THRIFT SAVINGS PLAN

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

July 10, 2009

MEMORANDUM FOR THE EXECUTIVE DIRECTOR

FROM: JAMES B. PETRICK
CHIEF FINANCIAL OFFICER

SUBJECT: QUARTERLY FINANCIAL ASSESSMENT OF TSP'S PRIMARY VENDORS – JULY 2009

The Board has requested that each quarter we review the TSP's primary vendors and report on their financial standing. This quarter, we have again reviewed Serco Group (formerly SI International), Barclays PLC, Switch and Data, R.R. Donnelley & Sons, MetLife, and The Active Network, Inc. We have added BlackRock, Inc. as part of the review given the pending acquisition of the Barclays BGI unit which is expected to close in the fourth quarter of 2009.

For each vendor we have analyzed the following:

1. Current Financial Condition:

Our financial analysis consists of a review of the vendor's key financial statistics from their current income statement and balance sheet for the most recent quarter available to determine their overall financial stability. For this report, we are using available data for the period through March 31, 2009. We determine whether there is evidence of stable or growing income (i.e., the profitability of the company). We also review the current balance sheet to determine: 1) the current ratio of assets to liabilities to ascertain the vendor's ability to meet short term liquidity needs, and 2) the ratio of total debt to total assets to ascertain the prospects for longer term profitablility. Then, we look for significant changes from prior to current periods to identify trends that may require further explanation. At the Board's request, for comparative purposes, we have included information from the first quarter of 2009, year-end 2008, first quarter of 2008, and year-end 2007, 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. For MetLife, we heavily rely on the insurance rating agencies scores of overall financial strength and claims paying ability.

2. Dun & Bradstreet Credit Score:

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

3. Significant Events:

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

4. Risk Mitigation:

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

Attachments

**Serco Services Inc. (formerly SI International)**

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

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

Assessment: The integration of the merger is well advanced, management and business re-organization is complete, and the contract bid pipeline processes have been reviewed and integrated. Serco Services Inc. has an extensive portfolio of Federal government contracts and serves all branches of the U.S. military, numerous civilian agencies and the intelligence community. We find no indication at this time that Serco Services Inc. is unable to fulfill its contractual obligations to the TSP.

Current Financial Condition: **Interim Results for the first six months of 2009 are scheduled to be released on August 26, 2009. (Quarterly results are not reported.)** Serco Group plc reported 2008 year-end revenues of £3.1 billion compared to £2.8 billion reported year-end 2007, an increase of 11 percent. In the U.S., Serco Services Inc.'s year-end 2008 performance was in line with revenue expectations of $575.5 million, compared with year-end 2007 revenues of $510.8 million, an increase of 13 percent.

- Income Statement: Serco Group plc's 2008 net profit climbed 21 percent to £100 million. As of December 31, 2008, Serco Services reported a $37 million operating profit, compared to $39 million at year-end 2007, reflecting a 5 percent decline.

- Balance Sheet: As of December 31, 2008, Total Assets for Serco Group plc increased £765 million (44 percent) to £2,506 million in 2008 from year-end 2007. Of this increase, most of it was attributed to goodwill, and trade and other receivables.

- Cash Flow: Through December 31, 2008, Serco Group plc reported a cash balance of £251 million compared to £185 million at year-end 2007, reflecting a 36 percent increase. The acquisition of SI International contributed £13 million in cash and cash equivalents.

- Current Ratio (Current Assets/Current Liabilities) increased to 1.3 as of December 31, 2008, up from 1.1 at year-end 2007.

- Leverage: Through December 31, 2008, Total Liabilities as a percent of Total Assets increased to 73 percent from 71 percent reported at year-end 2007.

Dun & Bradstreet Credit Score Class: As of June 4, 2009, the credit score for SI International (as a subsidiary of Serco), was 3, (moderate risk). This score changed from 2, (slight risk), reported on March 17, 2009.

Stock Performance: SI International ceased trading with the completion of its merger with Serco Group plc (SRP.L). On June 30, 2009, Serco Group plc traded at £422.00. The 52-week range has been between £317.00 and £496.25; where the high was on January 5, 2009, and the low was on October 24, 2008.

SAS 70 Report: Serco Group is not required to file this report.

Significant Events:

- As of May 12, 2009, management reported that smaller and medium-sized contract wins in North America continue to play an important role. The integration of SI International continues to progress well which enhances Serco Group plc's ability to deliver integrated solutions to the $290 billion U.S. federal government services market. Serco N.A. and SI International combined have 11,500 employees, and are expected to generate combined annual revenue of $1.3 billion.

