



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

January 11, 2010

MEMORANDUM FOR THE EXECUTIVE DIRECTOR

FROM: JAMES B. PETRICK
CHIEF FINANCIAL OFFICER

SUBJECT: QUARTERLY FINANCIAL ASSESSMENT OF TSP'S PRIMARY
VENDORS – JANUARY 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 (formerly SI International), Switch and Data, R.R. Donnelley & Sons, MetLife, and The Active Network, Inc. We have replaced Barclays with BlackRock, Inc. as part of the review given the acquisition of the Barclays BGI unit which closed in the fourth quarter of 2009.

For each vendor we have analyzed the following:

1. Current Financial Condition:

Our financial analysis consists of a review of the vendor's key financial statistics from their current income statement, balance sheet, and cash flow statement for the most recent quarter available to determine their overall financial stability. For this report, we are using unaudited data for the nine months ending September 30, 2009. 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 the first nine months of 2009, year-end 2008, the first nine months of 2008, and year-end 2007.

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 the terms of the TSP's contract and what steps we would take to mitigate the risk to ongoing TSP operations.

Attachments

Serco Services Inc. (formerly SI International)

General Information: 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 system 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; Switch & Data for our northern Virginia Data Center space; Sungard Workflow Solutions, Integrated Benefit Solutions, Inc. (IBS) for some TSP record keeping support, and Sungard EXP for incoming mail, data entry and imaging support.

On December 30, 2008, Serco Group plc completed the acquisition of SI International, which merged with Serco's existing North American business. SI International amended its Certificate of Incorporation, among other items, to change the name of the Company from "SI International, Inc." to "Serco Services Inc." Serco acquired 100% of the issued share capital of SI International, Inc. for consideration of £295.8 million in cash. In preparation for the merger with the Serco Group plc, SI International Inc. used its cash holdings to repay long term debt and to repurchase common stock.

Assessment: The integration of the merger is well advanced, management and business re-organization is complete, and the contract bid pipeline processes have been reviewed and integrated. Serco Services Inc. has an extensive portfolio of Federal government contracts and 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: Serco Group plc (Serco) provides financial results twice a year; therefore, financial results are not available for the period ending September 30, 2009.

For the six months ended June 30, 2009, in its SEC filing, Serco Group plc reported revenues of £1.9 billion, an increase of 31 percent from the £1.5 billion reported in the first six months of 2008. Serco Group plc reported 2008 year-end revenues of £3.1 billion compared to £2.8 billion reported year-end 2007, an increase of 11 percent. In the U.S., Serco Services Inc.'s revenue in 2009 grew by 11.4 percent compared with the first half of 2008 to \$308.9 million.

- **Income Statement:** Through June 30, 2009, Serco Group plc reported Profit of £61.4 million, up 35 percent from the £45.9 million reported in the first half of 2008.
- **Balance Sheet:** Through June 30, 2009, Total Assets of £2.4 billion were reported, an increase of 30 percent from the £1.8 billion reported at year-end 2008. Total Liabilities were £1.7 billion, a 31 percent increase from the £1.3 billion reported at year-end 2008.
- **Cash Flow:** Through June 30, 2009, cash and cash equivalents totaled £237.2 million, a 10 percent increase from £215.6 million at year-end 2008.

- **Current Ratio:** The Current Ratio (Current Assets/Current Liabilities) decreased to 1.2 from 1.3 reported at year-end 2008.
- **Leverage:** Through June 30, 2009, Total Liabilities as a percent of Total Assets remained flat from 0.73 reported at year-end 2008.

Dun & Bradstreet Credit Score Class: As of December 31, 2009, Serco Services Inc.'s credit score was 2 (slight risk), which improved from 3 (moderate risk) in the last quarter.

Stock Performance: SI International ceased trading with the completion of its merger with Serco Group plc (SRP.L). On December 31, 2009, Serco Group plc traded at £530.00. The 52-week range has been between £341.50 and £546.50; where the high was on October 15, 2009, and the low was on April 21, 2009.

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

Significant Events:

- November 12, 2009 -- In the U.S., Serco Services signed contracts valued at around \$700 million. Contract wins in the U.S. included the renewal of the contract with the U.S. Department of Homeland Security's U.S. Citizenship and Immigration Services to provide records processing support at its National Benefits Center, which is valued at about \$190 million.

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) Switch & Data to retain our Northern Virginia data center space; b) Jacob and Sundstrum to continue systems programming (and perhaps expand that support to data center operations), and; c) 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 Virginia call center, The Active Network, Inc. call center in western Maryland, could serve as a temporary backup.

The Agency is continuing to develop the requirements for a new statement of work (SOW) in preparation for the re-competition of Serco Services Inc.'s record keeping services. The progress on this effort has been delayed by the need to relocate the Agency's primary data center while keeping the TSP modernization initiative on track. The Agency's decision to first release an RFP for acquisition support services has also contributed to the delay. We hope to release the acquisition support services RFP by March 31, 2010, and the RFP for recordkeeping services by the second quarter of FY 2011, with a contract award in late FY 2011. A full and open competition is planned, and risk mitigation will be a principal component of the procurement strategy.

