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

October 5, 2007

MEMORANDUM FOR THE EXECUTIVE DIRECTOR

FROM: JAMES B. PETRICK
CHIEF FINANCIAL OFFICER

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

The Board has requested that each quarter we review the TSP's primary vendors and report on their financial standing. This quarter, we have again reviewed SI International, Barclays PLC, Switch and Data, R.R. Donnelley & Sons, and MetLife. The Active Network, Incorporated is a new vendor beginning with this reporting period due to their purchase of the InfoSpherix operations from Spherix.

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 quarterly report data for the second quarter of 2007. We determine whether there is evidence of stable or growing income (i.e., the profitability of the company). We also review the current balance sheet to determine 1) the current ratio of assets to liabilities to ascertain the vendor's ability to meet short term liquidity needs and 2) the ratio of total debt to total assets to ascertain the prospects for longer term profitablility. Then, we look for significant changes in current and prior periods to identify trends that may require further explanation. At the Board's request, for comparative purposes, we have included information from the second quarter 2006, and continue to provide the stock price and a statement of cash flows.

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

2. Dun & Bradstreet Credit Score:

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

3. Significant Events:

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

4. Risk Mitigation:

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

Attachments

SI International

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

Assessment: SI has continued its pattern of acquisitions into 2007, which continues to result in large changes in its income statement and balance sheet items. Any volatility present due to its pursuit of strategic acquisitions is mitigated by the company's extensive portfolio of government contracts. We find no indication at this time that SI International is unable to fulfill its contractual obligations to the TSP. On May 14, 2007, The Federal Times ranked SI number 34 in their top 250 GSA Vendors. In a prior edition on April 23, 2007, The Federal Times ranked SI as number 62 in their list of the top 100 Professional Services Contractors.

Current Financial Condition: In first six months of 2007, SI reported revenues of $232 million, an increase of 3 percent from the same period in 2006. Federal government contract revenues continue to represent 98 percent of SI's total revenues through June 30, 2007.

- Income Statement: Through June 30, 2007, SI reported Net Income of $9.8 million, an 11 percent increase from $8.8 million reported for same period in 2006.

- Balance Sheet: Through June 30, 2007, Total Assets of $446 million were reported, an increase of 17 percent from $381 million at year-end 2006. Total Liabilities increased to $195.7 million, a 38 percent increase from $142 million reported at year-end 2006.

- Cash Flow: Through June 30, 2007, cash and cash equivalents totaled $10.9 million, a 44 percent decrease from $19.5 million at year-end 2006. The decrease in cash is attributed to the $60.1 million payment for the LOGTEC acquisition (previously discussed in the July 2007 vendor report), repayment of a note payable, and $3.8 million for capital investments.

- Current Ratio: The Current Ratio (Current Assets/Current Liabilities) declined to 1.5 from 2.2 reported at year-end 2006.

- Leverage: Through June 30, 2007, Total Liabilities as a percent of Total Assets increased to 44 percent from 37 percent reported at year-end 2006.

Dun & Bradstreet Credit Score Class: 3, (moderate risk), increased from 2 (slight risk) from the previous quarter.

Stock Performance: The SI closing share price on September 28, 2007 was $28.57, down from its 52-week high of $35.00 on December 4, 2006.

Significant Events: On September 26, 2007, SI announced it was awarded a contract to support the U.S. Army Defense Ammunition Center (DAC) located in McAlester, Oklahoma. SI will provide knowledge management and electronic performance system integration and support. The contract has a one-year base period with four one-year option periods. The contract value is approximately $8 million if all option years are exercised.

On September 24, 2007, SI announced that the Company was awarded a Service Center Operations Support Services (SCOSS) contract with the Department of Homeland Security (DHS) U.S. Citizenship and Immigration Services (USCIS). The prime contract has a one-year base period and two one-year options with a ceiling value of approximately $225 million, if all options and award terms are exercised.

On August 1, 2007, SI announced it was awarded the GSA Alliant Government Wide Acquisition Contract. SI is among 29 winners of the GSA Alliant contract, which is a $50 billion Government Wide Acquisition Contract (GWAC). SI will have the opportunity to compete on task orders for integrated Information Technology (IT) solutions under the contract.

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

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

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

SI International
Income Statement
(in thousands)

	6/31/07 2nd Quarter Unaudited	**12/30/06**	**07/01/06 2nd Quarter** Unaudited	**12/31/05**
Revenue	$232,494	$461,970	$226,465	$397,919
Costs and expenses				
Cost of services	144,625	290,675	141,577	246,481
Selling, general, and administrative	66,217	124,847	63,178	113,015
Depreciation/Amortization	1,616	2,692	1,221	2,161
Amortization of intangible assets	1,517	3,116	1,470	2,292
Total operating expenses	213,975	421,330	207,446	363,949
Income from operations	18,519	40,640	19,019	33,970
Other income (expense)	501	88	(71)	12
Interest expense	(2,969)	(7,731)	(4,475)	(6,103)
Income (loss) before provision for income taxes	16,051	32,997	14,473	27,879
Provision for income taxes	6,293	12,844	5,717	10,942
Net income (loss)	**$9,758**	**$20,153**	**$8,756**	**$16,937**

SI International
Balance Sheet
(in thousands)