- As of May 12, 2009, management stated Serco made a strong start to the year and is on track to deliver on expectations for 2009. So far in 2009, they have signed contracts valued at £1 billion, and have been appointed preferred bidder on contracts valued about £250 million.

- As of December 24, 2008, SI International was ranked as the 44th largest Federal Prime IT Contractor by Washington Technology.

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

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

The Agency is continuing to develop the requirements for a new statement of work (SOW) in preparation for the re-competition of Serco Services Inc.'s record keeping services. The progress on this effort has been delayed by the need to relocate the Agency's primary data center while keeping the TSP modernization initiative on track. The Agency's inability to release an RFP for acquisition support services has also contributed to the delay. We hope to release the acquisition support services RFP by September 30, 2009 and the RFP for recordkeeping services by the end of FY 2010, with a contract award in mid FY 2011. A full and open competition is planned, and risk mitigation will be a principal component of the procurement strategy.

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

| | 12/31/2008 | 12/31/2007 | 12/31/2006 |
|---|---|---|---|
| Revenue | 3,124 | 2,811 | 2,548 |
| Cost of sales | (2,667) | (2,405) | (2,183) |
| **Gross profit** | **457** | **406** | **366** |
| Administrative expenses | (292) | (264) | (236) |
| Other expenses – amortisation of intangibles arising on acquisition | (9) | (9) | (16) |
| **Total administrative expenses** | **(301)** | **(273)** | **(252)** |
| Gain on sale of PFI investments | | | 11 |
| Adjusted operating profit | 165 | 142 | 141 |
| Investment revenue and finance costs | (20) | (19) | (18) |
| **Adjusted profit before tax** | **145** | **123** | **124** |
| Profit before tax | 136 | 115 | 107 |
| Tax | (37) | (32) | (28) |
| **Net Profit** | **100** | **82** | **79** |

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

| | 12/31/2008 | 12/31/2007 | 12/31/2006 |
|---|---|---|---|
| **Assets** | | | |
| Non-current assets | | | |
| Goodwill | 965 | 542 | 529 |
| Other intangible assets | 191 | 139 | 126 |
| Property, plant and equipment | 115 | 95 | 94 |
| Trade and other receivables | 121 | 105 | 111 |
| Retirement benefit assets | 62 | - | - |
| Deferred tax assets | 20 | 52 | 74 |
| Derivative financial instruments | 6 | 1 | - |
| | 1,480 | 934 | 932 |
| Current assets | | | |
| Inventories | 50 | 46 | 52 |
| Trade and other receivables | 720 | 574 | 463 |
| Cash and cash equivalents | 251 | 185 | 218 |
| Derivative financial instruments | 5 | 2 | - |
| Total current assets | 1,026 | 806 | 733 |
| **TOTAL ASSETS** | **2,506** | **1,740** | **1,665** |
| **Liabilities** | | | |
| Current liabilities | | | |
| Trade and other payables | 755 | 670 | 542 |
| Current tax liabilities | 20 | 15 | 13 |
| Obligations under finance leases | 5 | 8 | 8 |
| Loans | 37 | 14 | 58 |
| Derivative financial instruments | 4 | 2 | 11 |
| Total current liabilities | 820 | 708 | 632 |
| Non-current liabilities | | | |
| Trade and other payables | 36 | 13 | 10 |
| Obligations under finance leases | 13 | 9 | 12 |
| Loans | 711 | 317 | 346 |
| Derivative financial instruments | - | 11 | 14 |
| Retirement benefit obligations | 177 | 143 | 249 |
| Provisions | 38 | 19 | 22 |
| Deferred tax liabilities | 26 | 22 | 20 |
| Total Long-term liabilities | 1,001 | 534 | 674 |
| Total liabilities | 1,820 | 1,242 | 1,305 |
| Net assets | 685 | 499 | 360 |
| **Equity** | | | |
| Share capital | (10) | (10) | (10) |
| Share premium account | (301) | (299) | (284) |
| Capital redemption reserve | - | - | - |
| Retained earnings | (340) | (261) | (197) |
| Retirement benefit obligations reserve | 48 | 90 | 120 |
| Share-based payment reserve | (40) | (35) | (26) |
| Own shares reserve | 20 | 15 | 16 |
| Hedging and translation reserve | (62) | 2 | 21 |
| Equity attributable to equity holders of the parent | 685 | 497 | 358 |
| Minority interest | - | 1 | 2 |
| Total equity | 685 | 499 | 360 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **2,506** | **1,740** | **1,665** |