Serco Group
Income Statement
(In £ millions)

	6/30/2009	12/31/2008	6/30/2008	12/31/2007
Revenue	1,949.8	3,123.5	1,490.5	2,810.7
Cost of sales	(1,664.1)	(2,666.7)	(1,272.9)	(2,404.5)
Gross profit	285.7	456.8	217.6	406.2
Administrative expenses	(175.7)	(291.6)	(140.8)	(264.2)
Other expenses – amortisation of intangibles arising on acquisition	(8.9)	(9.2)	(4.5)	(8.6)
Total administrative expenses	(184.6)	(300.8)	(145.3)	(272.8)
Operating profit	101.1	156.0	72.3	133.4
Investment revenue	1.3	8.2	4.6	12.2
Finance costs	(19.0)	(28.1)	(14.1)	(31.0)
Profit before tax	83.4	136.1	62.8	114.6
Tax	(22.0)	(36.5)	(16.9)	(32.2)
Profit for the period	61.4	99.6	45.9	82.4

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

	6/30/2009	12/31/2008	6/30/2008	12/31/2007
ASSETS				
Non-current assets				
Goodwill	901.8	964.7	566.6	542.1
Other intangible assets	170.6	191.3	135.4	139.4
Property, plant and equipment	117.5	115.4	100.5	95.1
Trade and other receivables	141.1	121.1	118.0	104.6
Retirement benefit assets	-	62.4	-	-
Deferred tax assets	42.4	19.6	65.7	51.6
Derivative financial instruments	3.9	5.6	6.2	1.2
	<u>1,377.3</u>	<u>1,480.1</u>	<u>992.4</u>	<u>934.0</u>
Current assets				
Inventories	54.4	50.2	50.2	46.3
Trade and other receivables	712.6	719.5	571.1	573.6
Cash and cash equivalents	237.2	250.8	215.6	185.0
Derivative financial instruments	0.8	5.0	4.3	1.5
Total current assets	<u>1,005.0</u>	<u>1,025.5</u>	<u>841.2</u>	<u>806.4</u>
TOTAL ASSETS	<u>2,382.3</u>	<u>2,505.6</u>	<u>1,833.6</u>	<u>1,740.4</u>
LIABILITIES				
Current liabilities				
Trade and other payables	745.3	754.7	682.8	670.0
Current tax liabilities	24.5	19.5	19.3	14.8
Obligations under finance leases	5.1	4.5	4.2	7.7
Loans	42.2	36.8	7.8	13.5
Derivative financial instruments	8.6	4.2	1.6	2.1
Total current liabilities	<u>825.7</u>	<u>819.7</u>	<u>715.7</u>	<u>708.1</u>
Non-current liabilities				
Trade and other payables	28.7	35.5	12.3	13.3
Obligations under finance leases	17.1	12.7	10.5	8.7
Loans	605.8	710.9	313.4	317.4
Derivative financial instruments	2.4	0.4	8.1	11.2
Retirement benefit obligations	210.0	177.1	243.4	142.6
Provisions	33.7	38.1	12.7	18.6
Deferred tax liabilities	21.5	25.9	15.0	22.0
Total Long-term liabilities	<u>919.2</u>	<u>1,000.6</u>	<u>615.4</u>	<u>533.8</u>
TOTAL LIABILITIES	<u>1,744.9</u>	<u>1,820.3</u>	<u>1,331.1</u>	<u>1,241.9</u>
EQUITY				
Share capital	9.7	9.7	9.7	9.7
Share premium account	301.7	301.1	300.0	299.3
Retained earnings	384.3	339.8	291.6	260.6
Retirement benefit obligations reserve	(112.9)	(47.7)	(140.3)	(90.2)
Share-based payment reserve	42.4	40.0	37.6	34.6
Own shares reserve	(17.3)	(19.7)	(12.5)	(15.1)
Hedging and translation reserve	29.3	61.9	14.8	(1.8)
Equity attributable to equity holders of the parent	637.3	685.2	501.0	497.2
Minority interest	0.1	-	1.5	1.3
TOTAL EQUITY	<u>637.4</u>	<u>685.2</u>	<u>502.5</u>	<u>498.5</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>2,382.3</u>	<u>2,505.5</u>	<u>1,833.6</u>	<u>1,740.4</u>
CURRENT RATIO: Current Assets/Current Liabilities	1.22	1.25	1.18	1.14
LEVERAGE: Total Liabilities/Total Assets	0.73	0.73	0.73	0.71

Serco Group
Cash Flow Statement
(In £ millions)

	6/30/2009	12/31/2008	6/30/2008	12/31/2007
Net cash inflow/(outflow) from operating activities	104.2	162.6	84.5	134.1
Net cash inflow/(outflow) from investing activities	(35.6)	(348.5)	(36.7)	(48.5)
Net cash inflow/(outflow) from financing activities	(69.0)	230.0	(21.4)	(125.3)
Change in cash and cash equivalents	<u>(0.4)</u>	<u>44.1</u>	<u>26.4</u>	<u>(39.7)</u>
Cash and cash equivalents at beginning of period	250.8	185.0	185.0	217.9
Net exchange gain	(13.2)	21.7	4.2	6.8
Cash and cash equivalents at end of period	237.2	250.8	215.6	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.