	06/30/07 2nd Quarter Unaudited	12/30/06	07/01/06 2nd Quarter Unaudited	12/31/05
ASSETS				
Current assets:				
Cash and cash equivalents	$10,892	$19,457	$6,283	$26,160
Marketable securities	-	-	-	7,850
Accounts receivable, net	103,652	91,972	99,027	93,633
Deferred tax asset	-	1,408	422	422
Other current assets	9,139	7,219	7,759	6,276
Total current assets	**123,683**	**120,056**	**113,491**	**134,341**
Property and equipment, net	14,795	12,372	10,423	5,908
Goodwill	266,243	220,626	220,854	173,308
Intangible assets, net	28,790	20,418	22,063	16,483
Other assets	12,645	7,661	6,528	5,655
Total assets	**446,156**	**381,133**	**373,359**	**335,695**
LIABILITIES AND STOCKHOLDER'S EQUITY				
Current liabilities:				
Note payable - line of credit	25,000	-	839	-
Current portion of long-term debt	1,004	754	-	1,000
Accounts payable	24,724	20,715	17,450	25,364
Note payable - former owner of acquired business	-	5,839	5,614	2,280
Accrued expenses and other current liabilities	33,254	28,547	28,814	29,674
Total current liabilities	**83,982**	**55,855**	**52,717**	**58,318**
Long-term debt, net of current portion	93,825	69,452	82,555	98,250
Note payable - former owner of acquired business		-	-	-
Deferred income tax	8,772	8,961	6,214	5,221
Other long-term liabilities	9,209	7,653	7,650	6,037
Total Liabilities	**195,788**	**141,921**	**149,136**	**167,826**
STOCKHOLDER'S EQUITY				
Common stock - $0.01 par value per share; 50,000,000 shares authorized; 12,967,377 and 11,341,222 shares issued and outstanding as of December 30, 2006 and December 31, 2005, respectively	130	130	129	114
Additional paid in capital	186,415	184,845	181,101	133,843
Retained earnings	63,823	54,065	42,668	33,912
Accumulated other comprehensive income	-	172	325	-
Total stockholders' equity	**250,368**	**239,212**	**224,223**	**167,869**
Total Liabilities and stockholders' equity	**$446,156**	**$381,133**	**$373,359**	**$335,695**
CURRENT RATIO: Current Assets/Current Liabilities	1.47	2.15	2.15	2.30
LEVERAGE: Total Liabilities/Total Assets	43.88%	37.24%	39.94%	49.99%

SI International
Statement of Cash Flows
(in thousands)

	06/30/07 2nd Quarter Unaudited	12/30/06	07/01/06 2nd Quarter Unaudited	12/31/05
Net cash provided by (used in) operating activities	10,852	32,256	4,854	26,599
Net cash used in investing activities	(69,932)	(58,981)	(55,492)	(74,821)
Net cash provided by financing activities	50,515	20,022	30,761	70,628
Net increase (decrease) in cash and cash equivalents	(8,565)	(6,703)	(19,877)	22,406
Cash and cash equivalents - beginning of the period	19,457	26,160	26,160	3,754
Cash and cash equivalents - end of the period	10,892	19,457	6,283	26,160

Barclays PLC

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

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

Current Financial Condition: For the half year ended June 30, 2007, Barclays reported income growth of 9 percent broadly based by business and geography. Barclays reported that approximately 50 percent of its profits came from outside the UK.

As of June 30, 2007, within Barclays PLC, Barclays Global Investors (BGI), its fund division, reported a 7 percent rise in pretax profit to £388 million. BGI reported $2,013 billion (US$) of assets under management, an increase of $199 billion from $1,814 billion reported at year end 2006.

- Income Statement: As of June 30, 2007, Barclays PLC reported a before tax profit of £4.1 billion, a 12 percent increase from £3.7 billion reported for the same period in 2006.

- Balance Sheet: As of June 30, 2007, Total Assets for Barclays PLC are £1,158 billion, increased from £996.8 billion at year-end 2006. Total Liabilities reported were £1,130 billion, up 16 percent from £969.4 billion at year-end 2006.

- Cash Flow: As of June 30, 2007, cash and cash equivalents totaled £37,885 million, an increase of 22 percent from the £30,952 million reported at year-end 2006.

- Capitalization: Based on the FRB's definition, as of June 30, 2007, Barclays' reported "Tier 1" ratio of 7.7 percent significantly exceeds the regulatory standard of at least 4 percent required to be considered well-capitalized. This is improved from the 7.2 percent rating reported for the same period in 2006.

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

Stock Performance: After reaching a 52-week high of $62.68 on June 29, 2007, the price of Barclays PLC American Depository Receipts (ADR's) as of September 28, 2007, was $48.62.

Significant Events: On September 20, 2007, ABN Amro CEO, Rijkman Groenink told shareholders that the Royal Bank of Scotland consortium's all cash bid for ABN Amro is financially superior to Barclay PLC's stock based bid. He expects the sale to the consortium to be completed the first week of October.

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

Barclays PLC
Income Statement
(in £ millions)
2007, 2006, and 2005

	06/30/07 Unaudited	12/31/06	06/30/06 Unaudited	12/31/05
Interest income	12,037	21,805	10,544	17,232
Interest expense	(7,448)	(12,662)	(6,140)	(9,157)
Net interest income	4,589	9,143	4,404	8,075
Fee and commission income	4,292	8,005	4,077	6,430
Fee and commission expense	(480)	(828)	(425)	(725)
Net fee and commission income	3,812	7,177	3,652	5,705
Net trading income	2,811	3,614	2,201	2,321
Net investment income	396	962	374	858
Principal transactions	3,207	4,576	2,575	3,179
Net premiums from insurance contracts	442	1,060	510	872
Other operating income	100	214	61	147
Total income	12,150	22,170	11,202	17,978
Net claims and benefits paid on insurance contracts	(248)	(575)	(233)	(645)
Total income net of insurance claims	11,902	21,595	10,969	17,333
Impairment charges	(959)	(2,154)	(1,057)	(1,571)
Net income	10,943	19,441	9,912	15,762
Operating expenses excluding amortization of intangible assets	(6,760)	(12,538)	(6,206)	(10,448)
Amortization of intangible assets	(87)	(136)	(63)	(79)
Operating Expenses	(6,847)	(12,674)	(6,269)	(10,527)
Share of post-tax results of associates and joint ventures	-	46	30	45
Profit on disposal of subsidiaries, associates and joint ventures	5	323	-	-
Profit before tax	4,101	7,136	3,673	5,280
Tax	(1,158)	(1,941)	(1,072)	(1,439)
Profit after tax	**£ 2,943**	**£ 5,195**	**£ 2,601**	**£ 3,841**
Profit attributable to minority interests	309	624	294	394
Profit attributable to equity holders of the parent	2,634	4,571	2,307	3,447
	£ 2,943	**£ 5,195**	**£ 2,601**	**£ 3,841**

