THRIFT SAVINGS PLAN

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

April 5, 2007

MEMORANDUM FOR THE EXECUTIVE DIRECTOR

FROM: JAMES B. PETRICK
CHIEF FINANCIAL OFFICER

SUBJECT: QUARTERLY FINANCIAL ASSESSMENT OF TSP'S PRIMARY VENDORS – APRIL 2007

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

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 2006 annual report data. We determine whether there is evidence of stable or growing income (i.e., the profitability of the company). We also review the current balance sheet to determine 1) the current ratio of assets to liabilities to ascertain the vendor's ability to meet short term liquidity needs and 2) the ratio of total debt to total assets to ascertain the prospects for longer term profitablility. Then, we look for significant changes in current and prior periods to identify trends that may require further explanation. At the Board's request, for comparative purposes, we have included 2005 and 2004 annual data, and continue to provide the stock price and a statement of cash flows.

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

2. Dun & Bradstreet Credit Score:

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

3. Significant Events:

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

4. Risk Mitigation:

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

Attachments

SI International

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

Assessment: For the year ended December 31, 2006, SI reported revenues of $462 million, an increase of 16 percent from year-end 2005. Federal government contract revenues represent 99 percent of fiscal year 2006 total revenues. We find no indication at this time that SI International is unable to fulfill its contractual obligations to the TSP. In January 2007, Smart CEO Magazine cited SI as one of the companies on its Future 50 list of the fastest growing companies in the Washington area based on employee and revenue growth.

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

- Income Statement: Through December 31, 2006, SI reported Net Income of $20.2 million, a 19 percent increase from $16.9 million for year-end 2005.

- Balance Sheet: Through December 31, 2006, Total Assets of $381 million were reported, a 14 percent increase from $336 million at year-end 2005. Total Liabilities of $142 million were reported, a 15 percent decrease from $168 million at year-end 2005.

- Cash Flow: Through December 31, 2006, cash and cash equivalents totaled $19.5 million, a 26 percent decrease from $26.2 million at year-end 2005. The decrease in cash is attributed to repayments of long-term debt and business acquisitions offset by proceeds from issuance of common stock and the sale of marketable securities.

- Current Ratio: The Current Ratio (Current Assets/Current Liabilities) dipped slightly to 2.1 from 2.3 at year-end 2005.

- Leverage: Through December 31, 2006, Total Liabilities as a percent of Total Assets continued to improve to 37 percent from the 50 percent reported at year-end 2005.

Dun & Bradstreet Credit Score Class: 2, (slightly increased risk), changed from the lowest risk (1) reported in the previous quarter.

Stock Performance: The SI closing share price on March 30, 2007 was $28.71, down from its 52-week high of $36.26 on April 27, 2006.

Significant Events: On March 30, 2007, it was announced that SI was awarded a contract to provide business process outsourcing services to the TSP. SI will use a subcontractor, Sungard EXP, to support the processing, imaging, and data entry of applications and forms for the TSP. The prime contract has a two-year base period and two two-year options with a potential value of approximately $15.9 million, inclusive of the options.

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

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

The Agency is in the process of drafting a new statement of work (SOW) in preparation for the recompetition of the SI record keeping contract. We expect to release the solicitation in late FY 2007 – early FY 2008, with contract award in mid-late FY 2008. A full and open competition is planned, and risk mitigation will be a principal component of the procurement strategy

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

	12/30/06	12/31/05	12/25/04
Revenue	$461,970	$397,919	$262,306
Costs and expenses			
Cost of services	290,675	246,481	166,774
Selling, general, and administrative	124,847	113,015	71,917
Depreciation/Amortization	2,692	2,161	2,231
Amortization of intangible assets	3,116	2,292	648
Total operating expenses	421,330	363,949	241,570
Income from operations	40,640	33,970	20,736
Other income (expense)	88	12	(1)
Interest expense	(7,731)	(6,103)	(2,760)
Income (loss) before provision for income taxes	32,997	27,879	17,975
Provision for income taxes	12,844	10,942	7,098
Net income (loss)	**$20,153**	**$16,937**	**$10,877**

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

	12/30/2006	12/31/2005	12/25/2004
ASSETS			
Current assets:			
Cash and cash equivalents	$19,457	$26,160	$3,754
Marketable securities	-	7,850	2,000
Accounts receivable, net	91,972	93,633	65,710
Deferred tax asset	1,408	422	-
Other current assets	7,219	6,276	6,243
Total current assets	**120,056**	**134,341**	**77,707**
Property and equipment, net	12,372	5,908	4,971
Intangible assets, net	20,418	16,483	6,575
Other assets	7,661	5,655	2,142
Goodwill	220,626	173,308	120,712
Total assets	**381,133**	**335,695**	**212,107**
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current liabilities:			
Accounts payable	20,715	25,364	11,225
Note payable - Line of Credit	-	-	28,954
Accrued expenses and other current liabilities	28,547	29,674	15,314
Note payable - former owner of acquired business	5,839	2,280	2,280
Deferred revenue	-	-	289
Current portion of long-term debt	754	1,000	-
Total current liabilities	**55,855**	**58,318**	**58,062**
Long-term debt, net of current portion	69,452	98,250	-
Deferred income tax	8,961	5,221	5,046
Other long-term liabilities	7,653	6,037	3,929
Total Liabilities	**141,921**	**167,826**	**67,037**
STOCKHOLDER'S EQUITY			
Common stock - $0.01 par value per share; 50,000,000 shares authorized; 12,967,377 and 11,341,222 shares issued and outstanding as of December 30, 2006 and December 31, 2005, respectively	130	114	111
Additional paid in capital	184,845	133,843	128,192
Accumulated other comprehensive income	172	-	-
Deferred compensation	-	-	-208
Retained earnings	54,065	33,912	16,975
Total stockholders' equity	**239,212**	**167,869**	**145,070**
Total Liabilities and stockholders' equity	**$381,133**	**$335,695**	**$212,107**
CURRENT RATIO: Current Assets/Current Liabilities	2.1494	2.3036	1.3383
LEVERAGE: Total Liabilities/Total Assets	37.24%	49.99%	31.61%

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

	12/30/06	**12/31/05**	**12/25/04**
Net cash provided by (used in) operating activities	32,256	26,599	(1,655)
Net cash used in investing activities	(58,981)	(74,821)	(86,665)
Net cash provided by financing activities	20,022	70,628	79,772
Net increase (decrease) in cash and cash equivalents	(6,703)	22,406	(8,548)
Cash and cash equivalents - beginning of the period	26,160	3,754	12,302
Cash and cash equivalents - end of the period	19,457	26,160	3,754

Spherix

General information: Spherix, Incorporated, operates two primary business segments, InfoSpherix, Inc. and BioSpherix. InfoSpherix, a wholly owned subsidiary, operates the TSP call center in Cumberland, MD. The BioSpherix division is engaged in biotechnology research and development.

