



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

October 7, 2011

MEMORANDUM FOR THE EXECUTIVE DIRECTOR

FROM: JAMES B. PETRICK
CHIEF FINANCIAL OFFICER

SUBJECT: QUARTERLY FINANCIAL ASSESSMENT OF TSP'S PRIMARY
VENDORS – SECOND QUARTER 2011

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, BlackRock Inc., Equinix Inc., R.R. Donnelley & Sons, MetLife, and The Active Network, Inc.

For each vendor we have analyzed the following:

1. Current Financial Condition:

Our financial analysis consists of a review of the vendor's key financial statistics from their current income statement and balance sheet for the most recent quarter available to determine their overall financial stability. For this report, we are using available data for the period through June 30, 2011. 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. For comparative purposes, we have included information from the first six months of 2011, year-end 2010, the first six months of 2010, and year-end 2009.

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 credi-

tors 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. (a subsidiary of Serco Group plc)

General Information: Serco Group plc is a business services company based in Hook, North Hampshire in the United Kingdom. In 2005, Serco acquired Resource Consultants Inc. (RCI), which expanded its capabilities in IT services, systems engineering, strategic consulting and human resource-focused business process management. In 2008, Serco acquired SI International, further broadening its capabilities in IT and professional services in North America and gaining new U.S. government relationships. Serco employs more than 11,000 people in over 100 locations across North America.

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

Assessment: 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. Since the beginning of the financial year, Serco has been awarded £1.6 billion of contracts, comprising signed contracts valued at £1.4 billion and preferred bidder appointments valued at £0.2 billion. Serco continues to be a profitable and growing company. We find no indication that Serco Services Inc. is unable to fulfill its contractual obligations to the TSP.

Current Financial Condition:

- **Income Statement:** For the six-month period ending June 30, 2011, Serco Group plc reported revenues of £2.2 billion, an increase of 5 percent from the £2.1 billion reported in the same period of 2010. Net profit through June 30, 2011 was £82.2 million, an increase of 10 percent from the £74.4 million reported in the first six months of 2010.
- **Balance Sheet:** At June 30, 2011, Total Assets were £2.7 billion, an increase of 7 percent from the £2.5 billion reported at year-end 2010. Total Liabilities were £1.8 billion, an increase of 8 percent from the £1.7 billion reported at year-end 2010.
- **Cash Flow:** At June 30, 2011, cash and cash equivalents totaled £305.0 million, a 9 percent increase from £279.3 million at year-end 2010.

- **Current Ratio:** The Current Ratio (Current Assets/Current Liabilities) increased to 1.2 from 1.1 reported at year-end 2010.
- **Leverage:** At June 30, 2011, Total Liabilities as a percent of Total Assets remained flat at 67 percent from year-end 2010.

Dun & Bradstreet Credit Score Class: As of September 30, 2011, the credit score for Serco Services Inc. as a subsidiary of Serco Group plc, was 3 (moderate risk), unchanged from the previous quarter.

Stock Performance: Serco Group plc's closing share price on September 30, 2011, was £510.50, down from its 52-week high of £647.50 on October 19, 2010. The 52-week low was £465.50 on March 2, 2011.

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

Significant Events:

- September 2, 2011 - Serco announced that the U.S. Army has awarded the Company a \$52 million contract to support the Human Resources Command's and US Army's Installation Management Command's Army Career and Alumni Program (ACAP). Under this contract, Serco will provide transition and employment assistance to Soldiers, Army civilians, and family members transitioning out of the military.
- August 1, 2011 - Serco Group PLC announced that it signed a 10-year hospital services contract in Australia worth \$1.3 billion (\$1.44 billion). The company will provide non-clinical support services at the Fiona Stanley Hospital in Western Australia. The contract has two five-year extension options, with annual revenues totaling \$30 to \$50 million. From the opening of the hospital in 2014, annual revenues will rise to \$160 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) ICF International to continue systems programming and possibly expand support to data center operations, and; b) SunGard to continue incoming mail, data entry, and other operations 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.'s call center in Maryland could serve as a temporary backup.

The Agency is continuing to develop the requirements for a new statement of work (SOW) for the re-competition of Serco IT record keeping services. We have engaged a contractor, Acquisition Solutions Inc., to develop the requirements for re-competition of this contract. We are currently planning to conduct the competition in CY 2012.

**Serco Group
Income Statement
(In £ millions)**

	Six Months Ended		Six Months Ended	
	6/30/2011	12/31/2010	6/30/2010	12/31/2009
	Unaudited	Audited	Unaudited	Audited
Revenue	2,245.8	4,326.7	2,140.3	3,970.0
Cost of sales	1,912.8	3,682.4	1,824.2	3,383.2
Gross profit	333.0	644.3	316.1	586.8
Administrative expenses	199.2	385.6	191.7	357.1
Adjusted operating profit	133.8	258.7	124.4	229.7
Other expenses – amortization of intangibles arising on acquisition	8.4	17.4	8.8	17.6
Other expenses – acquisition-related costs	3.4	-	-	-
Total administrative expenses	11.8	17.4	8.8	17.6
Operating profit	122.0	241.3	115.6	212.1
Investment revenue	5.3	3.9	1.6	2.7
Finance costs	15.5	31.3	15.8	37.7
Profit before tax	111.8	213.9	101.4	177.1
Tax	29.6	57.1	27.0	46.9
Profit for the period	82.2	156.8	74.4	130.2