Barclays PLC
Balance Sheet
(in £ millions)
2007, 2006, and 2005

	06/30/07 Unaudited	12/31/06	06/30/06 Unaudited	12/31/05
ASSETS				
Cash and balances at central banks	4,785	7,345	6,777	3,906
Items in the course of collection from other banks	2,533	2,408	2,600	1,901
Treasury bills and other eligible bills	-	-	-	-
Trading portfolio assets	217,573	177,867	181,857	155,723
Financial assets designated at fair value:				
held on own account	46,171	31,799	18,833	12,904
held in respect of linked liabilities to customers under investment contracts	92,194	82,798	79,334	83,193
Derivative financial instruments	174,225	138,353	136,901	136,823
Loans and advances to banks	43,191	30,926	35,330	31,105
Loans and advances to customers	321,243	282,300	282,097	268,896
Available for sale financial investments	47,764	51,703	53,716	53,497
Reverse repurchase agreements and cash collateral on securities borrowed	190,546	174,090	171,869	160,398
Other assets	6,289	5,850	5,866	4,734
Current tax assets	345	557	-	-
Investments in associates and joint ventures	228	228	560	546
Goodwill	6,635	6,092	5,968	6,022
Intangible assets	1,228	1,215	1,125	1,269
Property, plant, and equipment	2,538	2,492	2,515	2,754
Deferred tax assets	774	764	776	686
Total Assets	**£ 1,158,262**	**£ 996,787**	**£ 986,124**	**£ 924,357**
LIABILITIES				
Deposits from banks	87,429	79,562	86,221	75,127
Items in the course of collection due to other banks	2,206	2,221	2,700	2,341
Customer accounts	292,444	256,754	253,200	238,684
Trading portfolio liabilities	79,252	71,874	74,719	71,564
Financial liabilities designated at fair value	63,490	53,987	43,594	33,385
Liabilities to customers under investment contracts	93,735	84,637	81,380	85,201
Derivative financial instruments	177,774	140,697	138,982	137,971
Debt securities in issue	118,745	111,137	102,198	103,328
Repurchase agreements and cash collateral on securities lent	181,093	136,956	146,165	121,178
Other liabilities	10,908	10,337	10,767	11,131
Current tax liabilities	1,003	1,020	592	747
Insurance contract liabilities including unit-linked liabilities	3,770	3,878	3,558	3,767
Subordinated liabilities:	15,067	13,786	13,629	12,463
Deferred tax liabilities	258	282	430	700
Provisions	527	462	474	517
Retirement benefit liabilities	1,840	1,807	1,976	1,823
Total Liabilities	**£ 1,129,541**	**£ 969,397**	**£ 960,585**	**£ 899,927**
SHAREHOLDER'S EQUITY				
Called up share capital	1,637	1,634	1,628	1,623
Share premium account	5,859	5,818	5,720	5,650
Other reserves	271	390	587	1,377
Retained Earnings	13,461	12,169	10,279	8,957
Less: Treasury Shares	(255)	(212)	(226)	(181)
Shareholders' equity excluding minority interest	20,973	19,799	17,988	17,426
Minority interests	7,748	7,591	7,551	7,004
Total Shareholder's Equity	**£ 28,721**	**£ 27,390**	**£ 25,539**	**£ 24,430**
Total Liabilities and Shareholder's Equity	**£ 1,158,262**	**£ 996,787**	**£ 986,124**	**£ 924,357**

Barclays PLC
Statement of Cash Flows
(in £ millions)
2007, 2006, and 2005

	06/30/07 Unaudited	12/31/06	06/30/06 Unaudited	12/31/05
Net cash (outflow)/inflow from operating activities	2,729	10,047	9,030	3,649
Net cash outflow from investing activities	3,990	(1,154)	(1,338)	(5,292)
Net cash inflow from financing activities	410	692	1,266	1,083
Net gain on exchange rate changes on cash and cash equivalents	(196)	562	(386)	(237)
Net (decrease)/increase in cash and cash equivalents	6,933	10,147	8,572	(797)
Cash and cash equivalents - beginning of the period***	£ 30,952	20,805	20,805	21,602
Cash and cash equivalents - end of the period	£ 37,885	£ 30,952	£ 29,377	£ 20,805

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

Switch & Data

General Information: Switch & Data provides data center hosting services for the TSP at two sites. The TSP's primary data center operates out of Switch and Data's Reston, VA facility under contract with SI International. The Agency has a direct contract with Switch and Data for the Pittsburgh, PA facility that houses our backup data center. The Switch and Data lease for the Reston facility was renewed in late 2006 for five years with an option to renew further. Their Pittsburgh lease extends through 2015.

Assessment: On February 8, 2007, Switch & Data completed an initial public offering (IPO) resulting in gross proceeds of $153 million. Net proceeds, after underwriting discounts and commissions and other costs related to the offering, were $139.3 million.

Current Financial Condition: In their SEC filing for the period ended June 30, 2007, Switch & Data reported long-term debt of $36.3 million, substantially reduced from $140 million reported at year-end December 31, 2006.

- Income Statement: For the second quarter, Switch & Data reported Revenues of $64.7 million, a 20 percent increase from $53.9 million reported for the same period in 2006. Total costs and operating expenses increased to $64 million for the second quarter of 2007, a 20 percent increase over $53.7 million reported for the same period in 2006. Operating income improved to $546 thousand from $213 thousand and Switch and Data reported reduced losses of $4.7 million compared to $5.8 million for the same period in 2006.

- Balance Sheet: As of June 30, 2007, Switch & Data reported Total Assets of $189.4 million, a 25 percent increase from $152 million at year-end 2006. Total Liabilities of $72 million were reported, a 58 percent decrease from $172 million reported at year-end 2006.