Assessment: Although Spherix's financial condition remains viable as of December 31, 2006, compared to 2005, there is a continuing concern because Spherix's financial condition remains dependent upon the revenues from InfoSpherix. In 2006, BioSpherix generated less than 1 percent of Spherix's revenues but reported considerably larger losses than in 2005. Because BioSpherix continues to generate almost no revenue, a risk remains that that it could deprive InfoSpherix of critical financial assets it needs to operate.

Current Financial Condition: Currently, with no ongoing revenue stream, BioSpherix continues to expend significant sums in clinical trials in an effort to bring commercial products to market. In 2006, InfoSpherix received a cash settlement of $6 million as a result of a settlement from a legally disputed contract award from the U.S. Department of Agriculture. This contract ended on January 23, 2007 and contributed $4 million in revenue in 2005 and 2006. InfoSpherix will need to replace it with other work to avoid an adverse impact on their finances. For 2006, Spherix continued to fund BioSpherix's R&D programs through its existing cash and cash equivalents and/or proceeds from the issuance of stock.

- Income Statement: Through December 31, 2006, Spherix reported Revenues of $24.8 million, increased from $23 million reported for year-end 2005. The Company reported Net Income of $3.5 million, improved from the $2.8 million Net Loss reported for year-end 2005. However, the Net Income reflects the $6 million settlement the Company received from the U.S. Department of Agriculture. Without that settlement, a loss would likely have been reported.

  InfoSpherix reported Revenues of $24.8 million and Operating Income of $723 thousand, improved from $23 million and a $1.9 million loss in 2005. For 2006, BioSpherix reported Revenues of $7 thousand, with offsetting costs of $3.2 million and a loss of $3.2 million. In 2005, BioSpherix reported Revenues of $23 thousand and a loss of $1 million.

- Balance Sheet: Through December 31, 2006, Spherix's Total Assets reported were $18.4 million, a 40 percent increase from $13.1 million at year-end 2005. Total Liabilities of $3.8 million were reported, reduced by 27 percent from the $5.2 million at year-end 2005.

- Cash Flow: Through December 31, 2006, cash and cash equivalents totaled $10.6 million, a 311 percent increase from $2.7 million at year-end 2005.

- Current Ratio: The Current Ratio (Current Assets/Current Liabilities) improved to 4.7 at December 31, 2006 from 1.69 at year-end 2005.

- Leverage: Through December 31, 2006, Total Liabilities as a percent of Total Assets is 21 percent, greatly improved from 40 percent at year-end 2005.

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

Stock Performance: After reaching a 52-week high of $3.15, the Spherix share price was $2.44 per share as of March 30, 2007.

Significant Events: The Spherix 10K filed with the SEC on April 2, 2007, for the fiscal year ended December 31, 2006, discloses that on February 6, 2007, the Company signed an agreement to lease 32,423 square feet of facility space in Frostburg, Maryland effective December 1, 2007, for use as a call center to replace the existing Cumberland, Maryland facility.

Recent Spherix filings with the Securities and Exchange Commission (SEC) indicate that Spherix has sold numerous shares of their common stock in recent months under their Standby Equity Distribution Agreement (SEDA) with Cornell Capital Partners, L.P., dated July 22, 2005. The SEDA was described in a filing with the SEC on July 25, 2005. The SEDA can require Cornell Capital Partners, L.P. to purchase up to $4,000,000 of Spherix common stock over a two-year period. As of March 16, 2007, Spherix reported that it sold 1,494,255 shares of their common stock to Cornell pursuant to the SEDA. On March 22, 2007, another prospectus was filed with the SEC indicating that Cornell had purchased 77,632 additional shares resulting in net proceeds to Spherix in the amount of $142,000.

On February 22, 2007, InfoSpherix announced it was adding an integrated golf course management module to the suite of business solutions it offers to public park agencies through its ReserveWorld business line, thanks to a technology partnership the Company has struck with The Active Network, Inc. InfoSpherix will incorporate technology from Active Golf Solutions, a part of the Active Network, and a leading provider of course management software, to provide online tee time reservations and marketing services to golf courses.

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

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

	12/31/06	12/31/05	12/31/04
InfoSpherix Incorporated*			
Revenue	$24,831	$23,023	$22,221
Direct, operating, and corporate costs	24,108	24,876	24,272
Operating Income (Loss)	**$723**	**($1,853)**	**($2,051)**
BioSpherix Division			
Revenue	$7	$23	$127
Direct, operating, and corporate costs	3,210	1,056	921
Operating Income (Loss)	**($3,203)**	**($1,033)**	**($794)**
Spherix Incorporated (All)			
Revenue	$24,838	$23,046	$22,348
Direct contract and operating costs	20,794	20,363	19501
Selling, general, and administrative expense	5,640	5,280	5497
Research and development expense	884	288	196
Total operating expense	27,318	25,931	25,194
Loss from Operations	(2,480)	(2,885)	(2,846)
Interest income (expense), net	98	37	23
Other income	6,000	-	-
Income (Loss) before taxes	**$3,618**	**($2,848)**	**($2,823)**
Income tax expense	$105	-	-
Net income (Loss)	$3,513	($2,848)	($2,823)

* On 1/1/2006, InfoSpherix Division became InfoSpherix Incorporated.