Current Financial Condition:

- **Income Statement:** As of September 30, 2009, the Company reported a Net Income of \$619.0 million, down from a Net Income of \$732.0 million reported for the same period in 2008.
- **Balance Sheet:** As of September 30, 2009, Total Assets of \$21.4 billion were reported, an increase of \$1.5 billion from \$19.9 billion reported at year-end 2008. Total Liabilities reported were \$8.1 billion, up \$0.7 billion from the \$7.4 billion reported at year-end 2008.
- **Cash Flow:** As of September 30, 2009, the Company reported cash and cash equivalents of \$2.8 billion, an increase of \$0.8 billion from the \$2.0 billion reported at year-end 2008.
- **Leverage:** As of September 30, 2009, Total Liabilities reported were 38 percent of Total Assets, slightly up from the 37 percent ratio at year-end 2008.
- **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 December 31 2009, the credit score was 3 (moderate risk), unchanged from the previous quarter.

Stock Performance: BlackRock Inc.'s closing share price on December 31, 2009, was \$232.20, down from its 52-week high of \$240.80 on December 21, 2009. The 52-week low was \$88.91 on March 9, 2009.

SAS 70 Report: This report is not applicable to BlackRock Inc.

Significant Events:

- December 1, 2009 - BlackRock, Inc. announced that it completed its merger with Barclays Global Investors ("BGI"), including its iShares exchange traded funds business. The combined firm will operate under the BlackRock name and the iShares brand will be retained.

- In connection with the closing of the merger, BlackRock also announced that John Varley, Group Chief Executive of Barclays PLC, and Robert E. Diamond Jr., President of Barclays PLC, have joined the BlackRock Board of Directors.
- November 20, 2009-- BlackRock, Inc. announced that its Board of Directors declared a quarterly cash dividend of \$0.78 per share of common stock, payable December 21, 2009 to shareholders of record at the close of business on November 27, 2009.

Risk Mitigation: BlackRock has assumed the management of the TSP's bond and equity funds. There is no risk to the TSP assets at the completion of the transaction since BlackRock, Inc. is subject to the same contract provisions as Barclays. BlackRock is a financially sound and profitable financial institution.

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

	09/30/09	12/31/08	09/30/08	12/31/07
Revenue				
Investment advisory and administration base fees				
Related parties	1,763	2,961	2,389	2,640
Other third parties	799	1,271	988	1,370
Investment advisory performance fees	77	177	154	350
performance fees	2,639	4,409	3,531	4,360
BlackRock Solutions and advisory	383	406	273	198
Distribution fees	73	139	103	123
Other revenue	61	110	93	164
Total revenue	3,156	5,064	4,000	4,845
Expenses				
Employee compensation and benefits	1,185	1,815	1,489	1,767
Portfolio administration and servicing costs				
Related parties	291	102	383	78
Other third parties	80	495	72	470
Amortization of deferred mutual fund sales commissions	76	130	97	108
General and administration	505	745	593	870
Restructuring charges	22	38	-	-
Amortization of intangible assets	108	-	111	130
Termination of closed-end fund administration and servicing	-	146	-	128
Fee sharing	-	-	-	-
Total expenses	2,267	3,471	2,745	3,551
Operating income	889	1,593	1,255	1,294
Non-operating income (expense)				
Net gain (loss) on investments	5	(573)	(163)	504
Interest and dividend income	16	65	52	74
Interest expense	(45)	(66)	(54)	(49)
Total non-operating income (expense)	(24)	(574)	(165)	529
Income before income taxes	865	1,019	1,090	1,823
Income tax expense	225	388	394	464
Net income	640	631	696	1,359
Less: Net income (loss) attributable to redeemable non-controlling interests	2	-	(3)	-
Less: Net income (loss) attributable to nonredeemable non-controlling interests	19	(155)	(33)	364
Net income attributable to BlackRock, Inc.	619	786	732	995

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

	09/30/09	12/31/08	09/30/08	12/31/07
Assets				
Cash and cash equivalents	2,763	2,032	1,793	1,656
Accounts receivable	1,219	901	1,209	1,236
Due from related parties	91	309	241	175
Investments	1,041	1,429	2,146	2,000
Separate account assets	3,536	2,623	3,532	4,670
Deferred mutual fund sales commissions, net	106	135	156	175
Property and equipment (net of accumulated depreciation of \$277 at March 31, 2009 and \$259 at December 31, 2008)	250	260	274	266
Intangible assets (net of accumulated amortization of \$360 at March 31, 2009 and \$324 at December 31, 2008)	6,335	6,441	6,477	6,553
Goodwill	5,718	5,533	5,544	5,520
Other assets	321	261	324	310
Total assets	21,380	19,924	21,696	22,561
Liabilities				
Accrued compensation and benefits	584	826	826	1,087
Accounts payable and accrued liabilities	712	545	731	789
Due to related parties	107	103	116	114
Short-term borrowings	200	200	200	300
Convertible debentures	247	245	-	-
Long-term borrowings	696	697	947	947
Separate account liabilities	3,536	2,623	3,532	4,670
Deferred tax liabilities	1,729	1,826	2,039	2,060
Other liabilities	268	299	249	420
Total liabilities	8,079	7,364	8,640	10,387
Temporary equity				
Redeemable non-controlling interests	9	266	869	578
Convertible debentures	1	-	-	-
Total temporary equity	10	266	869	578
Permanent Equity				
BlackRock, Inc. stockholders' equity				
Common stock, \$0.01 par value;	1	1	-	1
Preferred stock (Note 12)	1	-	-	-
Additional paid-in capital	11,003	10,473	10,407	10,274
Retained earnings	2,286	1,982	2,043	1,622
Accumulated other comprehensive (loss)	(88)	(186)	(54)	71
Escrow shares, common, at cost (911,266 shares held at March 31, 2009 and December 31, 2008)	(143)	(143)	(143)	(188)
Treasury stock, common, at cost (229,370 and 370,991 shares held at March 31, 2009 and December 31, 2008, respectively)	-	(58)	(67)	(184)
Total BlackRock, Inc. stockholders' equity	13,060	12,069	12,187	11,596
Nonredeemable non-controlling interests	231	225	-	-
Total permanent equity	13,291	12,294	12,187	11,596
Total liabilities, temporary equity and permanent equity	21,380	19,924	21,696	22,561
LEVERAGE: Total Liabilities/Total Assets	0.38	0.37	0.40	0.46