- Cash Flow: As of June 30, 2007, cash and cash equivalents totaled $42 million, a significant increase from $3.7 million at year-end 2006.

- Current Ratio: The Current Ratio (Current Assets/Current Liabilities) is 2.2 as of June 30, 2007, improved from 0.61 at year-end 2006.

- Leverage: Through June 30, 2007, Total Liabilities as a percent of Total Assets were improved to 38 percent from 113 percent reported at year-end 2006.

Stock Performance: The price of Switch and Data shares as of September 28, 2007, was $16.29, decreased from its initial public offering price of $17.00 per share and down from its 52-week high of $22.00, also on February 8, 2007.

Dun & Bradstreet Credit Score Class: 2 (slight risk), improved from 3 (average risk) from the previous quarter.

Lawsuit Issues: As reported in the previous quarter, one case has been paid and dismissed and two ongoing cases continue with respect to disputes from alleged breaches of abandoned lease agreements. One of these was a suit filed in West Palm Beach, Florida in May 2002, where the plaintiff sought damages of approximately $29.7 million. The SEC filing for the quarter ended June 30, 2007 discloses that Switch and Data paid an agreed upon $3 million (disclosed in an April 26, 2007 SEC filing) previously accrued to settle the case. An amount of $2.6 million in excess of the $500,000 accrued in 2004 is included in the income statement as a lease litigation settlement for six months ended June 30, 2007.

Two pending lawsuits remain unchanged. One lawsuit was filed in Milwaukee, Wisconsin on May 31, 2006. In the suit, the plaintiff is seeking damages of $4.4 million in a breach of contract claim from 2000. In a second suit filed in New Orleans, Louisiana in October 2001, the plaintiff seeks damages of $3.6 million.

Significant Events: None.

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

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

We are continuing 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)

	06/30/07 2nd Quarter Unaudited	12/31/06	06/30/06 2nd Quarter Unaudited	12/31/05
Revenues	64,747	111,831	53,933	105,414
Cost and operating expenses				
Cost of revenues, exclusive of depreciation and amortization	33,846	60,405	29,182	54,800
Sales and marketing	7,861	12,324	6,120	9,846
General and administrative	7,682	10,374	5,072	9,568
Depreciation and amortization	12,212	23,485	11,505	30,206
Lease litigation settlement	2,600	-	-	-
Asset impairment	-	2,193	1,841	2,140
Total costs and operating expenses	64,201	108,781	53,720	106,560
Operating income	546	3,050	213	(1,146)
Interest income	695	77	51	106
Interest expense	(3,183)	(14,812)	(5,835)	(9,356)
Loss from debt extinguishment	(2,809)	-	-	(769)
Other income (expense), net	(113)	(36)	144	166
Income (loss) from continuing operations before minority interest and income taxes	(4,864)	(11,721)	(5,427)	(10,999)
Provision for income taxes	(12)	-	(60)	(69)
Loss from continuing operations	(4,876)	(11,721)	(5,487)	(11,068)
Income (loss) from discontinued operations	207	-	(359)	(206)
Net loss	**(4,669)**	**(11,721)**	**(5,846)**	**(11,274)**
Preferred stock accretions and dividends	(227,522)	(13,530)	(6,578)	(33,691)
Net loss, attribuable to common shareholders	(232,191)	(25,251)	(12,424)	(44,965)

Switch & Data
Balance Sheet
(In thousands)

	06/30/07 2nd Quarter Unaudited	12/31/06	06/30/06 2nd Quarter Unaudited	12/31/05
Assets				
Current assets				
Cash and cash equivalents	42,041	3,671	7,257	10,417
Accounts receivable, net of allowance for bad debts	7,385	7,516	6,939	6,927
Prepaid and other assets	1,551	1,219	1,322	1,070
Total Current assets	50,977	12,406	15,518	18,414
Property and equipment, net	72,504	65,947	65,948	64,763
Derivative asset	592	560	1,485	101
Goodwill	36,023	36,023	36,022	36,023
Other intangible assets, net	26,663	29,936	34,654	38,231
Other long-term assets, net	2,604	7,184	3,073	5,690
Total assets	189,363	152,056	156,700	163,222
Liabilities, Redeemable Preferred Stock and Shareholders' Deficit				
Current liabilities				
Accounts payable and accrued expenses	15,749	13,049	15,018	15,345
Current portion of unearned revenue	3,201	2,054	1,670	1,064
Current portion of deferred rent	375	368	263	230
Current portion of customer security deposits	816	790	893	916
Current portion of long-term debt	3,000	4,125	4,028	781
Total current liabilities	23,141	20,386	21,872	18,336
Derivative liability	-	-	-	8
Unearned revenue, less current portion	1,411	951	690	560
Deferred rent, less current portion	11,282	10,549	9,534	8,596
Customer security deposits, less current portion	228	285	187	282
Long-term debt, less current portion	36,314	140,031	140,785	144,156
Total liabilities	72,376	172,202	173,068	171,938
Series C redeemable preferred stock	-	14,376	14,376	14,376
Series B convertible preferred stock	-	179,798	172,846	166,268
Commitments and contingencies				
Shareholders' deficit				
Common stock (Successor)	3	-	-	-
Preferred Stock (Successor)	-	-	-	-
Common Stock (Predecessor)	-	4	4	4
Series B Common Stock	-	7	7	7
Series D-2 preferred stock	-	5	2	2
Unearned stock compensation	(71)	(137)	-	(403)
Additional paid in capital	337,023	-	-	-
Accumulated deficit	(221,374)	(214,971)	(204,637)	(189,721)
Accumulated other comprehensive income	1,406	772	1,034	751
Total shareholders' deficit	116,987	(214,320)	(203,590)	(189,360)
Total Liabilities, Preferred Stock and Shareholders' Deficit	**189,363**	**152,056**	**156,700**	**163,222**
CURRENT RATIO: Current Assets/Current Liabilities	2.20	0.61	0.71	1.00
LEVERAGE: Total Liabilities/Total Assets	38.22%	113.25%	110.45%	105.34%