Spherix Incorporated
Balance Sheet
2006, 2005, and 2004

	12/31/06	12/31/05	12/31/04
ASSETS			
Current assets			
Cash and cash equivalents	$10,951,275	$2,667,733	$3,475,846
Short term investments - Restricted	-	2,000,000	2,700,000
Trade accounts receivable, net for allowance for doubtful accounts	2,165,605	2,139,061	1,742,699
Other receivables	13,759	271,287	140,314
Prepaid expenses and other assets	643,461	582,279	638,983
Total current assets	13,774,100	7,660,360	8,697,842
Property and equipment, net of accumulated depreciation	3,914,300	4,603,032	5,517,279
Patents, net of accumulated amortization	687,526	854,871	1,028,828
Total assets	**$18,375,926**	**$13,118,263**	**$15,243,949**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Bank line of credit	-	1,449,318	1,966,784
Accounts payable and accrued expenses	1,535,543	1,950,584	1,493,683
Accrued salaries and benefits	1,147,523	1,104,102	969,046
Capital lease obligations	225,451	16,645	18,124
Deferred revenue	-	-	34,632
Total current liabilities	2,908,517	4,520,649	4,482,269
Capital lease obligations	138,748	10,810	27,456
Deferred compensation	495,000	511,325	125,959
Deferred rent	283,064	196,259	240,575
Total liabilities	**3,825,329**	**5,239,043**	**4,876,259**
STOCKHOLDER'S EQUITY			
Preferred stock	-	-	-
Common stock	69,463	62,242	60,157
Paid-in capital in excess of par value	26,672,384	23,521,109	23,162,916
Treasury stock	(464,786)	(464,786)	(464,786)
Accumulated deficit	(11,726,464)	(15,239,345)	(12,390,597)
Total stockholders' equity	**14,550,597**	**7,879,220**	**10,367,690**
Total liabilities and stockholders' equity	**$18,375,926**	**$13,118,263**	**$15,243,949**
CURRENT RATIO = Current Assets/Current Liabilities	4.7358	1.6945	1.9405
LEVERAGE: Total Liabilities /Total Assets	20.82%	39.94%	31.99%

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

	12/31/06	**12/31/05**	**12/31/04**
Net cash provided by operating activities from continuing operations	6,658	(526)	(386)
Net cash used in investing activities	586	(659)	(3,919)
Net cash provided by financing activities	1,040	377	3,514
Net increase (decrease) in cash and cash equivalents	8,284	(808)	(791)
Cash and cash equivalents - beginning of the period	2,668	3,476	4,267
Cash and cash equivalents - end of the period	10,95[illegible]	2,668	3,476

Barclays PLC

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

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

Current Financial Condition: Within Barclays PLC, Barclays Global Investors (BGI), its fund division, reported a 32 percent rise in pretax profit to £714 million. BGI reports $1,841 billion (US$) of assets under management as of December 31, 2006, an increase of $301 billion from $1,513 billion reported at year end 2005.

- Income Statement: As of December 31, 2006, Barclays PLC reported a before tax profit of £7.1 billion, a 35 percent increase from £5.3 billion reported for 2005.

- Balance Sheet: As of December 31, 2006, Total Assets for Barclays PLC are £996.8 billion, increased from £924.4 billion at year end 2005. Total Liabililities reported were £969.4 billion, up from £889.9 billion at year end 2005.

- Cash Flow: Cash and cash equivalents for the year-end 2006 totaled £30,952 million, an increase of 49 percent from the £20,805 million reported at year-end 2005.

- Capitalization: Based on the FRB's definition, Barclays' reported "Tier 1" ratio of 7.7 percent significantly exceeds the regulatory standard of at least 4 percent required to be considered well-capitalized. This is improved from the 7.0 rating reported in the 2005 financials.

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

Stock Performance: After reaching a 52-week high of $62.68, the price of Barclays PLC American Depository Receipts (ADR's) as of March 30, 2007 was $56.94.

Significant Events: On March 20, 2007, in a public release, Barclays and ABN AMRO Holding N.V. (ABN AMRO) confirmed that they are in exclusive preliminary discussions with regard to a potential combination of the two organizations in what would be the largest ever banking deal in Europe according to the Wall Street Journal (WSJ). ABN AMRO is a Dutch bank that is listed and traded on the Amsterdam Stock Exchange and has a sizable U.S. operation. Although the press release cited these talks as being in an early and exploratory stage and stated that there can be no certainty that they will lead to a transaction or the form it may take, the WSJ stated in a March 20 article that final terms could be reached in a few weeks. Barclays recently hired Citigroup Inc. to advise it in its efforts.

The discussions seek to incorporate the following broad objectives: (a) the holding company of the combined entity would be a UK incorporated company (PCL) with primary listing on the London Stock Exchange and secondary listing on Euronext Amsterdam; (b) the new entity would have a UK unitary Board and clear governance and management structures; (c) the first Chairman would be nominated by ABN AMRO and the first Chief Executive Officer would be nominated by Barclays; (d) the head office for the combined entity would be located in Amsterdam; and (e) discussions have been initiated with the UK, Dutch, and other relevant regulators as regards seeking the Dutch Central Bank (DNB) to act as lead regulator for the combined entity.

On March 20, 2007, Pensions and Investments reported that a Barclays-ABN AMRO combination would create an investment management business with assets of over $2 trillion. BGI, Barclays' asset management unit, managed about $1.8 trillion in assets worldwide as of December 31 while ABN AMRO managed $255.21 billion as of the same date. In this case, investment bankers said asset management plays only a minor role in the potential deal. There aren't many similarities between the businesses and Barclays might not be interested in keeping much, or any, of the ABN AMRO asset management businesses, said one banker, who asked not to be identified. "BGI is passive and quantitative, while ABN AMRO is active fundamental. Picking up ABN AMRO's business doesn't do much for what BGI is trying to do." The combined bank, however, would give Barclays a big consumer presence in the Netherlands, Italy, and Latin America and facilitate expansion into the so-called BRIC countries, Brazil, Russia, India, and China.