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

	09/30/09	12/31/08	09/30/08	12/31/07
Net cash inflow/(outflow) from operating activities	831	1,916	1,156	587
Net cash inflow/(outflow) from investing activities	11	(394)	(371)	(1,068)
Net cash inflow/(outflow) from financing activities	(171)	(887)	(565)	959
Change in cash and cash equivalents	<u>731</u>	<u>376</u>	<u>137</u>	<u>496</u>
Cash and cash equivalents - beginning of the period	2,032	1,656	1,656	1,160
Cash and cash equivalents - end of the period	2,763	2,032	1,793	1,656

Switch & Data

General Information: Switch & Data Facilities Company, Inc. provides data center hosting services for the TSP at two sites. The TSP's primary data center operates out of Switch & Data's northern Virginia facility under contract with Serco Services Inc. (formerly SI International). The Agency has a direct contract with Switch & Data for the western Pennsylvania facility that houses our backup data center.

Assessment: On October 21, 2009, Switch & Data and Equinix, Inc., a provider of global data center services, entered into a definitive agreement for Equinix to acquire Switch & Data in a transaction valued at approximately \$689 million in cash and stock. The merger with Equinix will integrate Switch & Data's data center business and operations, including the company's 34 data centers in 22 markets in the U.S. and Canada. The acquisition will add more than one million gross square feet of data center capacity, bringing Equinix's total global footprint to 79 data centers in 34 markets and more than six million square feet across the North American, European and Asia-Pacific markets. This merger will give Equinix customers broader access to local markets for their network edge deployments, and Switch & Data customers a comprehensive solution to their global data center needs. Customers of both companies will benefit from a stronger product portfolio and capacity pipeline in a market where demand continues to outpace supply. The transaction is expected to be completed in the first quarter of 2010, and will be subject to customary closing conditions, including the approval of Switch & Data's stockholders and regulatory approvals.

If Switch & Data's merger with Equinix occurs, the services available to the TSP would offer a more comprehensive solution to our data center needs. If the merger does not occur, we still would need to closely monitor the Company's financial stability and ability to provide uninterrupted service given that it has not achieved consistent profitability. If the merger proceeds, we will begin tracking Equinix in the next quarterly report.

As of September 30, 2009, Switch & Data had \$120.0 million in principal outstanding under its Term Loan, \$22.5 million in principal outstanding under its Delayed Term Loan, and a \$1.4 million letter of credit outstanding under its Revolving Loan. Repayments of principal under the Term Loan and the Delayed Draw Term Loan are due in scheduled quarterly installments, beginning March 31, 2010, with the final payment due and payable on March 27, 2014.

Current Financial Condition:

- **Income Statement:** Income in the first nine months of 2009 was \$2.5 million compared to \$1.4 million during the first nine months of 2008.
- **Balance Sheet:** Through September 30, 2009, Switch & Data reported total assets of \$393.1 million, a 10 percent increase from \$358.9 million at year-end 2008. Total liabilities of \$262.9 million were reported, an 11 percent increase from \$237.9 million reported at year-end 2008.

- **Cash Flow:** Through September 30, 2009, cash and cash equivalents totaled \$22.6 million, an increase of \$7.9 million from \$14.7 million at year-end 2008.
- **Current Ratio:** The Current Ratio (Current Assets/Current Liabilities) increased to 0.81 as of September 30, 2009, from 0.62 at year-end 2008.
- **Leverage:** Through September 30, 2009, total liabilities as a percent of total assets increased slightly to 67 percent from 66 percent reported at year-end 2008.

Stock Performance: The price of Switch & Data shares as of December 31, 2009, was \$20.21 (its initial public offering price was \$17.00 per share) and this price was also its 52-week high. The stock's 52-week low was \$5.23 on February 23, 2009.

SAS 70 Report: The most recent SAS 70 report is the report dated September 8, 2006 by SAS 70 Solutions. No issues related to the TSP were determined. In the meantime, SAS 70 certification is not required to be renewed or updated unless there is a material change in the company's operating procedures. Because Switch & Data has not made any material changes, the letter from 2006 is still in effect and Switch & Data is still certified.

Dun & Bradstreet Credit Score Class: As of December 31, 2009, the credit score was 3 (moderate risk), unchanged from the prior quarter.

Lawsuit Issues: No action reported during this period.

Significant Events:

- October 21, 2009 – Switch & Data announced an agreement to be acquired by Equinix Inc (see discussion above).

Risk Mitigation: There is some operational risk to the TSP if Switch & Data fails because of our dependence on it for both our primary data center and the backup facility in Pennsylvania. If Switch & Data were to fail, 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. Competition could be limited to collocation providers on the GSA Schedule, which would provide for a quicker contract award. An alternative would be a similar approach as with the Clintwood call center, and create data centers as Government Owned Contractor Operated (GOCO) facilities. Although it requires more effort, this would allow us to continue operations by either issuing a letter contract to another contractor to operate the facility or to operate it ourselves (with temporary staff).