Switch & Data
Statement of Cash Flows
(in thousands)

	06/30/07 2nd Quarter Unaudited	**12/31/06**	**06/30/06 2nd Quarter** Unaudited	**12/31/05**
Net cash provided by operating activities	15,703	16,991	8,688	25,333
Net cash used in investing activities	(13,766)	(21,073)	(11,554)	(41,516)
Net cash provided by financing activities	36,321	(2,663)	(313)	12,875
Net increase in cash and cash equivalents	38,258	(6,745)	(3,179)	(3,308)
Effect of exchange rate charges on cash	112	(1)	19	18
Cash and cash equivalents - beginning of the period	3,671	10,417	10,417	13,707
Cash and cash equivalents - end of the period	42,041	3,671	7,257	10,417

R.R. Donnelley & Sons

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

Assessment: R.R. Donnelley was ranked number one in the publishing and printing industry with a Fortune 500 ranking of 275 in 2005 and over 3,000 accounts throughout the United States, Europe, Mexico, South America, and China. There is no indication at this time that it will be unable to meet its contractual obligations to the TSP.

Current Financial Condition: Net sales for the six months ended June 30, 2007, increased $1,048.3 million, or 23.1 percent, to $5,588.9 million versus the same period in 2006 although earnings from continuing operations continue to decrease. Approximately 86 percent ($897.3 million) of the increase was due to the acquisitions of Banta, Perry Judd's, OfficeTiger, and Von Hoffmann and $58.5 million resulted from changes in foreign exchange rates.

- Income Statement: Through June 30, 2007, the company reported net earnings of $69.4 million, a decrease of 71 percent from the $237.1 million earned in the same period in 2006. The decrease is attributed to non-cash pre-tax charges reflecting the write-off of the "Moore Wallace", "OfficeTiger", and other trade names, intangible assets, higher depreciation, and amortization expense.

- Balance Sheet: Total Assets reported as of June 30, 2007 totaled $12 billion, a 27 percent increase from $9.6 billion reported at year-end 2006. Total Liabilities reported were $8.0 billion, a 46 percent increase from $5.5 billion reported at year-end 2006.

- Current Ratio: The Current Ratio (Current Assets/Current Liabilities) for the quarter is 1.3, decreased from 1.6 reported at year-end 2006.

- Cash Flow: As of June 30, 2007, the company reported cash and cash equivalents of $301.1 million, a 42 percent increase from the $211.4 million reported at year-end 2006.

- Leverage: As of June 30, 2007, Total Liabilities are about 66 percent of Total Assets, increased from 57 percent at year-end 2006.

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

Stock Performance: The R.R. Donnelley & Sons closing share price on September 28, 2007 was $36.56, down from its 52-week high of $45.25 on July 19, 2007.

Significant Events: None.

Risk Mitigation: The current TSP contract was effective on March 20, 2006. The Agency has received R.R. Donnelley's business continuity plan for the Moore Wallace facility and is continuing to refine the plan with R.R. Donnelley. If there were a disaster 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.

R R Donnelley & Sons
Income Statement
(in millions)

	06/30/07 2nd Quarter Unaudited	12/31/06	06/30/06 2nd Quarter Unaudited	12/31/05
Net sales	$ 5,588.9	$ 9,316.6	$ 4,540.6	$ 8,430.2
Cost of Sales (excludes Depreciation & Amoritization shown below)	4,095.8	6,798.9	3,309.4	6,090.3
Selling, General & Administrative Expenses	656.2	1,097.6	537.3	1,044.7
Restructuring and Impairment Charges - net	341.9	206.1	31.2	419.8
Depreciation & Amortization	290.9	463.3	229.0	425.0
Total Operating Expenses	5,384.8	8,565.9	4,106.9	7,979.8
Income from Continuing Operations	204.1	750.7	433.7	450.4
Interest Expense - net	108.8	139.0	70.5	110.7
Investment and Other Income (expense) - net	1.8	(10.4)	(4.5)	(7.9)
Earnings from Continuing Operations before Income Taxes and Minority Interest	97.1	601.3	358.7	331.8
Income Tax Expense	26.2	196.0	120.7	237.4
Minority Interest	1.4	2.7	(0.6)	(1.2)
Net Earnings from Continuing Operations	69.5	402.6	238.6	95.6
Income (loss) from Discontinued Operations, net of tax	(0.1)	(2.0)	(1.5)	41.5
Net Earnings	**$ 69.4**	**$ 400.6**	**$ 237.1**	**$ 137.1**

R R Donnelley & Sons
Balance Sheet
(in millions)