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

	6/30/2011	12/31/2010	6/30/2010	12/31/2009
	Unaudited	Audited	Unaudited	Audited
Assets				
Current assets				
Cash and cash equivalents	305.0	279.3	313.8	319.4
Derivative financial instruments	15.2	3.9	4.1	1.4
Trade and other receivables	815.6	786.2	801.4	720.9
Current tax assets	3.9	4.0	2.9	-
Inventories	70.5	65.4	62.7	65.9
Total current assets	<u>1,210.2</u>	<u>1,138.8</u>	<u>1,184.9</u>	<u>1,107.6</u>
Non-current assets				
Goodwill	932.7	899.5	925.7	898.4
Other intangible assets	146.9	145.0	146.4	164.4
Property, plant and equipment	146.9	135.4	129.9	129.2
Trade and other receivables	201.9	156.7	206.5	181.4
Retirement benefit assets	14.9	-	-	-
Deferred tax assets	27.7	38.1	50.2	48.0
Derivative financial instruments	2.2	3.5	3.6	2.5
Total non-current assets	<u>1,473.2</u>	<u>1,378.2</u>	<u>1,462.3</u>	<u>1,423.9</u>
Total assets	<u>2,683.4</u>	<u>2,517.0</u>	<u>2,647.2</u>	<u>2,531.5</u>
Liabilities				
Current liabilities				
Trade and other payables	836.1	805.5	871.0	771.6
Current tax liabilities	9.9	19.5	19.0	14.1
Obligations under finance leases	9.0	7.1	7.3	6.0
Loans	147.0	159.5	105.9	110.7
Derivative financial instruments	4.8	2.4	5.6	5.5
Total current liabilities	<u>1,006.8</u>	<u>994.0</u>	<u>1,008.8</u>	<u>907.9</u>
Non-current liabilities				
Trade and other payables	28.6	22.2	21.8	23.1
Obligations under finance leases	17.1	19.3	19.1	18.0
Loans	457.1	354.6	498.3	543.2
Derivative financial instruments	0.9	5.2	2.8	1.7
Retirement benefit obligations	240.2	226.2	319.6	294.2
Provisions	37.2	39.6	41.0	42.3
Deferred tax liabilities	14.6	14.6	8.6	9.0
Total Long-term liabilities	<u>795.7</u>	<u>681.7</u>	<u>911.2</u>	<u>931.5</u>
Total liabilities	<u>1,802.5</u>	<u>1,675.7</u>	<u>1,920.0</u>	<u>1,839.4</u>
Equity				
Share capital	9.9	9.9	9.8	9.8
Share premium account	307.3	306.7	305.5	304.1
Capital redemption reserve	0.1	0.1	0.1	0.1
Retained earnings	625.4	568.5	496.8	444.1
Retirement benefit obligations reserve	(155.9)	(142.8)	(163.1)	(150.0)
Share-based payment reserve	63.6	58.7	54.4	49.6
Own shares reserve	(48.9)	(27.5)	(28.3)	(13.0)
Hedging and translation reserve	79.4	67.7	51.9	47.3
Equity attributable to equity holders of the parent	<u>880.9</u>	<u>841.3</u>	<u>727.1</u>	<u>692.0</u>
Non controlling interest	<u>-</u>	<u>-</u>	<u>0.1</u>	<u>0.1</u>
Total equity	<u>880.9</u>	<u>841.3</u>	<u>727.2</u>	<u>692.1</u>
Total liabilities and shareholders' equity	<u>2,683.4</u>	<u>2,517.0</u>	<u>2,647.2</u>	<u>2,531.5</u>
Current ratio: Current assets/Current liabilities	1.2	1.1	1.2	1.2
Leverage: Total liabilities/Total assets	67%	67%	73%	73%

Serco Group
Cash Flow Statement
(In £ millions)

	6/30/2010		12/31/2010		6/30/2010		12/31/2009	
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
Net cash inflow/(outflow) from operating activities	78.9	241.0	150.8	235.1				
Net cash inflow/(outflow) from investing activities	(64.5)	(41.7)	(13.6)	(64.5)				
Net cash inflow/(outflow) from financing activities	11.4	(247.5)	(145.5)	(96.7)				
Change in cash and cash equivalents	25.8	(48.2)	(8.3)	73.9				
Net exchange gain/(loss)	(0.1)	8.1	2.7	(5.3)				
Cash and cash equivalents at beginning of period	279.3	319.4	319.4	250.8				
Cash and cash equivalents at end of period	305.0	279.3	313.8	319.4				

BlackRock, Inc.

General Information: BlackRock, Inc. is one of the leading investment management companies in the U.S. The firm's products include a spectrum of fixed income and mutual funds, as well as investment tools, outsourcing, and advisory services to institutional investors. The company also offers risk management and investment technology services to insurance companies, finance companies, pension funds, foundations, REITs, commercial and mortgage banks, savings institutions and government agencies.

Assessment: As of June 30, 2011, BlackRock's assets under management total \$3.66 trillion across equity, fixed income, cash management, alternative investment, real estate and advisory strategies. The company acquired Barclays Global Investors (BGI) in December 2009 under the BlackRock name, making it the largest money manager in the world. There is no indication at this time that the company will be unable to meet its contractual obligations to the TSP.

Current Financial Condition:

- **Income Statement:** For the six-month period ending June 30, 2011, BlackRock reported total revenue of \$4.6 billion which increased 15 percent from \$4.0 billion for the same period in 2010. The Company reported a Net Income of \$1.2 billion, up 39 percent from a Net Income of \$0.9 billion reported for the same period in 2010.
- **Balance Sheet:** As of June 30, 2011, Total Assets of \$185.0 billion were reported, an increase of \$6.6 billion from \$178.5 billion reported at year-end 2010. Total Liabilities reported were \$160.4 billion, up \$8.3 billion from the \$152.1 billion reported at year-end 2010.
- **Cash Flow:** As of June 30, 2011, the Company reported cash and cash equivalents of \$2.8 billion, a decrease of \$0.6 billion from the \$3.4 billion reported at year-end 2010.
- **Current Ratio:** N.A. (BlackRock Inc. does not present current assets and current liabilities in its balance sheet presentation).
- **Leverage:** As of June 30, 2011, Total Liabilities reported were 87 percent of Total Assets, compared to 85 percent at year-end 2010.

Dun & Bradstreet Credit Score Class: As of September 30, 2011, the credit score was 3 (moderate risk), unchanged from the previous quarter.

Stock Performance: BlackRock's closing share price on September 30, 2011, was \$148.01, down from its 52-week high of \$209.77 on March 1, 2011. The 52-week low was \$140.22 on September 22, 2011.

SAS 70 Report: Deloitte & Touche's SAS-70 reported on the Service Auditor's Report on Controls Placed in Operation and Tests of Operating Effectiveness for Asset Management Services dated December 10, 2010. This report covers operations from December 1, 2009 through September 30, 2010, and identified no significant areas of concern to the TSP.

Significant Events:

- BlackRock's Board of Directors declared a quarterly cash dividend of \$1.375 per share of common stock, payable December 23, 2011 to shareholders of record at the close of business on December 5, 2011.
- August 8, 2011 – BlackRock, Inc. announced that it has further expanded its menu of index mutual funds for defined contribution (DC) plans. The firm now features a suite of 16 core index funds, which will be available on most major recordkeeping platforms, complement a product suite that also includes BlackRock's S&P 500 Stock Fund; Small Cap Index Fund, tracking the Russell 2000 Index; International Index Fund, tracking the MSCI EAFE Index; Bond Index Fund, tracking the Barclay's U.S. Aggregate Index; and the Russell 1000 Index Fund.