An Enron class action litigation has been pending against Barclays' since 2002. On March 20, 2007, Barclays announced that the United States Court of Appeals issued an order reversing the domestic court's ruling that this case against Barclays and two other financial institutions could proceed. The Court of Appeals held that because no proper claim against Barclays and the others had been alleged by the plaintiffs, the case could not proceed against them. The plaintiffs have said they will likely seek further appellate review of this decision, including by the United States Supreme Court.

On March 7, 2007, New Century reported in a filing with the US Securities and Exchange Commission, that Barclays sent New Century a Notice of Termination of Servicing, dated March 8, 2007. Barclays was terminating the right of one of New Century's subsidiaries to service certain loans under a Master Repurchase Agreement with Barclays, dated March 31, 2006. In its notice, Barclays requested that New Century and its subsidiaries take certain actions to facilitate the transfer of the servicing rights to a party appointed by Barclays. According to BBC News, the bank was in the spotlight when it emerged that it had asked troubled US lender New Century Financial to repay $900 million in mortgage loans immediately.

On April 2, 2007, Barclays announced it had closed on a deal to purchase EquiFirst and would pay $76 million, a two-thirds discount to what it agreed to pay just months ago. On January 19, 2007, Barclays previously announced it entered into an agreement to purchase EquiFirst Corporation, the non-prime mortgage origination business of Regions Financial Corporation (Regions), for $225 million (U.S.).

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

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

		12/31/06		**12/31/05**		**12/31/04**
Interest income		21,805		17,232		13,880
Interest expense		(12,662)		(9,157)		(7,047)
Net interest income	£	9,143	£	8,075	£	6,833
Fee and commission income		8,005		6,430		5,509
Fee and commission expense		(828)		(725)		(662)
Net fee and commission income	£	7,177	£	5,705	£	4,847
Net trading income		3,614		2,321		1,487
Net investment income		962		858		1,027
Principal transactions	£	4,576	£	3,179	£	2,514
Net premiums from insurance contracts		1060		872		1,042
Other operating income		214		147		131
Total income	£	22,170	£	17,978	£	15,367
Net claims and benefits paid on insurance contracts		(575)		(645)		(1,259)
Total income net of insurance claims	£	21,595	£	17,333	£	14,108
Impairment charges		(2,154)		(1,571)		(1,093)
Net income	£	19,441	£	15,762	£	13,015
Operating expenses excluding amortization of intangible assets		(12,538)		(10,448)		(8,514)
Amortization of intangible assets		(136)		(79)		(22)
Operating Expenses	-£	12,674	-£	10,527	-£	8,536
Share of post-tax results of associates and joint ventures		46		45		56
Profit on disposal of subsidiaries, associates and joint ventures		323		-		45
Profit before tax	£	7,136	£	5,280	£	4,580
Tax		(1,941)		(1,439)		(1,279)
Profit after tax	**£**	**5,195**	**£**	**3,841**	**£**	**3,301**
Profit attributable to minority interests		624		394		47
Profit attributable to equity holders of the parent		4,571		3,447		3,254
	£	5,195	£	3,841	£	3,301

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

		12/31/06		12/31/05		12/31/04
ASSETS						
Cash and balances at central banks		7,345		3,906		1,753
Items in the course of collection from other banks		2,408		1,901		1,772
Treasury bills and other eligible bills		-		-		6,658
Trading portfolio assets		177,867		155,723		-
Financial assets designated at fair value:						
held on own account		31,799		12,904		-
held in respect of linked liabilities to customers under investment contracts		82,798		83,193		-
Derivative financial instruments		138,353		136,823		-
Loans and advances to banks		30,926		31,105		80,632
Loans and advances to customers		282,300		268,896		262,409
Debt securities		-		-		130,311
Equity shares		-		-		11,399
Available for sale financial investments		51,703		53,497		-
Reverse repurchase agreements and cash collateral on securities borrowed		174,090		160,398		-
Other assets		5,850		4,734		34,491
Current tax assets		557		-		-
Investments in associates and joint ventures		228		546		429
Goodwill		6,092		6,022		4,518
Intangible assets		1,215		1,269		139
Property, plant, and equipment		2,492		2,754		2,282
Deferred tax assets		764		686		1,388
Total Assets	£	**996,787**	£	**924,357**	£	**538,181**
LIABILITIES						
Deposits from banks		79,562		75,127		111,024
Items in the course of collection due to other banks		2,221		2,341		1,205
Customer accounts		256,754		238,684		217,492
Trading portfolio liabilities		71,874		71,564		-
Financial liabilities designated at fair value		53,987		33,385		-
Liabilities to customers under investment contracts		84,637		85,201		-
Derivative financial instruments		140,697		137,971		-
Debt securities in issue		111,137		103,328		83,842
Repurchase agreements and cash collateral on securities lent		136,956		121,178		-
Other liabilities		10,337		11,131		82,936
Current tax liabilities		1,020		747		621
Insurance contract liabilities including unit-linked liabilities		3,878		3,767		8,377
Subordinated liabilities:		13,786		12,463		12,277
Deferred tax liabilities		282		700		1,362
Provisions		462		517		416
Retirement benefit liabilities		1,807		1,823		1,865
Total Liabilities	£	**969,397**	£	**899,927**	£	**521,417**
SHAREHOLDERS EQUITY						
Called up share capital		1,634		1,623		1,614
Share premium account		5,818		5,650		5,524
Other reserves		390		1,377		868
Retained Earnings		12,169		8,957		7,983
Less: Treasury Shares		(212)		(181)		(119)
Shareholders' equity excluding minority interest		19,799		17,426		15,870
Minority interests		7,591		7,004		894
Total Shareholder's Equity	£	**27,390**	£	**24,430**	£	**16,764**
Total Liabilities and Shareholder's Equity	£	**996,787**	£	**924,357**	£	**538,181**