	06/30/07 2nd Quarter Unaudited	12/31/06	06/30/06 2nd Quarter Unaudited	12/31/05
ASSETS				
Cash and cash equivalents	$ 301.1	$ 211.4	$ 138.5	$ 366.7
Restricted cash equivalents	54.9	-	-	-
Receivables, less allowance for doubtful accounts	2,067.5	1,638.6	1,570.9	1,529.1
Inventories, net	633.4	501.8	522.6	481.4
Prepaid expenses and other current assets	92.0	70.4	91.4	67.5
Deferred income taxes	124.5	94.8	168.7	177.0
Total Current Assets	3,273.4	2,517.0	2,492.1	2,621.7
Property, plant and equipment net	2,692.0	2,142.3	2,138.9	2,138.6
Goodwill	3,754.5	2,886.8	2,974.5	2,750.7
Other intangible assets net	1,349.3	1,119.8	1,166.3	1,094.3
Prepaid pension cost	768.3	638.6	517.1	514.1
Other noncurrent assets	427.1	331.3	311.7	254.3
Total Assets	**12,264.6**	**9,635.8**	**9,600.6**	**9,373.7**
LIABILITIES AND SHAREHOLDER'S EQUITY				
Accounts payable	868.8	749.1	661.6	718.1
Accrued liabilities	1,039.8	839.2	810.8	826.9
Short-term and current portion of long-term debt	662.2	23.5	330.2	269.1
Total Current Liabilities	2,570.8	1,611.8	1,802.6	1,814.1
Long-term debt	3,602.2	2,358.6	2,357.9	2,365.4
Postretirement benefits	298.7	288.0	333.4	330.6
Deferred income taxes	816.5	604.1	586.7	596.8
Other noncurrent liabilities	781.1	645.4	627.3	541.2
Liabilities of discontinued operations	2.7	3.2	3.5	1.4
Total Liabilities	**8,072.0**	**5,511.1**	**5,711.4**	**5,649.5**
SHAREHOLDERS EQUITY				
Common stock	303.7	303.7	303.7	303.7
Additional paid-in capital	2,836.4	2,871.8	2,850.6	2,888.2
Retained earnings	1,544.0	1,615.0	1,564.1	1,439.4
Accumulated other comprehensive loss	168.3	62.1	(71.1)	(90.2)
Unearned compensation	-	-	-	(44.9)
Treasury stock, at cost	(659.8)	(727.9)	(758.1)	(772.0)
Total Shareholders Equity	**$ 4,192.6**	**$ 4,124.7**	**$ 3,889.2**	**$ 3,724.2**
Total Liabilities and Shareholders Equity	**12,264.6**	**9,635.8**	**9,600.6**	**9,373.7**
CURRENT RATIO: Current Assets/Current Liabilities	1.2733	1.5616	1.3825	1.4452
LEVERAGE: Total Liabilities/Total Assets	65.82%	57.19%	59.49%	60.27%

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

	06/30/07 2nd Quarter Unaudited	**12/31/06**	**06/30/06 2nd Quarter** Unaudited	**12/31/05**
Net cash provided by operating activities from continuing operations	$435.9	$903.5	$242.8	$947.5
Net cash used in investing activities	(2,163.5)	(608.4)	(412.3)	(1,602.5)
Net cash provided by financing activities	1,806.1	(457.8)	(62.7)	378.5
Effect of exchange rate charges on cash	11.2	7.4	4.0	1.4
Net increase in cash and cash equivalents	89.7	(155.3)	(228.2)	(275.1)
Cash and cash equivalents - beginning of the period	211.4	366.7	366.7	641.8
Cash and cash equivalents - end of the period	301.1	211.4	138.5	366.7

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 $26.1 billion for the first quarter of 2007, up 14 percent from $22.9 billion for the same period in 2006.

- Income Statement: As of June 30, 2007, the company reported Net Income of $2.2 billion, an increase of 56 percent from the $1.4 billion reported for the same period in 2006.

- Balance Sheet: Total Assets reported as of June 30, 2007, totaled $552.6 billion, a 5 percent increase from the $527.7 billion reported at year-end 2006. Total Liabilities reported were $519 billion, a 5 percent increase from the $493.9 billion reported at year-end 2006.

- Cash Flow: As of June 30, 2007, the company reported cash and cash equivalents of $6.5 billion, an 8 percent decrease from the $7.1 billion reported at year-end 2006.

- Leverage: As of June 30, 2007, Total Liabilities are about 94 percent of Total Assets, unchanged from year-end 2006.

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

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

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

Dun & Bradstreet Credit Score Class: 1 (low risk), improved from 2 (slight risk) reported in the previous quarter.

Stock Performance: The MetLife closing share price on September 28, 2007, was $69.73, up slightly from its 52-week high of $69.35 on May 16, 2007.

Significant Events: None.

Risk Mitigation: The company ratings show that MetLife continues to have adequate reserves to pay all annuities into the future. It is the Board's practice to select only annuity providers that meet those standards. 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)

	06/30/07 2nd Quarter Unaudited	12/31/06	06/30/06 2nd Quarter Unaudited	12/31/05
Revenues				
Premiums	13,668	26,412	12,856	24,860
Universal life and investment type product policy fees	2,587	4,780	2,360	3,828
Net investment income	9,358	17,192	8,354	14,817
Other revenues	795	1,362	663	1,271
Net investment gains (losses)	(277)	(1,350)	(1,350)	(93)
Total Revenues	26,131	48,396	22,883	44,683
Expenses				
Policyholder benefits and claims	13,628	26,431	12,736	25,506
Interest credited to policyholder account balances	2,841	5,246	2,451	3,925
Policyholder dividends	856	1,701	846	1,679
Other expenses	5,730	10,797	5,038	9,267
Total Expenses	23,055	44,175	21,071	40,377
Income from continuing operations before provision for income taxes	3,076	4,221	1,812	4,306
Provision for income taxes	893	1,116	489	1,228
Income from continuing operations	2,183	3,105	1,323	3,078
Income from discontinued operations, net of income taxes	(3)	3,188	74	1,636
Net income	2,180	6,293	1,397	4,714
Preferred stock dividends	68	134	66	63
Net income available to common shareholders	2,112	6,159	1,331	4,651

MetLife, Inc.
Balance Sheet
(In millions)