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

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

	Six Months Ended 06/30/11 Unaudited	12/31/10 Audited	Six Months Ended 06/30/10 Unaudited	12/31/09 Audited
Revenue				
Investment advisory, administration fees and securities lending revenue				
Related parties	2,756	4,893	2,311	2,616
Other third parties	1,328	2,397	1,234	1,210
	<hr/>			
Total investment advisory, administration fees and securities lending revenue	4,084	7,290	3,545	3,826
Investment advisory performance fees	133	540	100	202
<i>BlackRock Solutions</i> and advisory	244	460	227	477
Distribution fees	55	116	60	100
Other revenue	113	206	95	95
Total revenue	4,629	8,612	4,027	4,700
<hr/>				
Expenses				
Employee compensation and benefits	1,654	3,097	1,482	1,802
Distribution and servicing costs				
Related parties	2	226	128	368
Other third parties	207	182	69	109
Amortization of deferred sales commissions	43	102	53	100
Direct fund expenses	296	493	235	95
General and administration	685	1,354	629	779
Restructuring charges	-	-	-	22
Amortization of intangible assets	78	160	80	147
Total expenses	2,965	5,614	2,676	3,422
Operating income	1,664	2,998	1,351	1,278
<hr/>				
Non-operating income (expense)				
Net gain (loss) on investments	77	179	24	42
Net gain (loss) on consolidated variable interest entities	(20)	(35)	(28)	-
Interest and dividend income	13	29	9	20
Interest expense	(79)	(150)	(78)	(68)
Total non-operating income (expense)	(9)	23	(73)	(6)
<hr/>				
Income before income taxes	1,655	3,021	1,278	1,272
Income tax expense	469	971	481	375
Net income	1,186	2,050	817	897
Less: Net income (loss) attributable to redeemable non-controlling interests	-	3	2	2
Less: Net income (loss) attributable to nonredeemable non-controlling interests	(1)	(16)	(40)	20
Net income attributable to BlackRock, Inc.	1,187	2,033	855	875

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

	06/30/11	12/31/10	06/30/10	12/31/09
	Unaudited	Audited	Unaudited	Audited
Assets				
Cash and cash equivalents	2,796	3,367	2,183	4,708
Accounts receivable	2,084	2,095	1,989	1,718
Due from related parties	151	150	158	189
Investments	1,598	1,540	1,463	1,049
Assets of consolidated variable interest entities	-	-	105,476	-
Cash and cash equivalents	65	93	-	-
Bank loans and other investments	1,331	1,312	61	-
Separate account assets	127,470	121,137	1,290	119,629
Collateral held under securities lending agreements	18,217	17,638	18,304	19,335
Deferred sales commissions, net	54	66	91	103
Property and equipment (net of accumulated depreciation)	521	428	433	443
Intangible assets (net of accumulated amortization)	17,434	17,512	17,586	17,666
Goodwill	12,802	12,805	12,640	12,680
Other assets	525	316	592	604
Total Assets	185,048	178,459	162,266	178,124
Liabilities				
Accrued compensation and benefits	874	1,520	798	1,482
Accounts payable and accrued liabilities	1,128	1,068	1,099	840
Due to related parties	23	57	178	505
Short-term borrowings	600	100	444	2,234
Liabilities of consolidated variable interest entities				
Borrowings	1,292	1,278	1,215	-
Other liabilities	7	7	6	-
Convertible debentures	-	67	71	243
Long-term borrowings	4,688	3,192	3,191	3,191
Separate account liabilities	127,470	121,137	105,476	119,629
Collateral liability under securities lending agreements	18,217	17,638	18,304	19,335
Deferred income tax liabilities	5,440	5,477	5,601	5,571
Other liabilities	639	584	635	492
Total Liabilities	160,378	152,125	137,018	153,522
Temporary equity				
Redeemable non-controlling interests	4	6	94	49
Total Temporary Equity	4	6	94	49
Permanent Equity				
BlackRock, Inc. stockholders' equity				
Common stock	1	1	1	1
Preferred stock	-	1	1	1
Additional paid-in capital	20,023	22,502	22,284	22,127
Retained earnings	4,390	3,723	2,902	2,436
Appropriated retained earnings	51	75	89	-
Accumulated other comprehensive loss	(40)	(96)	(186)	(96)
Escrow shares, common, at cost	(1)	(1)	(137)	(137)
Treasury stock, common, at cost	-	(111)	-	(3)
Total BlackRock, Inc. stockholders' equity	24,424	26,094	24,954	24,329
Nonredeemable non-controlling interests	196	189	159	224
Nonredeemable non-controlling interests of consolidated variable interest entities	46	45	41	-
Total Permanent Equity	24,666	26,328	25,154	24,553
Total Liabilities, Temporary Equity and Permanent Equity	185,048	178,459	162,266	178,124
Total liabilities/Total assets	87%	85%	84%	86%

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

	06/30/11	12/31/10	06/30/10	12/31/09
	Unaudited	Audited	Unaudited	Audited
Net cash inflow/(outflow) from operating activities	717	2,488	310	1,399
Net cash inflow/(outflow) from investing activities	(104)	(627)	(402)	(5,519)
Net cash inflow/(outflow) from financing activities	(1,236)	(3,170)	(2,372)	6,749
Change in cash and cash equivalents	(571)	(1,341)	(2,525)	2,676
Cash and cash equivalents - beginning of the period	3,367	4,708	4,708	2,032
Cash and cash equivalents - end of the period	2,796	3,367	2,183	4,708

Equinix Inc.

General Information: Equinix, Inc. is a U.S. based public corporation that provides network-neutral data centers (IBX or "Internet Business Exchange") and interconnection services. The company offers collocation, traffic exchange and outsourced IT infrastructure solutions to enterprises, content companies, systems integrators and more than 650 network service providers. Equinix has 90 data centers in 38 major metropolitan areas in 13 countries in North America, Europe and Asia, representing more than 4,000 customers. In the U.S., data centers are in 22 metropolitan areas.