We continue to monitor 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. At the same time, we are researching other potential hosting companies/sites.

**Switch & Data
Income Statement
(in \$ thousands)**

	9/30/2009	12/31/2008	9/30/2008	12/31/2007
Revenues	150,013	171,525	125,750	137,530
Cost and operating expenses				
Cost of revenues, exclusive of depreciation and amortization	74,687	90,122	65,741	70,986
Sales and marketing	15,130	19,670	14,677	16,313
General and administrative	14,157	17,659	13,096	15,039
Depreciation and amortization	30,237	30,716	20,762	25,584
Lease litigation settlement	700	-	-	2,600
Asset impairment	-	-	-	-
Total costs and operating expenses	134,911	158,167	114,276	130,522
Operating Income	15,102	13,358	11,474	7,008
Interest income	45	1,587	1,513	1,808
Interest expense	(11,229)	(19,193)	(8,866)	(6,622)
Loss from debt extinguishment	-	(695)	(695)	(2,809)
Other income (expense), net	(486)	(768)	(654)	(305)
Income (loss) from continuing operations before taxes	3,432	(5,711)	2,772	(920)
Provision for income taxes	(950)	(1,324)	(1,325)	(263)
Income (loss) from continuing operations	2,482	(7,035)	1,447	(1,183)
Income (loss) from discontinued operations	-	-	-	397
Net Income (loss)	2,482	(7,035)	1,447	(786)

**Switch & Data
Balance Sheet
(in \$ thousands)**

Assets	<u>9/30/2009</u>	<u>12/31/2008</u>	<u>9/30/2008</u>	<u>12/31/2007</u>
Current assets				
Cash and cash equivalents	22,638	14,706	42,748	45,595
Accounts receivable, net of allowance for bad debts	11,542	11,497	10,341	9,029
Prepaid and other assets	2,818	2,429	2,852	1,468
Total current assets	<u>36,998</u>	<u>28,632</u>	<u>55,941</u>	<u>56,092</u>
Property and equipment, net	297,350	270,286	253,836	114,803
Goodwill	36,023	36,023	36,023	36,023
Other intangible assets, net	16,095	18,575	19,913	23,287
Other long-term assets, net	6,683	5,349	5,545	2,485
Total assets	<u>393,149</u>	<u>358,865</u>	<u>371,258</u>	<u>232,690</u>
Liabilities, Redeemable Preferred Stock and Shareholders' Equity (Deficit)				
Current liabilities				
Accounts payable and accrued expenses	19,948	34,131	44,481	26,859
Derivative liability	8,625	7,434	1,153	624
Current portion of unearned revenue	3,418	3,629	3,191	3,567
Current portion of deferred rent	377	455	409	363
Current portion of customer security deposits	615	547	615	936
Current portion of long-term debt	10,687	-	-	3,750
Current portion of capital lease obligations	1,756	-	-	-
Total current liabilities	<u>45,426</u>	<u>46,196</u>	<u>49,849</u>	<u>36,099</u>
Unearned revenue, less current portion	2,431	1,858	2,329	2,073
Deferred rent, less current portion	24,611	18,587	16,483	12,882
Customer security deposits, less current portion	282	376	403	93
Long-term debt, less current portion	131,813	120,000	120,000	34,439
Long-term portion of capital lease obligation	58,289	50,927	51,101	22,049
Total liabilities	<u>262,852</u>	<u>237,944</u>	<u>240,165</u>	<u>107,635</u>
Commitments and contingencies				
Shareholders' deficit				
Common stock	3	3	3	3
Series B common stock	-	-	-	-
Series D-1 & D-2 preferred stock	-	-	-	-
Unearned stock compensation	-	-	-	(15)
Additional paid in capital	352,667	347,909	346,301	340,520
Accumulated deficit	(222,052)	(224,534)	(216,052)	(217,573)
Accumulated other comprehensive income	(321)	(2,457)	841	2,120
Total shareholders' deficit	<u>130,297</u>	<u>120,921</u>	<u>131,093</u>	<u>125,055</u>
Total Liabilities, Preferred Stock and Shareholders' Deficit	<u>393,149</u>	<u>358,865</u>	<u>371,258</u>	<u>232,690</u>
CURRENT RATIO: Current Assets/Current Liabilities	0.81	0.62	1.12	1.55
LEVERAGE: Total Liabilities/Total Assets	0.67	0.66	0.65	0.46

Switch & Data
Statement of Cash Flows
(in \$ thousands)

	9/30/2009	12/31/2008	9/30/2008	12/31/2007
Net cash inflow/(outflow) from operating activities	41,422	45,614	36,242	38,641
Net cash inflow/(outflow) from investing activities	(54,346)	(154,710)	(117,649)	(33,933)
Net cash inflow/(outflow) from financing activities	20,723	78,863	78,861	36,563
Change in cash and cash equivalents	<u>7,799</u>	<u>(30,233)</u>	<u>(2,546)</u>	<u>41,271</u>
Effect of exchange rate charges on cash	133	(656)	(301)	653
Cash and cash equivalents - beginning of the period	14,706	45,595	45,595	3,671
Cash and cash equivalents - end of the period	22,638	14,706	42,748	45,595

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 233 in 2009, and has locations throughout North America, Latin America, Asia, and Europe. The Company reported a loss in both 2007 and in 2008. However, there is no indication at this time that it will be unable to meet its contractual obligations to the TSP.

