191	3,191	2,691	3,758
Current income taxes payable	66	-	635	342
Other liabilities	17,211	15,989	14,625	14,284
Separate account liabilities	158,436	149,041	114,366	120,839
Liabilities of subsidiaries held for sale	-	-	-	748
Total liabilities	529,387	505,816	467,979	477,693
Stockholders' equity				
Preferred stock	1	1	1	1
Common stock	8	8	8	8
Additional paid in capital	16,871	16,859	16,860	15,811
Retained earnings	20,294	19,501	21,829	22,403
Treasury stock, at cost	(172)	(190)	(230)	(236)
Accumulated other comprehensive income (loss)	(1,191)	(3,058)	(15,358)	(14,253)
Total stockholders equity	35,811	33,121	23,110	23,734
Noncontrolling interests	368	377	319	251
Total Equity	36,179	33,498	23,429	23,985
Total liabilities and stockholders equity	565,566	539,314	491,408	501,678
Leverage: Total liabilities/Total assets	93.60%	93.79%	95.23%	95.22%

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

	03/31/09 Unaudited	12/31/09 Audited	03/31/09 Unaudited	12/31/08 Audited
Net cash inflow/(outflow) from operating activities	2,871	3,803	(985)	10,702
Net cash inflow/(outflow) from investing activities	(7,598)	(13,935)	(1,618)	(2,671)
Net cash inflow/(outflow) from financing activities	3,845	(4,103)	(2,168)	6,189
Change in cash and cash equivalents	(910)	(14,127)	(4,815)	13,871
Cash and cash equivalents - beginning of the period	10,112	24,239	24,239	10,368
Cash and cash equivalents - end of the period	9,202	10,112	19,424	24,239