In September 2011, Equinix was awarded a new 5-year contract for IT collocation services supporting FRTIB's primary and backup data centers. This contract replaces a 7 year old legacy agreement with Switch and Data.

Assessment: On May 3, 2010, Equinix completed its acquisition of Switch and Data, a transaction valued at about \$683.4 million. Equinix's data center hosts services for the TSP at two sites. The TSP's primary data center operates out of a northern Virginia facility and a western Pennsylvania facility houses our backup data center. Although profitability has been impaired as a result of the need to finance the Switch and Data acquisition, revenue growth and market share remain strong. We have no indication that Equinix would be unable to perform its contractual commitments.

Current Financial Condition:

- **Income Statement:** For the six-month period ending June 30, 2011, Equinix reported total revenue of \$757.9 million, up 39 percent from the \$544.7 million reported for the same period in 2010. The Company reported Net Income of \$55.9 million, a substantial increase from the \$11.9 million reported in the same period in 2010.
- **Balance Sheet:** As of June 30, 2011, Total Assets of \$5.0 billion were reported, an increase of \$0.6 billion from \$4.4 billion reported at year-end 2010. Total Liabilities were \$2.8 billion, an increase of \$0.2 billion from the \$2.6 billion reported at year-end 2010.
- **Cash Flow:** Cash and cash equivalents were \$297.9 million at June 30, 2011, a decrease of \$144.9 million from \$442.8 million reported at year-end 2010. This decrease was primarily due to the acquisition of ALOG Data Centers of Brazil S.A. on April 25, 2011.
- **Current Ratio:** As of June 30, 2011, the Current Ratio (Current Assets/Current Liabilities) was 1.0 compared to 2.4 reported at year-end 2010.
- **Leverage:** As of June 30, 2011, Total Liabilities were 57 percent of Total Assets, compared to 58 percent at year-end 2010.

Dun & Bradstreet Credit Score Class: As of September 30, 2011 the credit score was 2 (slight risk), unchanged from the previous quarter.

Stock Performance: Equinix's closing share price on September 30, 2011 was \$88.83, down from its 52-week high of \$107.00 on July 28, 2011. The 52-week low was \$69.42 on October 6, 2010.

SAS 70 Report: No current information is available.

Significant Events:

- October 6, 2011 – Equinix, Inc. announced that it entered into a \$150 million unsecured revolving credit facility. The revolver, which has a five-year maturity to September 2016, allows for borrowing, repayments and re-borrowing over the entire five-year term and provides a sublimit within the revolver for the issuance of letters of credit of up to \$100 million and swing line borrowings of up to \$25 million.
- April 26, 2011 – Equinix, Inc. and Riverwood Capital, a technology-focused private equity firm, announced the completion of their acquisition of ALOG Data Centers of Brazil S.A. in an all cash transaction. Equinix invested a total of approximately \$83 million—approximately \$68 million as part of the acquisition and approximately \$15 million to provide additional capital to fund future data center expansions. The investment extends Platform Equinix to the South America market, creating a footprint of 95 data centers across 37 global markets.

Risk Mitigation: The merger of Switch & Data with Equinix allows for a greater number of services available to the TSP, offering a more comprehensive solution to our data center needs. As Equinix is critical to TSP operations, we will continue to closely monitor its performance.

Equinix Inc.
Income Statement
(In \$ thousands)

	Six Months Ended 06/30/11 Unaudited	Six Months Ended 12/31/10 Audited	Six Months Ended 06/30/10 Unaudited	12/31/09 Audited
Revenues	757,929	1,220,334	544,743	882,509
Costs and operating expenses:				
Cost of revenues	410,148	674,667	295,632	483,420
Sales and marketing	70,699	111,104	48,381	63,584
General and administrative	128,282	220,781	97,321	155,324
Restructuring charges	599	6,734	4,357	(6,053)
Acquisition costs	2,030	12,337	10,843	5,155
Total costs and operating expenses	611,758	1,025,623	456,534	701,430
Income from operations	146,171	194,711	88,209	181,079
Interest income	847	1,515	997	2,384
Interest expense	(75,038)	(140,475)	(63,290)	(74,232)
Other than temporary impairment recovery on investments	-	3,626	3,420	(2,590)
Other income (expense)	3,132	690	(1,461)	2,387
Loss on debt extinguishment and interest rate swaps, net	-	(10,187)	(4,831)	-
Income before taxes	75,112	49,880	23,044	109,028
Income tax expense	(19,234)	(12,999)	(11,119)	(39,597)
Net income (loss) attributable to redeemable non-controlling interests	(3)	-	-	-
Net income (loss)	55,875	36,881	11,925	69,431

Equinix Inc.
Balance Sheet
(In \$ thousands)

	06/30/11 Unaudited	12/31/10 Audited	06/30/10 Unaudited	12/31/09 Audited
Assets				
Cash and cash equivalents	297,872	442,841	511,342	346,056
Short-term investments	94,246	147,192	206,111	248,508
Accounts receivable, net	140,316	116,358	106,255	64,767
Current portion of deferred tax assets, net	-	38,696	-	46,822
Other current assets	116,654	32,961	64,527	21,734
Total Current Assets	649,088	778,048	888,235	727,887
Long term investments	30,960	2,806	4,497	9,803
Property, plant and equipment, net	3,085,202	2,650,953	2,400,808	1,808,115
Goodwill	897,461	774,365	760,087	381,050
Intangible assets, net	163,771	150,945	157,340	51,015
Deferred tax assets, net	-	-	-	5,171
Other assets	142,709	90,892	71,240	55,109
Total assets	4,969,191	4,448,009	4,282,207	3,038,150
Liabilities and shareholders' equity				
Accounts payable and accrued expenses	189,739	145,854	138,725	99,053
Accrued property, plant and equipment	90,652	91,667	85,350	109,876
Current portion of capital lease and other financing obligations	9,461	7,988	7,995	6,452
Current portion of loans payable	31,459	19,978	21,968	58,912
Current portion of convertible debt	240,134	-	-	-
Other current liabilities	59,006	52,628	45,531	41,166
Total current liabilities	620,451	318,115	299,569	315,459
Capital lease and other financing obligations, less current portion	337,274	253,945	207,305	154,577
Loans payable, less current portion	201,233	100,337	167,351	371,322
Convertible debt, less current portion	688,300	916,337	750,000	893,706
Senior notes	750,000	750,000	904,769	-
Deferred tax liabilities, net	-	-	-	25,937
Other liabilities	238,684	228,760	203,017	94,666
Total liabilities	2,835,942	2,567,494	2,532,011	1,855,667
Redeemable non-controlling interests	69,050	-	-	-
Shareholders' equity				
Common stock	47	46	46	39
Additional paid-in capital	2,399,055	2,341,586	2,288,817	1,665,662
Accumulated other comprehensive loss	(41,679)	(112,018)	(164,637)	(97,238)
Accumulated deficit	(293,224)	(349,099)	(374,055)	(385,980)
Total shareholders' equity	2,064,199	1,880,515	1,750,171	1,182,483
Total liabilities and shareholders' equity	4,969,191	4,448,009	4,282,182	3,038,150
Current ratio:				
Current assets/Current liabilities	1.0	2.4	3.0	2.3
Leverage:				
Total liabilities/Total assets	57%	58%	59%	61%