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

	12/31/06	12/31/05	12/31/04
Net cash (outflow)/inflow from operating activities	10,047	3,649	9,458
Net cash outflow from investing activities	(1,154)	(5,292)	(6,986)
Net cash inflow from financing activities	692	1,083	(1,339)
Net gain on exchange rate changes on cash and cash equivalents	562	(237)	(470)
[redacted]			
Cash and cash equivalents - beginning of the period***	20,805	21,602	13,854
[redacted]			

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

Switch & Data

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

Assessment: In their U.S. Securities and Exchange Commission 10K filing to report their 2006 year-end results, Switch and Data revealed the results of their initial public offering (IPO) that took place on February 8, 2007. The aggregate gross proceeds from the IPO were approximately $153 million. Net proceeds after underwriting discounts and commissions and other costs related to the offering, were $139.3 million. The Company used approximately $104.5 million of the proceeds from the IPO to repay a significant portion of the amounts outstanding under its credit facilities. As of December 31, 2006, Switch and Data's outstanding indebtedness under its credit facilities totaled $144.2 million. After applying proceeds from the IPO, outstanding indebtedness was reported as approximately $40 million. Switch and Data reports it might use the remaining $34.8 million net proceeds to acquire or invest in businesses, products, services or technology.

- Income Statement: Through December 31, 2006, Switch & Data reported Revenues of $112 million, a 6 percent increase from the $105 million reported for year-end 2005. For the years ended December 31, 2006 and 2005, the company reported a Net Loss of $11.7 million and $11.3 million, respectively. The increased loss in 2006 was primarily due to an increase of $14.3 million in expenses due to the expansion of facilities, increased headcount, and increased outstanding debt obligation offset by increased sales revenues and decreased depreciation and amortization expense.

- Balance Sheet: Through December 31, 2006, Switch & Data's Total Assets reported were $152 million, a 7 percent decrease from $163 million at year-end 2005. Total Liabilities of $172 million were unchanged from year-end 2005.

- Cash Flow: Through December 31, 2006, cash and cash equivalents totaled $3.6 million, a 65 percent decrease from $10.4 million at year-end 2005. This includes non-cash charges offset by capital expenditures for property and equipment at existing facilities, repayments of credit, and capitalized IPO costs.

- Current Ratio: The Current Ratio (Current Assets/Current Liabilities) declined to .61 through December 31, 2006 from 1.00 at year-end 2005.

- Leverage: Through December 31, 2006, Total Liabilities as a percent of Total Assets is 113 percent, increased from 105 percent at year-end 2005.

Stock Performance: The price of Switch and Data shares as of March 30, 2007 was $18.12, an increase from its initial public offering price of $17.00 per share on February 8, 2007.

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

Significant Events: On February 16, 2007, Switch & Data announced that it had closed its initial public offering of 13,416,667 shares of common stock at the public offering price of $17.00 per share, less underwriting discounts and commissions. Of these shares, 9,000,000 were owned by the Company and 4,416,667 were owned by Company stockholders (1,750,000 of which were purchased by the underwriters pursuant to their over-allotment option.).

Lawsuit Issues: There are three ongoing cases with respect to disputes from alleged breaches of abandoned lease agreements. One of these is a suit filed in West Palm Beach, Florida in May 2002, where the plaintiff seeks damages of approximately $29.7 million. In a suit filed in Milwaukee, Wisconsin in May 2006, the plaintiff seeks damages of $4.6 million in a breach of contract claim from 2000. A third suit filed in New Orleans, Louisiana in October 2001 has a plaintiff seeking damages of $3.6 million.

In addition, their recent SEC filing disclosed two of their predecessor's stockholders filed a lawsuit against Switch and Data in a Delaware state court on January 29, 2007. This lawsuit seeks a declaratory judgment that those of their predecessor's stockholders who did not sign the predecessor's amended and restated investors agreement are entitled to appraisal rights with respect to the merger that was part of their corporate reorganization. On February 2, 2007, the Delaware court denied the plaintiff's motion for expedited proceedings, which mooted the motion for preliminary injunction. The lawsuit remains outstanding.

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

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

On November 16, 2006, representatives from the Agency, including the Executive Director, met with Switch and Data's Chief Executive Officer and Chief Financial Officer at the company's headquarters in Tampa FL. The purpose of this meeting was to gain a better understanding of the company's business model and litigation activities as they relate to their financial condition. Agency officials were satisfied with the information provided, and the responses to our questions. On Thursday, December 14, 2006, senior management officials for SI International had a similar meeting with Switch and Data Executives at their Tampa headquarters. The results of that meeting left the SI representatives with the following observations: "The company is thinly capitalized given its growth, the company's growth and earnings profile make it a good candidate for a planned initial public offering (IPO), and the company's profitability is dependent upon paying down long term debt and increasing the utilization of their facilities." The apparent success of the IPO appears to have mitigated this risk to some degree.

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

Switch & Data
Income Statement
(in thousands)
2006, 2005, and 2004

	12/31/06	12/31/05	12/31/04
Revenues	111,831	105,414	91,449
Cost and operating expenses			
Cost of revenues, exclusive of depreciation and amortization	60,405	54,800	43,652
Sales and marketing	12,324	9,846	10,765
General and administrative	10,374	9,568	9,768
Depreciation and amortization	23,485	30,206	27,705
Lease litigation settlement	-	-	6,629
Asset impairment	2,193	2,140	1,015
Total costs and operating expenses	108,781	106,560	99,534
Operating income	3,050	(1,146)	(8,085)
Interest income	77	106	140
Interest expense	(14,812)	(9,356)	(5,374)
Loss from debt extinguishment	-	(769)	(409)
Other income (expense), net	(36)	166	(192)
Income (loss) from continuing operations before minority interest and income taxes	(11,721)	(10,999)	(13,920)
Minority interest in net income of consolidated partnership	-	-	(380)
Provision for income taxes	-	(69)	(63)
Loss from continuing operations	(11,721)	(11,068)	(14,363)
Income (loss) from discontinued operations	-	(206)	891
Net loss	**(11,721)**	**(11,274)**	**(13,472)**
Preferred stock accretions and dividends	(13,530)	(33,691)	(16,938)
Net loss, attribuable to common shareholders	(25,251)	(44,965)	(30,410)