Current Financial Condition:

- For the first nine months of 2009, the Company reported net earnings of \$52.2 million, an 89 percent decrease from the \$497.0 million in earnings reported for the same period in 2008.
- Balance Sheet: As of September 30, 2009, \$8.9 billion of Total Assets were reported, slightly reduced from \$9.5 billion reported at year-end 2008. Total Liabilities of \$6.6 billion were reported, down from \$7.2 billion reported at year-end 2008.
- Cash Flow: As of September 30, 2009, the Company reported cash and cash equivalents of \$414.9 million, a 28 percent increase from the \$324.0 million reported at year-end 2008.
- Current Ratio: As of September 30, 2009, the Current Ratio (Current Assets/Current Liabilities) for the quarter is 1.4, improved slightly from 1.3 at year-end 2008.
- Leverage: As of September 30, 2009, Total Liabilities were about 74 percent of Total Assets; this ratio was 75 percent at year-end 2008.

Dun & Bradstreet Credit Score Class: As of December 31, 2009, the credit score was 1 (lowest risk), unchanged from the previous quarter.

Stock Performance: The R.R. Donnelley & Sons closing share price on December 31, 2009 was \$22.27 down from its 52-week high of \$22.78 on December 29, 2009. The 52-week low was \$5.54 on March 9, 2009.

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

Significant Events:

- December 2, 2009 - R.R. Donnelley & Sons Company reached agreement on a \$100 million multi-year extension with Verizon Wireless. R.R. Donnelley will use its proprietary variable digital imaging capabilities to produce, finish and mail consumer and commercial statements. This technology will also be used to produce customer communications associated with the billing statements for Verizon Wireless.
- November 3, 2009 - R.R. Donnelley & Sons Company was awarded a multiyear, multimillion dollar agreement to produce catalogs, forms and labels and to provide prepress and logistics services by Harriet Carter, a leading catalog and online merchant. The agreement expands the companies' long term relationship and includes prepress, production and logistics services for Fresh Finds, a catalog title focused on kitchen wares and cooking tools, accents, and cleaning and organizing solutions for the home.
- October 28, 2009 -- R.R. Donnelley & Sons Company announced a regular quarterly dividend of 26 cents per common share. The dividend was payable on December 1, 2009, to stockholders of record as of the close of business on November 12, 2009.

Risk Mitigation: The current TSP contract was effective on March 20, 2006. If there were a disaster at the facilities currently producing our notices or statements, R.R. Donnelley & Sons would move that work from the affected facility to one or more of its other business sites. If R.R. Donnelley & Sons were to cease operations, we would have to pursue a new contract as soon as possible with other printing vendors but we consider this possibility to be very unlikely.

R R Donnelley & Sons
Income Statement
(in millions)

	09/30/09 Nine Months Ended	12/31/08	09/30/08 Nine Months Ended	12/31/07
Net sales	\$ 7,274.3	\$ 11,581.6	\$ 8,785.3	\$ 11,587.1
Cost of Sales (excludes Depreciation & Amortization shown below)	5,480.5	8,576.3	6,452.0	8,532.4
Selling, General & Administrative Expenses	807.2	1,220.5	947.9	1,302.3
Restructuring and Impairment Charges - net	234.1	1,184.7	46.5	839.0
Depreciation & Amortization	436.7	640.6	486.5	598.3
Total Operating Expenses	6,958.5	11,622.1	7,932.9	11,272.0
Income from Continuing Operations	<u>315.8</u>	<u>(40.5)</u>	<u>852.4</u>	<u>315.1</u>
Interest Expense - net	178.7	226.4	171.0	227.3
Investment and Other Income (expense) - net	(14.9)	(2.4)	7.0	3.6
Earnings from Continuing Operations before Income Taxes and Minority Interest	122.2	(269.3)	688.4	91.4
Income Tax Expense	65.0	(83.9)	189.5	136.5
Minority Interest	-	6.3	3.6	3.3
Net Earnings from Continuing Operations	<u>57.2</u>	<u>(191.7)</u>	<u>495.3</u>	<u>(48.4)</u>
Income (loss) from Discontinued Operations, net of tax	(5.0)	1.8	1.7	(0.5)
Net Earnings	<u>\$ 52.2</u>	<u>\$ (189.9)</u>	<u>\$ 497.0</u>	<u>\$ (48.9)</u>

R R Donnelley & Sons
Balance Sheet
(in millions)