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

	Six Months Ended	Six Months Ended	Six Months Ended
	06/30/11 Unaudited	12/31/10 Audited	06/30/10 Unaudited
			12/31/09 Audited
Net cash provided by operating activities from continuing operations	258,118	392,872	156,718
Net cash used in investing activities	(496,126)	(600,969)	(359,012)
Net cash provided by financing activities	87,964	309,686	377,563
	5,075	(4,804)	(9,983)
Effect of exchange rate charges on cash	(144,969)	96,785	165,286
Net increase in cash and cash equivalents	442,841	346,056	346,056
Cash and cash equivalents - beginning of the period	297,872	442,841	511,342
Cash and cash equivalents - end of the period	740,713	788,897	857,398

R.R. Donnelley & Sons

General Information: R.R. Donnelley & Sons and Company of Chicago, IL, was awarded the TSP 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 247 in 2011, with locations throughout North America, Latin America, Asia, and Europe. R.R. Donnelley reported annual losses for 2007, 2008 and 2009 related to restructuring in light of reduced printing demand. However, this appears to have paid off in a return to profitability in 2010 and 2011. There is no indication at this time that the company will be unable to meet its contractual obligations to the TSP.

Current Financial Condition:

- **Income Statement:** For the six-month period ending June 30, 2011, R.R. Donnelley reported net sales of \$5.2 billion, an increase of 8 percent from the \$4.8 billion reported for the same period of 2010. The Company reported net income of \$46.1 million through June 30, 2011, compared to \$141.4 million for the first half of 2010. The decrease in net income was primarily driven by restructuring and impairment charges, continued price pressure and higher pension and other benefits-related expenses.
- **Balance Sheet:** As of June 30, 2011, \$9.0 billion of Total Assets were reported, down slightly from \$9.1 billion reported at year-end 2010. Total Liabilities of \$7.2 billion were reported, an increase from \$6.8 billion reported at year-end 2010.
- **Cash Flow:** As of June 30, 2011, the Company reported cash and cash equivalents of \$363.0 million, a decrease from the \$519.1 million reported at year-end 2010.
- **Current Ratio:** As of June 30, 2011, the Current Ratio (Current Assets/Current Liabilities) was 1.3, a decrease from 1.6 at year-end 2010.
- **Leverage:** As of June 30, 2011, Total Liabilities were 80 percent of Total Assets, compared to 75 percent at year-end 2010.

Dun & Bradstreet Credit Score Class: As of September 30, 2011, the credit score was 1 (lowest risk) unchanged from the previous quarter.

Stock Performance: R. R. Donnelley's closing share price on September 30, 2011, was \$14.12, down from its 52-week high of \$21.34 on May 31, 2011. The 52-week low was \$13.16 on August 22, 2011.

SAS 70 Report: The SAS-70 report as of December 10, 2010 by Deloitte & Touche LLP revealed no issues related to the TSP. Dates of coverage are May 1, 2010 to October 31, 2010.

Significant Events:

- September 7, 2011 - R. R. Donnelley announced that it acquired Lemont, IL based Genesis Packaging & Design Inc., a full service provider of custom packaging, including designing, printing, die cutting, finishing and assembling.
- August 17, 2011 - R. R. Donnelley announced that it acquired Austin, TX-based LibreDigital, a leading provider of digital content distribution, e-reading software, content conversion, data analytics and business intelligence services to book, magazine and newspaper publishers as well as to e-reader device providers.
- August 16, 2011 - R. R. Donnelley announced that it acquired New York-based Sequence Personal, an innovative provider of proprietary software that enables readers to select relevant content to be digitally produced as specialized publications.

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

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

	Six Months Ended	Year Ended	Six Months Ended	Year Ended
	06/30/11	12/31/10	06/30/10	12/31/09
	Unaudited	Audited	Unaudited	Audited
Net sales				
Products	4,623.3	8,956.4	4,328.3	8,925.4
Services	583.6	1,062.5	495.4	932.0
Total net sales	5,206.9	10,018.9	4,823.7	9,857.4
Total cost of sales	3,937.8	7,642.9	3,661.3	7,462.9
Selling, general & administrative expenses	636.2	1,123.4	541.7	1,088.5
Restructuring and impairment charges - net	126.5	157.9	26.2	382.7
Depreciation & amortization	280.9	539.2	273.4	579.0
Total operating expenses	4,981.4	9,463.4	4,502.6	9,513.1
Income from continuing operations	225.5	555.5	321.1	344.3
Interest expense - net	119.2	222.6	108.5	234.6
Investment and other income (expense) - net	9.8	(9.9)	(9.8)	(16.6)
Loss on debt extinguishment	(68.6)	-	-	-
Earnings (loss) before income taxes	47.5	323.0	202.8	93.1
Income tax expense (benefit)	0.7	105.9	64.6	114.5
Net earnings (loss)	46.8	217.1	138.2	(21.4)
Income (loss) from discontinued operations, net of tax	0.7	(4.6)	(3.2)	5.9
Net Income/(loss) attributable to common shareholders	46.1	221.7	141.4	(27.3)