**Serco Group**
**Cash Flow Statement**
**In £ millions**

| | 12/31/2008 | 12/31/2007 | 12/31/2006 |
|---|---|---|---|
| Net cash inflow/(outflow) from operating activities | 163 | 134 | 160 |
| Net cash inflow/(outflow) from investing activities | (349) | (49) | (6) |
| Net cash inflow/(outflow) from financing activities | 230 | (125) | (172) |
| Net increase/(decrease) in cash and cash equivalents | 44 | (40) | (18) |
| Cash and cash equivalents at beginning of period | 185 | 218 | 241 |
| Net exchange gain | 22 | 7 | (5) |
| **Cash and cash equivalents at end of period** | **251** | **185** | **218** |

**Barclays PLC**

General Information: Barclays PLC is ranked as the 25th largest company in the world according to Forbes Global 2000's 2008 list and is the fourth largest financial services provider in the world according to Tier 1 capital ($32.5 billion). In the U.K., it is the second largest bank based on asset size. On December 6, 2006, the Agency announced that Barclays Global Investors (BGI), N.A., Barclays' asset management division, was selected to manage the TSP F, C, S, and I funds. In addition to investment management, BGI is responsible for providing custody through its subcontractor (State Street Bank and Trust Company) and securities lending services to the TSP.

On June 16, 2009, Barclays accepted BlackRock Inc.'s $13.5 billion offer to buy Barclays Global Investors. Barclays plans to recommend the transaction for shareholder approval at a general meeting to be held in early August. Barclays said it would pay a breakup fee of $175 million to private-equity firm CVC Capital Partners, which had reached an earlier deal to buy iShares, BGI's exchange-traded fund unit. **The transaction is expected to close in the fourth quarter 2009 following approval by Barclays' shareholders, the receipt of client consents and regulatory approvals, and satisfaction of customary closing conditions.**

Assessment: Barclays PLC is a financially sound and profitable financial institution. Barclays reports that their year-end capital ratios exceed the regulatory minimum required by the Financial Services Authority (FSA) by an amount equivalent to £17 billion. On March 27, 2009, the Financial Services Authority tested Barclays's loans against various economic scenarios through 2011 and found that its capital ratio, a measure of financial strength, remained above the regulatory minimum of 4 percent. At present, Barclays states it will not seek subscription for further capital - either from the private sector or from the U.K. Government.

Current Financial Condition: Barclays follows the International Accounting Standards (IAS) interim reporting timetable and has published its audited results as of December 31, 2008. **Interim results for the first six months of 2009 will be available in August 2009.**

- Income Statement: Barclays PLC reported Group profit before tax of £6.1 billion at year end 2008, down 14 percent from £7.1 billion in 2007. Major items affecting the 2008 profit were: a) Gains on acquisitions of £2 billion, mostly attributed to Lehman Brothers' North America, and b) Gross credit market losses and impairment of £8 billion. Net profit was £5.3 billion as of December 31, 2008, up slightly from £5.1 billion at year-end 2007.

- As of year-end 2008, for the Barclays Global Investors (BGI) fund division, profit before tax declined by 19 percent to £595 million. Income fell 4 percent to £1,844 million due to lower incentive fees. We note that assets under BGI management decreased 28 percent to $1,495 billion (from $2,079 billion in 2007), comprising $99 billion of net new assets, $130 billion of negative exchange rate movements, and $553 billion of negative market movements.

- Balance Sheet: As of December 31, 2008, Total Assets for Barclays PLC increased £826 billion (67 percent) to £2,053 billion in 2008. Of this increase, £737 billion was attributable to an increase in derivative assets (foreign exchange, interest rate, credit, equity and stock index, commodity derivatives) and £124 billion was attributable to increased loans and advances. All other assets declined by £35 billion. Total Liabilities were £2,006 billion, up 68 percent from the £1,195 billion at year-end 2007.

- Cash Flow: As of December 31, 2008, cash and cash equivalents totaled £65.0 billion, compared to £33.0 billion at year-end 2007. The company has indicated that cash is being held to consider the potential for further market deterioration.

- Capital: As of December 31, 2008, the Tier 1 ratio was 9.7 percent, whereas it was 7.9 percent in June 2008. The pro forma ratios significantly exceed the minimum levels established by the U.K. Financial Services Authority. (Note: Other U.K. institutions have obtained capital assistance from the U.K. government but, to-date, Barclays has not.)

Dun & Bradstreet Credit Score Class: As of June 4, 2009, the credit score was 3 (moderate risk); changed from 2 (slight risk) reported on March 17, 2009.

Stock Performance: As of June 30, 2009, Barclays plc traded at $18.44. Barclay's plc 52-week stock price range has been from $2.75 to $32.50. The 52-week low occurred on January 23, 2009, and the high stock price took place on September 19, 2008.