	06/30/07 2nd Quarter Unaudited	12/31/06	06/30/06 2nd Quarter Unaudited	12/31/05
ASSETS				
Investments:				
Fixed maturities	251,044	241,928	237,093	230,050
Trading securities	919	759	519	825
Equity securities	6,046	5,094	3,202	3,338
Mortgage and consumer loans	43,755	42,239	38,665	37,190
Policy loans	10,251	10,228	10,065	9,981
Real estate and real estate joint ventures held for investment	5,932	4,978	4,507	3,910
Real estate held for sale	1	8	279	755
Other limited partnership interests	5,111	4,781	4,805	4,276
Short term investments	2,763	2,709	4,067	3,306
Other invested assets	10,302	10,428	9,652	8,078
Total investments	336,124	323,152	312,854	301,709
Cash and cash equivalents	6,504	7,107	4,126	4,018
Accrued investment income	3,710	3,347	3,275	3,036
Premiums and other receivables	15,297	14,490	13,216	12,186
Deferred policy acquisition costs	21,067	20,838	20,814	19,641
Current income tax recoverable	-	-	154	-
Assets of subsidiaries held for sale	1,560	1,563	-	-
Goodwill	4,904	4,897	4,913	4,797
Other assets	7,563	7,956	8,171	8,389
Separate account assets	155,835	144,365	132,782	127,869
Total Assets	552,564	527,715	500,305	481,645
LIABILITIES AND SHAREHOLDER'S EQUITY				
Future policy benefits	129,348	127,489	123,802	123,204
Policyholder account balances	136,514	131,948	130,518	128,312
Other policyholder funds	9,772	9,139	8,721	8,331
Policyholder dividends payable	1,006	960	961	917
Policyholder dividend obligation	378	1,063	176	1,607
Short term debt	1,476	1,449	2,253	1,414
Long term debt	12,497	9,979	10,737	9,489
Junior subordinated debt securities	3,780	3,780	2,134	2,533
Shares subject to mandatory redemption	279	278	278	278
Liabilities of subsidiaries held for sale	1,616	1,595	-	-
Current income taxes payable	7	1,465	-	69
Deferred income taxes liability	1,050	2,278	485	1,706
Payables for collateral under securities loaned and other transactions	50,590	45,846	46,612	34,515
Other liabilities	14,861	12,283	13,165	12,300
Separate account liabilities	155,835	144,365	132,782	127,869
Total Liabilities	519,009	493,917	472,624	452,544
SHAREHOLDERS EQUITY				
Preferred stock	1	1	1	1
Common stock	8	8	8	8
Additional paid in capital	17,495	17,454	17,372	17,274
Retained earnings	18,357	16,574	12,196	10,865
Treasury stock, at cost	(2,014)	(1,357)	(905)	(959)
Accumulated other comprehensive income (loss)	(292)	1,118	(991)	1,912
Total Shareholders Equity	33,555	33,798	27,681	29,101
Total Liabilities and Shareholders Equity	552,564	527,715	500,305	481,645
LEVERAGE: Total Liabilities/Total Assets	93.93%	93.60%	94.47%	93.96%
DEBT to SHAREHOLDER EQUITY: Total Liabilities/Sholder Equity	15.47	14.61	17.07	15.55

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

	06/30/07 2nd Quarter Unaudited	12/31/06	06/30/06 2nd Quarter Unaudited	12/31/05
Net cash provided by operating activities from continuing operations	4,141	6,600	4,028	8,019
Net cash used in investing activities	(14,712)	(18,886)	(19,166)	(22,617)
Net cash provided by financing activities	9,968	15,375	15,246	14,510
Change in cash and cash equivalents	(603)	3,089	108	(88)
Cash and cash equivalents - beginning of the period	7,107	4,018	4,018	4,106
Cash and cash equivalents - end of the period	6,504	7,107	4,126	4,018

The Active Network, Inc.

General Information: The Active Network, Inc. purchased the InfoSpherix division from Spherix in August 2007. The Active Network has confirmed its commitment to operate the call center in Cumberland, MD (and at its new building in Frostburg, MD) for the Plan under the original terms of the Spherix contract until that contract is recompeted in FY 2008.

As a privately held firm, The Active Network is not required to make its financial statements publicly available, but has agreed to provide them to the Agency under a non-disclosure agreement.

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 products and services in North America, Europe, and Australia/New Zealand. About 99 percent of its sales are in North America, primarily 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, Incorporated was founded in 1998 and has shown a pattern of growth through acquisition. During the period 2004-2006, the Company was ranked as one of the fastest growing technology companies by Deloitte & Touche and recognized as one of the fastest growing private companies in the United States by Inc. magazine.

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.

Stock Performance: None. The Active Network, Inc. is a privately held firm.

Dun & Bradstreet Credit Score Class: 3 (moderate risk).

Significant Events: None.

Risk Mitigation: If the Active Network were unable to operate the Cumberland, MD call center, the SI call center in Clintwood, VA could handle all calls pending establishment of a new call center. The Agency intends to recompete this contract during FY 2008.

Spherix

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

Assessment: **The operations of InfoSpherix are reported in the accompanying financial statements as discontinued operations.** On June 25, 2007, the Company signed a definitive purchase agreement to sell the InfoSpherix Incorporated subsidiary ("InfoSpherix"), subject to shareholder approval. On August 16, 2007, The Active Network announced it finalized its acquisition of InfoSpherix. Spherix's Board of Directors approved a definitive agreement to sell the stock of InfoSpherix for $17 million in an all cash transaction.

Current Financial Condition: With the pending sale of InfoSpherix when the financial statements were prepared for the period ending June 30, 2007, the operations of InfoSpherix were reported in the financial statements as discontinued operations in the Income Statement, and the assets held for sale of the discontinued segment are separately identified in the Company Balance Sheet. The activities of the BioSpherix Division continue to operate through Spherix Incorporated.

- Income Statement: As of June 30, 2007, Spherix reported Revenues of $4 thousand exclusively from its BioSpherix operations. InfoSpherix activities were reported under discontinued operations due to pending sale to The Active Network. For the six months period, InfoSpherix reported $11.8 million in revenue, a 12 percent decrease from $13.5 million reported for the same period in 2006.

- Balance Sheet: As of June 30, 2007, InfoSpherix reported Total Assets of $8.5 million , a 10 percent increase from $7.8 million reported for the same period in 2006. Total Liabilities of $3.5 million were reported, an increase of 31 percent from $2.7 million at year-end 2006.

- Cash Flow: As of June 30, 2007, Spherix's cash and cash equivalents totaled $8.1 million, a 25 percent decrease from $11 million at year-end 2006.

- Current Ratio: As of June 30, 2007, Spherix's Current Ratio (Current Assets/Current Liabilities) declined to 2.9 as of June 30, 2007, from 4.7 at year-end 2006.

- Leverage: As of June 30, 2007, Spherix's Total Liabilities represent 30 percent of Total Assets, increased from 21 percent at year-end 2006.