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

	06/30/11	12/31/10	06/30/10	12/31/09
	Unaudited	Audited	Unaudited	Audited
Assets				
Cash and cash equivalents	363.0	519.1	615.8	499.2
Restricted cash equivalents	2,011.0	-	45.9	-
Receivables, less allowance for doubtful accounts	-	1,922.9	1,686.1	1,675.9
Income taxes receivable	68.0	49.3	36.4	63.2
Inventories	580.0	560.6	535.0	561.8
Prepaid expenses and other current assets	145.7	115.4	166.6	160.8
Total current assets	3,167.7	3,167.3	3,085.8	2,960.9
Property, plant and equipment - net	2,031.5	2,138.7	2,110.8	2,271.4
Goodwill	2,619.5	2,526.8	2,309.7	2,333.3
Other intangible assets net	727.3	775.0	684.8	747.4
Other noncurrent assets	480.2	475.4	414.7	434.6
Total assets	9,026.2	9,083.2	8,605.8	8,747.6
Liabilities and shareholders' equity				
Accounts payable	924.7	939.8	821.3	866.4
Accrued liabilities	815.8	902.2	784.4	813.4
Short-term and current portion of long-term debt	849.6	131.4	9.9	339.9
Total current liabilities	2,390.1	1,973.4	1,615.6	2,039.7
Long-term debt	3,427.7	3,398.6	3,396.0	2,982.5
Pension liability	530.0	533.0	503.0	509.8
Postretirement benefit	220.9	287.4	330.4	324.5
Deferred income taxes	190.7	174.5	169.7	205.5
Other noncurrent liabilities	460.1	470.9	453.4	524.6
Total liabilities	7,219.5	6,837.8	6,468.1	6,586.6
Shareholders' equity				
Common stock	303.7	303.7	303.7	303.7
Additional paid-in capital	2,779.6	2,907.0	2,894.5	2,906.2
Retained earnings	608.7	670.2	697.2	662.9
Accumulated other comprehensive loss	(375.7)	(490.4)	(611.8)	(545.0)
Treasury stock, at cost	(1,528.9)	(1,166.2)	(1,168.0)	(1,193.8)
Total shareholders' equity	1,787.4	2,224.3	2,115.6	2,134.0
Noncontrolling interests	19.3	21.1	22.1	27.0
Total liabilities and shareholders equity	9,026.2	9,083.2	8,605.8	8,747.6
Current ratio: Current assets/Current liabilities	1.3	1.6	1.9	1.5
Leverage: Total liabilities/Total assets	80%	75%	75%	75%

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

	Six Months Ended		Six Months Ended		Year Ended	
	06/30/11	12/31/10	06/30/10	12/31/09	12/31/09	12/31/09
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
Net cash inflow/(outflow) from operating activities	168.1	752.5	269.1	1,425.8		
Net cash inflow/(outflow) from investing activities	(208.4)	(674.5)	(102.0)	(260.9)		
Net cash inflow/(outflow) from financing activities	(134.4)	(58.0)	(35.3)	(1,028.0)		
Change in cash and cash equivalents	(156.1)	19.9	116.6	175.2		
Effect of exchange rate charges on cash	18.6	(0.1)	(15.2)	38.3		
Cash and cash equivalents - beginning of the period	519.1	499.2	499.2	324.0		
Cash and cash equivalents - end of the period	363.0	519.1	615.8	499.2		499.2

MetLife

General Information: Metropolitan Life Insurance Company (MetLife) has been the annuity provider to the Thrift Savings Plan since 1987. In January 2006, MetLife was re-awarded the TSP annuity provider contract.

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

Current Financial Condition:

- **Income Statement:** For the six-month period ending June 30, 2011, MetLife reported Total Revenues of \$33.0 billion, up 21 percent from the \$27.2 billion reported for the same period of 2010. MetLife reported a Net Profit of \$2.0 billion, down 13 percent from a Net Profit of \$2.3 billion reported in the same period of 2010.
- **Balance Sheet:** As of June 30, 2011, Total Assets of \$771.5 billion were reported, an increase of \$40.5 billion from \$730.9 billion reported at year-end 2010. Total Liabilities were \$717.7 billion in the first half of 2011, an increase of \$35.9 billion from the \$681.8 billion at year-end 2010.
- **Cash Flow:** The Company's short-term liquidity position, defined as cash and cash equivalents, was \$9.6 billion and \$13.0 billion at June 30, 2011 and year-end 2010, respectively, which reflected a 26 percent decrease. The Company has experienced integration-related costs representing incremental costs directly related to integrating ALICO, including expenses for consulting, rebranding and the integration of information systems.
- **Current Ratio:** N.A. (MetLife does not present current assets and current liabilities in its balance sheet presentation).
- **Leverage:** As of June 30, 2011, Total Liabilities were 93 percent of Total Assets, flat from 93 percent at year-end 2010.
- **Company Ratings:** Based on MetLife's disclosure of the potential acquisition of Alico in February 2010, the rating agencies downgraded or placed the ratings of MetLife, Inc. and its subsidiaries on "Credit Watch" and "Under Review." Insurer financial strength ratings are unchanged from the last report.

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

Dun & Bradstreet Credit Score Class: As of September 30, 2011, the credit score was 3 (moderate risk) compared to a credit score of 5 (highest risk) reported on June 30, 2011.

Stock Performance: MetLife's closing share price on September 30, 2011, was \$28.01, down from its 52-week high of \$48.72 on February 8, 2011. The 52-week low was \$26.39 on September 22, 2011.

SAS 70 Report: There is no SAS report available.

Significant Events:

- Aug 15, 2011 – MetLife, Inc. declared third quarter 2011 dividends of \$0.255555 per share on the company's floating rate non-cumulative preferred stock, Series A (NYSE: METPrA), and \$0.4062500 per share on the company's 6.50% non-cumulative preferred stock, Series B (NYSE: METPrB).

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

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

	Six Months Ended		Year Ended		Six Months Ended		Year Ended	
	06/30/11	Unaudited	12/31/10	Audited	06/30/10	Unaudited	12/31/09	Audited
Revenues								
Premiums	17,848		27,394		13,372		26,460	
Universal life and investment-type product policy fees	3,858		6,037		2,887		5,203	
Net investment income	10,414		17,615		8,381		14,837	
Other revenues	1,158		2,328		1,057		2,329	
Total net investment gains (losses)	(254)		(392)		18		(7,772)	
Net derivative gains (losses)	37		(265)		1,522		-	
Total revenues	33,061		52,717		27,237		41,057	
Expenses								
Policyholder benefits and claims and policyholder dividends	17,350		29,545		14,394		28,336	
Interest credited to policyholder account balances	3,366		4,925		2,190		4,849	
Policyholder dividends	746		1,486		765		1,650	
Other expenses	8,397		12,803		6,341		10,556	
Total expenses	29,859		48,759		23,690		45,391	
Income (loss) from continuing operations before provision for income tax	3,202		3,968		3,547		(4,334)	
Provision for income tax expense (benefit)	947		1,181		1,183		(2,015)	
Income from continuing operations	2,255		2,777		2,364		(2,319)	
Income (loss) from discontinued operations, net of income tax	(12)		9		17		41	
Net Income/(loss)	2,243		2,786		2,381		(2,278)	
Less: Net income (loss) attributable to noncontrolling interests	-		(4)		(11)		(32)	
Income (loss) before cumulative effect of a change in accounting, net of income taxes	2,243		2,790		2,392		(2,246)	
Less: Preferred stock dividends	61		122		61		122	
Preferred stock redemption premium	146		-		-		-	
Net income/(loss)	2,036		2,668		2,331		(2,368)	