Switch & Data
Balance Sheet
(In thousands)
2006, 2005, and 2004

	12/31/06	12/31/05	12/31/04
Assets			
Current assets			
Cash and cash equivalents	3,671	10,417	13,707
Accounts receivable, net of allowance for bad debts	7,516	6,927	5,625
Prepaid and other assets	1,219	1,070	1,291
Total Current assets	12,406	18,414	20,623
Property and equipment, net	65,947	64,763	66,717
Derivative asset	560	101	-
Goodwill	36,023	36,023	26,273
Other intangible assets, net	29,936	38,231	33,911
Other long-term assets, net	7,184	5,690	4,726
Security deposits	-	-	-
Total assets	152,056	163,222	152,250
Liabilities, Redeemable Preferred Stock and Shareholders' Deficit			
Current liabilities			
Accounts payable and accrued expenses	13,049	15,345	11,083
Current portion of unearned revenue	2,054	1,064	1,188
Current portion of deferred rent	368	230	162
Current portion of customer security deposits	790	916	929
Current portion of long-term debt	4,125	781	11,588
Total current liabilities	20,386	18,336	24,950
Derivative liability	-	8	39
Unearned revenue, less current portion	951	560	528
Deferred rent, less current portion	10,549	8,596	6,611
Customer security deposits, less current portion	285	282	401
Long-term debt, less current portion	140,031	144,156	57,712
Total liabilities	172,202	171,938	90,241
Series D redeemable preferred stock	-	-	39,052
Series C redeemable preferred stock	14,376	14,376	14,376
Series B convertible preferred stock	179,798	166,268	153,447
Commitments and contingencies			
Shareholders' deficit			
Common stock	4	4	4
Series B common stock	7	7	7
Series D-1 & D-2 preferred stock	5	2	2
Unearned stock compensation	(137)	(403)	(506)
Additional paid in capital			-
Accumulated deficit	(214,971)	(189,721)	(144,992)
Accumulated other comprehensive income	772	751	619
Total shareholders' deficit	(214,320)	(189,360)	(144,866)
Total Liabilities, Preferred Stock and Shareholders' Deficit	**152,056**	**163,222**	**152,250**
CURRENT RATIO: Current Assets/Current Liabilities	0.61	1.00	0.83
LEVERAGE: Total Liabilities/Total Assets	113.25%	105.34%	59.27%

Switch & Data
Statement of Cash Flows
(in thousands)
2006, 2005, and 2004

	12/31/06	12/31/05	12/31/04
Net cash provided by operating activities	16,991	25,333	17,645
Net cash used in investing activities	(21,073)	(41,516)	(38,530)
Net cash provided by financing activities	(2,663)	12,875	23,929
Net increase in cash and cash equivalents	(6,745)	(3,308)	3,044
Effect of exchange rate charges on cash	(1)	18	(1)
Cash and cash equivalents - beginning of the period	10,417	13,707	10,664
Cash and cash equivalents - end of the period	3,671	10,417	13,707

R.R. Donnelley & Sons

General information: R.R. Donnelley & Sons 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 275 in 2005 and over 3,000 accounts throughout the United States, Europe, Mexico, South America, and China. There is no indication at this time that it will be unable to meet its contractual obligations to the TSP.

Current Financial Condition: Net sales for 2006 were $9.3 billion, up 10.5 percent from year-end 2005. The increase was primarily due to revenue gains in its publishing and retail services division.

- Income Statement: Through December 31, 2006, the company reported net earnings of $400.6 million, an increase of $263.5 million from the $137.1 million at year-end 2005.

- Balance Sheet: Total Assets reported as of December 31, 2006, totaled $9.6 billion, a 3 percent increase from $9.4 billion at year-end 2005. Total Liabilities reported were $5.5 billion, a slight decrease from the $5.6 billion reported at year-end 2005.

- Current Ratio: The Current Ratio (Current Assets/Current Liabilities) for 2006 is 1.6, slightly improved from 1.4 reported at year-end 2005.

- Cash Flow: As of December 31, 2006, the company reported cash and cash equivalents of $211.4 million, a 42 percent decrease from the $366.7 million reported at year-end 2005. The decrease is primarily due to acquisitions in 2006.

- Leverage: As of December 31, 2006, Total Liabilities are about 57 percent of Total Assets, slightly improved from 60 percent at year-end 2005.

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

Stock Performance: The R.R. Donnelley & Sons closing share price on March 30, 2007 was $36.59, down from its 52-week high of $38.71 on February 28, 2007.

Significant Events: On February 27, 2007, R.R. Donnelley announced that it was awarded a multi-year contract to provide the print and logistics services for Williams-Sonoma, Inc.'s namesake concept, *Williams-Sonoma Catalog for Cooks* and emerging brands *Williams-Sonoma Home* and *West Elm* catalogs.

On February 26, 2007, R.R. Donnelley announced that Moore Canada, a R.R. Donnelley company, was awarded a multi-million dollar Print Management contract renewal by Scotiabank. Scotiabank is Canada's primary international bank with branches and offices in some 50 countries.

Completed Acquisitions: The acquisition of Perry Judd's Holdings Incorporated was completed on January 25, 2007. Perry Judd is a printer that services the catalog and magazine segments. The Banta Corporation acquisition was completed on January 9, 2007. Banta is a provider of printing, supply chain management and related services.

Risk Mitigation: The current contract was effective on March 20, 2006. The Agency has received R.R. Donnelley's business continuity plan for the Moore Wallace facility and is currently refining it with Moore Wallace. If there were a disaster at the facilities currently producing our notices or statements, Moore Wallace would move that work from the affected facility to one or more of its other business sites.