	09/30/09	12/31/08	09/30/08	12/31/07
ASSETS				
Cash and cash equivalents	\$ 414.9	\$ 324.0	\$ 435.7	\$ 379.0
Restricted cash equivalents	-	7.9	5.1	63.9
Receivables, less allowance for doubtful accounts	1,772.4	1,903.2	2,115.7	2,181.2
Income taxes receivable	51.6	189.4	-	-
Inventories, net	563.1	695.7	791.4	709.5
Prepaid expenses and other current assets	104.7	104.6	83.7	85.5
Deferred income taxes	59.7	56.2	115.5	102.2
Total Current Assets	2,966.4	3,281.0	3,547.1	3,521.3
Property, plant and equipment net	2,332.7	2,564.0	2,671.9	2,726.0
Goodwill	2,457.9	2,425.9	3,245.1	3,264.9
Other intangible assets net	773.0	15.6	1,200.4	1,323.2
Prepaid pension cost	-	831.1	851.2	833.2
Other noncurrent assets	390.8	376.7	421.4	418.1
Total Assets	8,920.8	9,494.3	11,937.1	12,086.7
LIABILITIES AND SHAREHOLDER'S EQUITY				
Accounts payable	863.4	767.6	889.8	954.9
Accrued liabilities	843.6	795.7	994.5	1,085.3
Short-term and current portion of long-term debt	431.9	923.5	1,191.7	725.0
Total Current Liabilities	2,138.9	2,486.8	3,076.0	2,765.2
Long-term debt	2,982.4	3,203.3	3,198.1	3,601.9
Pension liability	461.7	491.5	-	-
Postretirement benefits	298.3	291.9	255.2	247.9
Deferred income taxes	242.8	260.9	847.6	872.3
Other noncurrent liabilities	468.3	418.0	561.3	689.1
Liabilities of discontinued operations	-	-	0.5	3.0
Total Liabilities	6,592.4	7,152.4	7,938.7	8,179.4
SHAREHOLDERS EQUITY				
Common stock	303.7	303.7	303.7	303.7
Additional paid-in capital	2,905.1	2,885.7	2,881.1	2,858.4
Retained earnings	795.9	903.8	1,643.9	1,312.9
Accumulated other comprehensive income/(loss)	(506.8)	580.7	363.4	341.3
Unearned compensation	-	-	-	-
Noncontrolling interests	26.2	23.4	-	-
Treasury stock, at cost	(1,195.7)	(1,194.0)	(1,193.7)	(909.0)
Total Shareholders Equity	\$ 2,328.4	\$ 3,503.3	\$ 3,998.4	\$ 3,907.3
Total Liabilities and Shareholders Equity	8,920.8	10,655.7	11,937.1	12,086.7
CURRENT RATIO:				
Current Assets/Current Liabilities	1.4	1.3	1.2	1.3
LEVERAGE:				
Total Liabilities/Total Assets	73.9%	75.3%	66.5%	67.7%

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

	09/30/09 Nine Months Ended	12/31/08	09/30/08 Nine Months Ended	12/31/07
Net cash provided by operating activities from continuing operator	\$1,098.5	\$1,015.9	\$691.7	\$1,176.8
Net cash used in investing activities	(157.0)	(351.2)	(276.8)	(2,510.9)
Net cash provided by financing activities	(884.4)	(676.8)	(349.5)	1,476.2
Effect of exchange rate charges on cash	33.8	(42.9)	(8.7)	26.2
Net increase in cash and cash equivalents	90.9	(55.0)	56.7	168.3
Cash and cash equivalents - beginning of the period	324.0	379.0	379.0	211.4
Cash and cash equivalents - end of the period	414.9	324.0	435.7	379.7

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 \$28.7 billion for the first nine months of 2009, down 22 percent from the \$37.0 billion reported for the same period in 2008.

- **Income Statement:** Net loss for the period was \$2.6 billion, down from a net income \$2.3 billion reported in the first nine months of 2008. Almost all of the reported loss was due to losses in investments.
- **Balance Sheet:** As of September 30, 2009, Total Assets of \$535.2 billion were reported, an increase of \$33.5 billion from \$501.7 billion reported at year-end 2008. Total Liabilities reported were \$500.6 billion, an increase of \$22.7 billion from the \$477.9 billion reported at year-end 2008.
- **Cash Flow:** As of September 30, 2009, the Company reported cash and cash equivalents of \$15.6 billion, a 36 percent decrease from the \$24.2 billion reported at year-end 2008.
- **Leverage:** As of September 30, 2009, Total Liabilities reported were 94 percent of Total Assets, little changed from the 95 percent ratio at year-end 2008.
- **Current Ratio:** N.A. (MetLife does not present current assets and current liabilities in its balance sheet presentation).
- **Company Ratings:** As of September 31, 2009, when MetLife submitted its filing with the SEC, its financial strength ratings were as follows: (unchanged from the prior period)

<i>Rating Agency</i>	<i>Rating</i>	<i>Descriptor</i>
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: As of December 31, 2009, the credit score was 5 (high risk), declining from a credit score of 3 (moderate risk) in the prior quarter. MetLife has recently experienced increased credit risk due to a bad debt account and a collection, as well as due to an

increasing number of lawsuits, liens and judgments associated with disclosures to policy holders, asbestos-related claims, regulatory matters, and other issues.

Stock Performance: The MetLife closing share price on December 31, 2009, was \$35.35, down from its 52-week high of \$40.83 on September 16, 2009. The 52-week low was \$11.37 on March 5, 2009.

SAS 70 Report: There is no SAS report available.

Significant Events:

- November 16, 2009 – MetLife, Inc. declared fourth quarter 2009 dividends of \$0.25 per share on the company's floating rate non-cumulative preferred stock, Series A, and \$0.40 per share on the company's 6.50% non-cumulative preferred stock, Series B. Both dividends were paid on December 15, 2009 to shareholders of record as of November 30, 2009.