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

	06/30/11 Unaudited	12/31/10 Audited	06/30/10 Unaudited	12/31/09 Audited
Assets				
Investments:				
Fixed maturity securities available for sale	341,744	324,797	246,348	227,642
Equity securities available for sale	3,238	3,602	2,741	3,084
Trading securities at estimated fair value	19,700	18,589	3,158	2,384
Mortgage loans, net	63,624	62,297	58,251	50,909
Policy loans	11,858	11,761	10,180	10,061
Real estate and real estate joint ventures held for investment	8,234	8,030	6,832	6,896
Real estate held for sale	-	-	9	-
Other limited partnership interests	8,453	8,418	5,856	5,508
Short term investments	12,419	9,384	9,746	8,374
Other invested assets	14,900	15,430	15,584	12,709
Total investments	482,170	460,306	368,705	327,567
Cash and cash equivalents	9,628	12,957	10,702	10,112
Accrued investment income	4,341	4,328	3,249	3,173
Premiums, reinsurance and other receivables	21,070	19,799	18,177	16,752
Deferred policy acquisition costs and value of business acquired	28,241	27,092	17,720	19,256
Current income taxes recoverable	-	-	243	316
Deferred income tax assets	-	-	-	1,228
Goodwill	12,036	11,781	5,037	5,047
Assets of subsidiaries held for sale	3,369	3,331	-	-
Other assets	8,246	8,174	6,712	6,822
Separate account assets	202,382	183,138	153,362	149,041
Total assets	771,483	730,906	573,907	539,314
Liabilities and stockholders' equity				
Liabilities				
Future policy benefits	176,363	170,912	140,239	135,879
Policyholder account balances	217,597	210,757	142,822	138,673
Other policyholder funds	15,458	15,750	8,660	8,446
Policyholder dividends payable	853	830	775	761
Policyholder dividend obligation	1,281	878	1,060	-
Payables for collateral under securities loaned and other transactions	30,079	27,272	29,772	24,196
Bank deposits	10,022	10,316	9,790	10,211
Short term debt	102	306	879	912
Long term debt	28,269	27,586	20,647	13,220
Collateral financing arrangements	5,297	5,297	5,297	5,297
Junior subordinated debt securities	3,192	3,191	3,191	3,191
Current income tax payable	133	297	-	-
Deferred income tax liability	3,784	1,856	2,050	-
Other liabilities	19,707	20,366	15,619	15,988
Liabilities of subsidiaries held for sale	3,163	3,043	-	-
Separate account liabilities	202,382	183,138	153,362	149,041
Total liabilities	717,660	681,793	534,183	505,816
Redeemable noncontrolling interest in partially owned consolidated subid	124	117	-	-
Equity				
Preferred stock	1	1	1	1
Common stock	11	10	8	8
Additional paid in capital	26,714	26,423	16,898	16,859
Retained earnings	23,399	21,363	21,820	19,501
Treasury stock, at cost	(172)	(172)	(172)	(190)
Accumulated other comprehensive income (loss)	3,358	1,000	822	(3,058)
Total equity	53,309	48,825	39,375	33,121
Noncontrolling interests	400	371	349	377
Total Equity	53,709	48,996	39,724	33,498
Total liabilities and equity	771,483	730,906	573,907	539,314
Leverage: Total liabilities/Total assets	93%	93%	93%	94%

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

	Six Months Ended		Year Ended		Six Months Ended		Year Ended	
	06/30/11	12/31/10	06/30/10	12/31/09	06/30/10	12/31/09	06/30/10	12/31/09
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
Net cash inflow/(outflow) from operating activities	6,793	7,996	3,928	3,803				
Net cash inflow/(outflow) from investing activities	(16,898)	(18,314)	(10,120)	(13,935)				
Net cash inflow/(outflow) from financing activities	6,586	13,381	6,861	(4,103)				
Change in cash and cash equivalents	<u>(3,373)</u>	<u>2,934</u>	<u>590</u>	<u>(14,127)</u>				
Cash and cash equivalents - beginning of the period	<u>13,046</u>	<u>10,112</u>	<u>10,112</u>	<u>24,239</u>				
Cash and cash equivalents - end of the period	9,628	13,046	10,664	10,112				

The Active Network, Inc.

General Information: The Active Network, Inc. purchased the InfoSpherix division responsible for managing the Maryland TSP call center from Spherix in August 2007. A new contract to operate the Maryland call center became effective in March 2009.

The Company's application services are used by event organizers, parks and recreation department administrators, and sports league administrators to provide online registration, transaction processing, and data management. The Company markets its services in North America, Europe, Asia, and Australia/New Zealand, managing online entry, software needs and websites for over 75,000 events, tournaments, golf courses and facilities in these regions. More than 95 percent of its sales are in the United States and Canada. Revenues consist of fees received for registration services, software licensing, software maintenance, subscription revenues related to hosting arrangements, and marketing services.

Assessment: The Active Network was founded in 1998 and has shown a pattern of rapid expansion through organic growth and acquisitions. These acquisitions have strengthened The Active Network's presence in such business segments as sports marketing, online registration, data management, and tee time reservations; however, it remains to be seen whether the Company can achieve and sustain long-term profitability. We will continue to monitor The Active Network's financial data to ensure they remain able to fulfill the terms of the call center contract.