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

	12/31/06	12/31/05	12/31/04
Net sales	$ 9,316.6	$ 8,430.2	$ 7,156.4
Cost of Sales (excludes Depreciation & Amoritization shown below)	6,798.9	6,090.3	5,269.6
Selling, General & Administrative Expenses	1,097.6	1,044.7	934.7
Restructuring and Impairment Charges - net	206.1	419.8	107.4
Depreciation & Amortization	463.3	425.0	385.5
Total Operating Expenses	8,565.9	7,979.8	6,697.2
Income from Continuing Operations	750.7	450.4	459.2
Interest Expense - net	139.0	110.7	85.9
Investment and Other Income (Expense) - net	(10.4)	(7.9)	(16.5)
Earnings from Continuing Operations before Income Taxes, Minority Interest, and Cumulative Effect of Change in Accounting Principle	601.3	331.8	356.8
Income Taxes	196.0	237.4	92.6
Minority Interest	2.7	(1.2)	(0.7)
Net Earnings from Continuing Operations before Cumulative Effect of Change in Accounting Principle	402.6	95.6	264.9
Income (loss) from Discontinued Operations, net of tax	(2.0)	41.5	(80.0)
Cumulative effect of Change in Accounting Principle, net of tax	-	-	(6.6)
Net Earnings	**$ 400.6**	**$ 137.1**	**$ 178.3**

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

	12/31/06	12/31/05	12/31/04
ASSETS:			
Cash and cash equivalents	$ 211.4	$ 366.7	$ 641.8
Receivables, less allowance for doubtful accounts	1,638.6	1,529.1	1,252.8
Inventories, net	501.8	481.4	422.0
Prepaid expenses and other current assets	70.4	67.5	44.1
Deferred income taxes	94.8	177.0	239.9
Total Current Assets	2,517.0	2,621.7	2,600.6
Property, plant and equipment net	2,142.3	2,138.6	1,924.5
Goodwill	2,886.8	2,750.7	2,472.7
Prepaid pension cost	638.6	514.1	498.3
Other intangible assets net	1,119.8	1,094.3	666.1
Other noncurrent assets	331.3	254.3	288.7
Assets of discontinued operations	-	-	102.8
Total Assets	**9,635.8**	**9,373.7**	**8,553.7**
LIABILITIES AND SHAREHOLDER'S EQUITY			
Accounts payable	749.1	718.1	517.8
Accrued liabilities	839.2	826.9	765.0
Short-term and current portion of long-term debt	23.5	269.1	204.5
Total Current Liabilities	1,611.8	1,814.1	1,487.3
Long-term debt	2,358.6	2,365.4	1,581.2
Postretirement benefit obligations	288.0	330.6	336.9
Deferred income taxes	604.1	596.8	576.3
Other noncurrent liabilities	645.4	541.2	534.5
Liabilities of discontinued operations	3.2	1.4	50.9
Total Liabilities	**5,511.1**	**5,649.5**	**4,567.1**
SHAREHOLDERS EQUITY			
Preferred stock	-	-	-
Common stock	303.7	303.7	303.7
Additional paid-in capital	2,871.8	2,888.2	2,856.7
Retained earnings	1,615.0	1,439.4	1,536.9
Accumulated other comprehensive loss	62.1	(90.2)	(72.2)
Unearned compensation	-	(44.9)	(30.3)
Treasury stock, at cost	(727.9)	(772.0)	(608.2)
Total Shareholders Equity	**$ 4,124.7**	**$ 3,724.2**	**$ 3,986.6**
Total Liabilities and Shareholders Equity	**9,635.8**	**9,373.7**	**8,553.7**
CURRENT RATIO: Current Assets/Current Liabilities	1.5616	1.4452	1.7485
LEVERAGE: Total Liabilities/Total Assets	57.19%	60.27%	53.39%

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

	12/31/06	**12/31/05**	**12/31/04**
Net cash provided by operating activities from continuing operations	$903.5	$947.5	$822.2
Net cash used in investing activities	(608.4)	(1,602.5)	(63.9)
Net cash provided by financing activities	(457.8)	378.5	(194.6)
Effect of exchange rate charges on cash	7.4	1.4	17.3
[redacted]			
Cash and cash equivalents - beginning of the period	366.7	641.8	60.8
[redacted]			

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 reawarded 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.

Current Financial Condition: MetLife reported Total Revenues of $48.4 billion for year-end 2006, up 8 percent from $44.7 billion at year-end 2005.

- Income Statement: As of December 31, 2006, the company reported Net Income of $6.3 billion, an increase of 33 percent from the $4.7 billion reported at year-end 2005.

- Balance Sheet: Total Assets reported as of December 31, 2006, totaled $527.7 billion, a 10 percent increase from the $481.6 billion reported at year-end 2005. Total Liabilities reported were $493.9 billion, increased from the $452.5 reported at year-end 2005.

- Cash Flow: As of December 31, 2006, the company reported cash and cash equivalents of $7.1 billion, a 77 percent increase from the $4 billion reported at year-end 2005.

- Leverage: As of December 31, 2006, Total Liabilities are about 93 percent of Total Assets, unchanged from year-end 2005.

- Current Ratio: N.A. (MetLife does not present current assets and current liabilities in its balance sheet presentation).

- Company Ratings: As of March 1, 2007, the time of its filing with the SEC, MetLife reported its insurer financial strength ratings as follows:

Rating Agency	*Rating*	*Descriptor*
A.M Best Company	A+	Superior
Fitch Ratings	AA	Very Strong
Moody's Investor Services	Aa2	Excellent
Standard & Poor's	AA	Very Strong

Dun & Bradstreet Credit Score Class: 1 (lowest risk), improved from the slight risk (2) reported as of December 28, 2006.

Stock Performance: The MetLife closing share price on March 30, 2007, was $63.15, down from its 52-week high of $66.25 on February 22, 2007.

Significant Events: On February 28, 2007, MetLife announced that its board of directors authorized an additional $1 billion common stock repurchase program. The program will begin after the completion of an earlier $1 billion repurchase program announced on October 26, 2004, of which $208 million currently remains for completion.