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

Stock Performance: The Spherix share price was $1.68 per share as of September 28, 2007, down from its 52-week high of $3.15 on March 30, 2007.

Significant Events: The pending sale to the Active Network, Inc., was successfully put before Spherix's shareholders for vote on August 15, 2007, at the 2007 Annual Shareholders Meeting. On August 16, 2007, The Active Network, Inc, headquartered in San Diego, California announced it had completed its acquisition of InfoSpherix in an all cash transaction. The Active Network was founded in 1998 and is privately held. The Active Network provides application services technology and marketing access to organizations and participants throughout the community services market. It was recognized as a Fast 500 company for three years (2004-2006), and as an Inc. 500 company for three years (2004-2006). Agency staff has met with Active Network, Inc., regarding the acquisition and its commitment to the TSP contract. No issues have arisen to date.

Spherix Incorporated
Income Statement
(in thousands)

	06/30/07 2nd Quarter Unaudited	12/31/06	06/30/06 2nd Quarter Unaudited	12/31/05
InfoSpherix Incorporated*				
Revenue	$11,837	$24,831	$13,501	$23,023
Direct, operating, and corporate costs	11,777	24,108	(10,602)	24,876
Operating Income (Loss)	**$60**	**$723**	**$2,899**	**($1,853)**
BioSpherix Division				
Revenue	$4	$7	$3	$23
Direct, operating, and corporate costs	(3,210)	(3,210)	0	(1,056)
Operating Income (Loss)	**($4,191)**	**($3,203)**	**$3**	**($1,033)**
Spherix Incorporated (All)				
Revenue	$4	$24,838	$13,504	$23,046
Direct contract and operating costs	0	20,794	10,602	20,363
Selling, general, and administrative expense	1,637	5,640	2,918	5,280
Research and development expense	2,385	884	282	288
Total operating expense	4,022	27,318	13,802	25,931
Loss from Operations	(4,018)	(2,480)	(298)	(2,885)
Interest income (expense), net	58	98	23	37
Other income	0	6,000	0	-
Income (Loss) from continuing operations before taxes	($3,960)	$3,618	($275)	($2,848)
Income tax benefit	$20	$105	20	-
Loss from continuing operations	**($3,940)**	**$3,513**	**($295)**	**($2,848)**
Discontinued operations				
Income from discontinued operations	2			
Income tax expense	98			
Income (loss) from discontinued operations	(96)			
Net (loss) income	**(4,036)**			

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

Spherix Incorporated
Balance Sheet

	6/30/07 2nd Quarter Unaudited	12/31/06	6/30/06 2nd Quarter Unaudited	12/31/05
ASSETS				
Current assets				
Cash and cash equivalents	7,103,936	9,863,771	6,145,295	2,667,733
Short term investments - Restricted	-	-	-	2,000,000
Trade accounts receivable, net for allowance for doubtful accounts	-	-	3,116,820	2,139,061
Other receivables	32	479	56,416	271,287
Prepaid expenses and other assets	317,125	366,147	612,454	582,279
Assets of segment held for sale, current	4,399,410	3,543,703	-	-
Total current assets	11,820,503	13,774,100	9,930,985	7,660,360
Property and equipment, net of accumulated depreciation	183,726	288,113	4,283,128	4,603,032
Patents, net of accumulated amortization	93,858	106,633	774,903	854,871
Assets of segment held for sale, non-current	4,094,897	4,207,080	-	-
Total assets	**16,192,984**	**18,375,926**	**14,989,016**	**13,118,263**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Bank line of credit	-	-	-	1,449,318
Accounts payable and accrued expenses	573,012	230,432	2,140,399	1,950,584
Accrued salaries and benefits	214,533	275,984	1,130,830	1,104,102
Capital lease obligations	2,081	10,810	130,945	16,645
Liabilites of segment held for sale, current	3,299,366	2,391,291	-	-
Income tax payable	-	-	20,000	-
Total current liabilities	4,088,992	2,908,517	3,422,174	4,520,649
Capital lease obligations	-	138,748	150,159	10,810
Deferred compensation	497,852	495,000	514,176	511,325
Deferred rent	128,457	283,064	220,586	196,259
Liabilites of segment held for sale, non-current	191,900	-	-	-
Total liabilities	**4,907,201**	**3,825,329**	**4,307,095**	**5,239,043**
STOCKHOLDER'S EQUITY				
Common stock	71,496	69,463	69,269	62,242
Paid-in capital in excess of par value	27,441,717	26,672,384	26,611,211	23,521,109
Treasury stock	(464,786)	(464,786)	(464,786)	(464,786)
Accumulated deficit	(15,762,644)	(11,726,464)	(15,533,773)	(15,239,345)
Total stockholders' equity	**11,285,783**	**14,550,597**	**10,681,921**	**7,879,220**
Total liabilities and stockholders' equity	**16,192,984**	**18,375,926**	**14,989,016**	**13,118,263**
CURRENT RATIO = Current Assets/Current Liabilities	2.89	4.74	2.90	1.69
LEVERAGE: Total Liabilities /Total Assets	30.30%	20.82%	28.74%	39.94%

Spherix Incorporated
Statement of Cash Flows
(in thousands)

	06/30/07 **2nd Quarter** Unaudited	**12/31/06**	**06/30/06** **2nd Quarter** Unaudited	**12/31/05**
Net cash provided by operating activities from continuing operations	(2,372,682)	6,657,657	1,153,206	(525,740)
Net cash used in investing activities	(1,151,379)	586,219	1,211,801	(659,283)
Net cash provided by financing activities	768,166	1,039,666	1,112,555	376,910
Net increase (decrease) in cash and cash equivalents	(2,755,895)	8,283,542	3,477,562	(808,113)
Cash and cash equivalents - beginning of the period	10,951,275	2,667,733	2,667,733	3,475,846
Cash and cash equivalents - end of the period	8,195,380	10,951,275	6,145,295	2,667,733