Current Financial Condition:

- **Income Statement:** For the period ended June 30, 2011, the Active Network reported Total Revenues of \$171.7 million, an increase of 19 percent over the same period in 2010, when revenues were \$144.9 million. The Company reported a Net Loss of \$17.2 million for the quarter ending June 30, 2011, compared to a Net Loss of \$28.1 million reported for same period in 2010.
- **Balance Sheet:** As of June 30, 2011, Total Assets were \$545.0 million, a 40 percent increase from \$390.5 million at year-end 2010. Total Liabilities of \$213.0 million were reported on June 30, 2011, an increase of 16 percent from \$184.2 million reported at year-end 2010.
- **Cash Flow:** The Company's short-term liquidity position, defined as cash and cash equivalents, was \$157.5 million and \$31.4 million at June 30, 2011 and December 31, 2010, respectively. The Company used a portion of the proceeds from the IPO to repay \$41.6 million on long-term obligations.
- **Current Ratio:** The Current Ratio (Current Assets/Current Liabilities) was 120 percent as of June 30, 2011, compared to 56 percent at year-end 2010.

- **Leverage:** As of June 30, 2011, Total Liabilities were 39 percent of Total Assets, a decrease from 47 percent at year-end 2010.

Dun & Bradstreet Credit Score Class: As of September 30, 2011, the credit score was 1 (low risk) compared to a credit score of 3 (moderate risk) in the previous quarter.

Stock Performance: The Active Network's closing share price on September 30, 2011, was \$14.75, down from its 52-week high of \$19.99 on July 7, 2011. The 52-week low was \$13.02 on August 10, 2011.

SAS 70 Report: There is no SAS report available.

Significant Events:

- In May 2011, the Company completed an initial public offering ("IPO") of its common stock in which it issued 12,650,000 shares of common stock, at an issue price of \$15.00 per share, resulting in proceeds, net of underwriting discounts but before deducting offering expenses, of approximately \$114.7 million to the Company.

Risk Mitigation: If The Active Network were unable to operate the Maryland call center, the Serco Services Inc. call center in Virginia could handle all calls pending establishment of a new call center.

The Active Network, Inc.
Balance Sheet
(In \$ thousands)

	6/30/2011	12/31/2010	12/31/2009
	Unaudited	Audited	Audited
Assets:			
Cash and cash equivalents	157,507	31,441	26,381
Restricted cash	5,000	5,000	5,000
Accounts receivable, net	55,706	34,096	27,554
Inventories	1,810	-	-
Prepaid expenses & other current assets	5,048	4,181	3,675
Total Current Assets	225,071	74,718	62,610
Property & equipment, net	26,919	28,181	26,742
Software development costs, net	42,188	37,013	27,003
Goodwill	213,406	207,113	203,010
Intangible assets, net	35,162	41,208	60,255
Deposits and other assets	2,212	2,315	2,251
Total Assets	544,958	390,548	381,871
Current Liabilities:			
Accounts payable	5,044	5,372	3,432
Registration fees payable	99,566	40,667	30,158
Accrued expenses	31,715	32,172	27,632
Deferred revenue	46,115	34,013	25,031
Current portion of debt	-	16,866	12,996
Capital lease obligations, current portion	1,997	1,983	1,906
Other current liabilities	2,564	1,630	131
Total Current Liabilities	187,001	132,703	101,286
Debt, net of current portion	-	27,537	35,731
Capital lease obligations, net of current portion	968	1,663	3,638
Other long-term liabilities	5,325	4,353	2,033
Deferred tax liability	19,703	17,960	16,318
Total Liabilities	212,997	184,216	159,006
Convertible preferred stock	-	21,187	21,187
Redeemable convertible preferred stock	-	371,126	343,021
Total Preferred Stock	-	392,313	364,208
Common stock	55	9	7
Treasury stock	(11,959)	(11,959)	(11,959)
Additional paid-in capital	599,171	65,224	56,706
Accumulated other comprehensive income	10,038	8,866	6,595
Accumulated deficit	(265,344)	(248,121)	(192,692)
Total Stockholders Equity (deficit)	331,961	(185,981)	(141,343)
Total Liabilities & Equity	544,958	390,548	381,871
Current Ratio: Current Assets/Current Liabilities	120%	56%	62%
Leverage: Total Liabilities/Total Assets	39%	47%	42%

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

	Six Months Ended		Six Months Ended	
	6/30/2011	12/31/2010	6/30/2010	12/31/2009
	Unaudited	Audited	Unaudited	Audited
Net revenue:				
Technology revenue	148,661	237,688	126,104	210,483
Marketing services revenue	23,056	41,912	18,780	32,401
Total net revenue	171,717	279,600	144,884	242,884
Cost of net revenue:				
Cost of technology revenue	71,695	115,148	59,374	103,130
Cost of marketing services revenue	2,642	6,203	2,746	4,058
Total cost of net revenue	74,337	121,351	62,120	107,188
Gross profit	97,380	158,249	82,764	135,696
Operating expenses:				
Sales and marketing	35,854	59,106	29,758	50,556
Research and development	32,553	61,107	31,352	58,767
General and administrative	22,896	42,404	22,857	39,455
Amortization of intangibles	7,421	16,147	8,120	18,491
Total operating expenses	98,724	178,764	92,087	167,269
Income/(loss) from operations	(1,344)	(20,515)	(9,323)	(31,573)
Interest income	59	150	70	194
Interest expense	(2,690)	(5,438)	(2,764)	(5,237)
Other (expense) income, net	142	455	(621)	1,196
Loss before income taxes	(3,833)	(25,348)	(12,638)	(35,420)
Income tax provision	1,580	1,924	1,708	2,439
Net income (loss)	(5,413)	(27,272)	(14,346)	(37,859)
Accretion of redeemable convertible preferred stock	(11,810)	(28,157)	(13,773)	(25,774)
Net income (loss) attributable to common stockholders	(17,223)	(55,429)	(28,119)	(63,633)

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

	6/30/2011	12/31/2010	3/31/2010	12/31/2009
	Unaudited	Audited	Unaudited	Audited
Net cash inflow/(outflow) from operating activities	66,392	42,095	54,066	28,524
Net cash inflow/(outflow) from investing activities	(14,912)	(32,725)	(17,332)	(25,968)
Net cash inflow/(outflow) from financing activities	74,586	(4,349)	(2,031)	(8,514)
Change in cash and cash equivalents	126,066	5,060	34,753	(7,014)
Effect of exchange rate charges on cash	-	39	50	(1,056)
Cash and cash equivalents - beginning of the period	31,441	26,381	26,381	33,395
Cash and cash equivalents - end of the period	157,507	31,441	61,134	26,381