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

MetLife, Inc
Income Statement
(in \$ millions)

	09/30/09	12/31/08	09/30/08	12/31/07
Revenues				
Premiums	19,299	25,914	19,416	22,970
Universal life and investment-type product policy fees	3,650	5,381	4,145	5,238
Net investment income	10,914	16,296	12,661	18,063
Other revenues	1,728	1,586	1,141	1,465
Net investment gains (losses):		1,812		(578)
Other-than-temporary impairments on fixed maturity securities	(1,769)	-	(961)	-
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive loss	479	-	-	-
Other net investment gains (losses), net	(5,584)	-	620	-
Total net investment gains (losses)	(6,874)	1,812	(341)	(578)
Total Revenues	28,717	50,989	37,022	47,158
Expenses				
Policyholder benefits and claims	20,701	27,437	20,426	23,783
Interest credited to policyholder account balances	3,655	4,787	3,558	5,461
Policyholder dividends	1,297	1,751	1,323	1,723
Other expenses	7,576	11,924	8,085	10,429
Total Expenses	33,229	45,899	33,392	41,396
Income (loss) from continuing operations before provision for income taxes	(4,512)	5,090	3,630	5,762
Provision for income tax expense (benefit)	(1,884)	1,580	1,077	1,660
Income (loss) from continuing operations, net of income tax	(2,628)	3,510	2,553	4,102
Income from discontinued operations, net of income tax	37	(301)	(251)	215
Net income (loss)	(2,591)	3,209	2,302	4,317

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

	09/30/09	12/31/08	09/30/08	12/31/07
Assets				
Investments:				
Fixed maturity securities available-for-sale, at estimated fair value	223,896	188,251	212,645	232,336
Equity securities available-for-sale, at estimated fair value	3,117	3,197	3,477	5,911
Trading securities, at estimated fair value	1,970	946	788	779
Mortgage and consumer loans				
Held-for-investment, at amortized cost	48,239	49,352	-	46,149
Held-for-sale, principally at estimated fair value	2,442	2,012	-	5
Mortgage and consumer loans, net	50,681	51,364	50,646	46,154
Policy loans	10,001	9,802	9,776	9,326
Real estate and real estate joint ventures held-for-investment	6,982	7,585	7,368	6,728
Real estate held-for-sale	50	1	188	39
Other limited partnership interests	5,255	6,039	6,353	6,155
Short term investments	6,861	13,878	2,570	2,544
Other invested assets	13,916	17,248	9,745	8,076
Total Investments	322,729	298,311	303,556	318,048
Cash and cash equivalents	15,562	24,207	20,209	9,961
Accrued investment income	3,236	3,061	3,273	3,545
Premiums and other receivables	16,903	16,973	17,865	13,373
Deferred policy acquisition costs and value of business acquired	19,208	20,144	20,347	17,810
Current income tax recoverable	412	-	762	334
Deferred income tax assets	535	4,927	1,625	-
Goodwill	5,033	5,008	5,036	4,814
Other assets	7,140	7,262	8,823	8,239
Assets of subsidiaries held-for-sale	-	946	-	22,883
Separate account assets	144,434	120,839	139,803	160,142
Total Assets	535,192	501,678	521,299	559,149
Liabilities and Stockholder's Equity				
Liabilities:				
Future policy benefits	134,492	130,555	128,762	126,016
Policyholder account balances	147,543	149,805	139,132	130,342
Other policyholder funds	8,549	7,762	8,446	7,838
Policyholder dividends payable	911	1,023	1,077	991
Policyholder dividends obligation	-	-	-	789
Short term debt	2,131	2,659	1,106	667
Long term debt	13,202	9,667	10,811	9,100
Collateral financing arrangements	5,297	5,192	5,132	4,882
Junior subordinated debt securities	3,191	3,758	3,759	4,075
Current income tax payable	-	342	-	-
Payables for collateral under securities loaned and other transactions	24,363	31,059	43,299	44,136
Other liabilities	16,486	14,535	12,139	12,829
Liabilities of subsidiaries held-for-sale	-	748	-	20,661
Shares subject to mandatory redemption	-	-	-	-
Deferred income tax liability	-	-	-	1,502
Separate account liabilities	144,434	120,839	139,803	160,142
Total Liabilities	500,599	477,944	493,466	523,970
Stockholders Equity:				
Preferred stock	1	1	1	1
Common stock	8	8	8	8
Additional paid-in capital	16,865	15,811	17,602	17,098
Retained earnings	19,822	22,403	22,041	19,884
Treasury stock, at cost	(194)	(236)	(4,279)	(2,890)
Accumulated other comprehensive loss	(2,234)	(14,253)	(7,540)	1,078
Total Stockholders Equity	34,268	23,734	27,833	35,179
Noncontrolling interests	325	-	-	-
Total Equity	34,593	23,734	27,833	35,179
Total Liabilities and Stockholders Equity	535,192	501,678	521,299	559,149

LEVERAGE: Total Liabilities/Total Assets

0.94

0.95

0.95

0.94

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

	09/30/09	12/31/08	09/30/08	12/31/07
Net cash inflow/(outflow) from operating activities	2,718	10,703	7,022	9,902
Net cash inflow/(outflow) from investing activities	(7,357)	(2,671)	(6,257)	(10,644)
Net cash inflow/(outflow) from financing activities	(4,126)	6,188	9,208	3,942
Change in cash and cash equivalents	<u>(8,677)</u>	<u>13,871</u>	<u>9,841</u>	<u>3,261</u>
Effect of exchange rate on cash	88	(349)	(112)	61
Cash and cash equivalents - beginning of the period	24,239	10,368	10,368	7,107
Cash and cash equivalents - end of the period	15,562	24,239	20,209	10,368