In its SEC 10K filing for 2006, MetLife disclosed significant ongoing lawsuits related to asbestos-related claims, sales practices claims, and regulatory matters with the SEC. The SEC is investigating market timing or late trading issues with MetLife transactions.

On December 29, 2006, MetLife announced it resolved a previously disclosed investigation by the New York Attorney General's Office (NYAG). The NYAG's investigation related to payments to intermediaries in the marketing and sale of group life and disability, group long-term care and group accidental death and dismemberment insurance and related matters. In the settlement, MetLife does not admit liability as to any issue of fact or law. MetLife has agreed to certain business reforms relating to the compensation of producers, including the adoption of related standards of conduct, some of which was implemented when the NYAG investigation began. MetLife will also pay a fine and make a payment to a restitution fund.

On November 17, 2006, MetLife reported that it completed the $5.4 billion sale of its Peter Cooper Village and Stuyvesant Town apartment complexes in New York to a group led by Tishman Speyer and the real estate arm of BlackRock, Inc. The deal, which was announced October 17, 2006, resulted in a gain of roughly $3 billion, after income taxes, and was reflected in MetLife's fourth quarter results.

On November 6, 2006, it was reported that The National Association of Securities Dealers fined MetLife and Chase Investment Services Corporation $500,000 each for failing to supervise the sales of 529 college saving plans. Each firm will also have to reimburse about 300 customer accounts that were affected. The NASD fine and ordered reimbursements are for violations starting in January 2002 and ending in August 2004.

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 those standards. In addition to 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 each state would regulate this provider.

MetLife, Inc
Income Statement
(in millions)
2006, 2005, and 2004

	12/31/06	12/31/05	12/31/04
Revenues			
Premiums	26,412	24,860	22,200
Universal life and investment type product policy fees	4,780	3,828	2,867
Net investment income	17,192	14,817	12,272
Other revenues	1,362	1,271	1,198
Net investment gains (losses)	(1,350)	(93)	175
Total Revenues	48,396	44,683	38,712
Expenses			
Policyholder benefits and claims	26,431	25,506	22,662
Interest credited to policyholder account balances	5,246	3,925	2,997
Policyholder dividends	1,701	1,679	1,666
Other expenses	10,797	9,267	7,813
Total Expenses	44,175	40,377	35,138
Income from continuing operations before provision for income taxes	4,221	4,306	3,574
Provision for income taxes	1,116	1,228	996
Income from continuing operations	3,105	3,078	2,578
Income from discontinued operations, net of income taxes	3,188	1,636	266
Income before cumulative effect of a change in accounting, net of income taxes	6,293	4,714	2,844
Cumulative effect of a change in accounting, net of income taxes	-	-	(86)
Net income	6,293	4,714	2,758
Preferred stock dividends	134	63	0
Net income available to common shareholders	6,159	4,651	2,758

MetLife, Inc.
Balance Sheet
(in millions)
2006, 2005, and 2004

	12/31/06	12/31/05	12/31/04
ASSETS			
Investments:			
Fixed maturities	243,428	230,050	176,746
Trading securities	759	825	-
Equity securities	5,131	3,338	2,188
Mortgage and consumer loans	42,239	37,190	32,406
Policy loans	10,228	9,981	8,899
Real estate and real estate joint ventures held for investment	4,979	3,910	3,076
Real estate held for sale	7	755	1,157
Other limited partnership interests	4,781	4,276	2,907
Short term investments	2,709	3,306	2,662
Other invested assets	10,428	6,078	4,926
Total investments	324,689	301,709	234,967
Cash and cash equivalents	7,107	4,018	4,048
Accrued investment income	3,347	3,036	2,338
Premiums and other receivables	14,490	12,186	6,695
Deferred policy acquisition costs	20,851	19,641	14,327
Assets of subsidiaries held for sale	-	-	410
Goodwill	4,897	4,797	633
Other assets	7,969	8,389	6,621
Separate account assets	144,365	127,869	86,769
Total Assets	**527,715**	**481,645**	**356,808**
LIABILITIES AND SHAREHOLDER'S EQUITY			
Future policy benefits	127,489	123,204	100,154
Policyholder account balances	133,543	128,312	86,246
Other policyholder funds	9,139	8,331	7,251
Policyholder dividends payable	960	917	898
Policyholder dividend obligation	1,063	1,607	2,243
Short term debt	1,449	1,414	1,445
Long term debt	9,979	9,888	7,412
Junior subordinated debt securities	3,780	2,134	-
Shares subject to mandatory redemption	278	278	278
Liabilities of subsidiaries held for sale	-	-	268
Current income taxes payable	1,465	69	421
Deferred income taxes payable	2,278	1,706	2,473
Payables for collateral under securities loaned and other transactions	45,846	34,515	28,678
Other liabilities	12,283	12,300	9,448
Separate account liabilities	144,365	127,869	86,769
Total Liabilities	**493,917**	**452,544**	**333,984**
SHAREHOLDERS EQUITY			
Preferred stock	1	1	0
Common stock	8	8	8
Additional paid in capital	17,454	17,274	15,037
Retained earnings	16,574	10,865	6,608
Treasury stock, at cost	(1,357)	(959)	(1,785)
Accumulated other comprehensive Income (loss)	1,118	1,912	2,956
Total Shareholders Equity	**33,798**	**29,101**	**22,824**
Total Liabilities and Shareholders Equity	**527,715**	**481,645**	**356,808**
LEVERAGE: Total Liabilities/Total Assets	93.60%	93.96%	93.60%

MetLife, Inc.
Statement of Cash Flows
(in millions)
2006, 2005, and 2004

	12/31/06	**12/31/05**	**12/31/04**
Net cash provided by operating activities from continuing operations	6,600	8,019	6,510
Net cash used in investing activities	(18,886)	(22,617)	(14,410)
Net cash provided by financing activities	15,375	14,510	8,273
Change in cash and cash equivalents	3,089	(88)	373
Cash and cash equivalents - beginning of the period	4,018	4,106	3,733
Cash and cash equivalents - end of the period	7,107	4,018	4,106