SAS 70 Report: The independent service auditor's report dated January 30, 2009 was provided by PricewaterhouseCoopers LLP. Dates of coverage are January 1, 2008 to December 31, 2008. No issues related to the TSP were determined.

Significant Events:

- On June 16, 2009, Barclays accepted BlackRock Inc.'s $13.5 billion offer to buy Barclays Global Investors. Barclays is expected to realize a net gain on sale of $8.8 billion (£5.3 billion) based on the closing price of BlackRock common stock of $182.60 on June 11, 2009, the net assets of the BGI business subject to disposal as of March 31, 2009 and transaction costs. This gain would add an estimated 163 bps to the Equity Tier 1 ratio as of December 31, 2008. Together with the Mandatorily Convertible Notes issued in November 2008, Barclays would have reported an estimated Equity Tier 1 ratio of 8.3 percent as of year-end 2008 on a pro-forma basis.

- On June 4, 2009, Abu Dhabi's International Petroleum Investment Co. (IPIC) announced that it has sold off £1.25 billion ($2.03 billion) in financial instruments held in Barclays PLC, exiting almost entirely from the £3.25 billion investment made last fall.

- On June 3, 2009, Temasek Holdings, Singapore's state-owned investment fund, announced that it has sold its entire stake in Barclays.

Risk Mitigation: The TSP assets in the four investment funds managed by BGI and the level of risk should BGI cease operations will be assumed by Barclays until there is a transfer of assets in the fourth quarter of 2009. 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. There is no risk to the TSP assets in the purchase by BlackRock, Inc. as BlackRock, Inc. is subject to the same contract provisions as Barclays.

**Barclays PLC**
**Income Statement**
**(in £ millions)**

| | 12/31/08 | 12/31/07 | 12/31/06 |
|---|---|---|---|
| Interest income | 28,010 | 25,308 | 21,805 |
| Interest expense | (16,541) | (15,698) | (12,662) |
| Net interest income | 11,469 | 9,610 | 9,143 |
| | | | |
| Fee and commission income | 9,489 | 8,678 | 8,005 |
| Fee and commission expense | (1,082) | (970) | (828) |
| Net fee and commission income | 8,407 | 7,708 | 7,177 |
| | | | |
| Net trading income | 1,329 | 3,759 | 3,614 |
| Net investment income | 680 | 1,216 | 962 |
| Principal transactions | 2,009 | 4,975 | 4,576 |
| | | | |
| Net premiums from insurance contracts | 1,090 | 1,011 | 1,060 |
| Other income | 377 | 188 | 257 |
| Total income | 23,352 | 23,492 | 22,213 |
| Net claims and benefits incurred on insurance contracts | (237) | (492) | (575) |
| Total income net of insurance claims | 23,115 | 23,000 | 21,638 |
| Impairment charges and other credit provisions | (5,419) | (2,795) | (2,154) |
| Net income | **17,696** | **20,205** | **19,484** |
| | | | |
| Staff costs | (7,779) | (8,405) | (8,169) |
| Administration and general expenses | (5,666) | (4,141) | (3,914) |
| Depreciation of property, plant and equipment | (630) | (467) | (455) |
| Amortization of intangible assets | (291) | (186) | (136) |
| Operating Expenses | (14,366) | (13,199) | (12,674) |
| | | | |
| Share of post-tax results of associates and joint ventures | 14 | 42 | 46 |
| Profit on disposal of subsidiaries, associates and joint ventures | 327 | 28 | 323 |
| Gains on acquisitions | 2,406 | - | - |
| **Profit before tax** | **6,077** | **7,076** | **7,179** |
| | | | |
| Tax | (790) | (1,981) | (1,941) |
| **Profit after tax** | **5,287** | **5,095** | **5,238** |
| | | | |
| Profit attributable to minority interests | 905 | 377 | 342 |
| Profit attributable to equity holders | 4,382 | 4,749 | 4,914 |
| | 5,287 | 5,126 | 5,256 |

**Barclays PLC**
**Balance Sheet**
**(in £ millions)**

| | 12/31/08 | 12/31/07 | 12/31/06 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances at central banks | 30,019 | 5,801 | 7,345 |
| Items in the course of collection from other banks | 1,695 | 1,836 | 2,408 |
| Trading portfolio assets | 185,637 | 193,691 | 177,867 |
| *Financial assets designated at fair value:* | | | |
| held on own account | 54,542 | 56,629 | 31,799 |
| held in respect of linked liabilities to customers under investment contracts | 66,657 | 90,851 | 82,798 |
| Derivative financial instruments | 984,802 | 248,088 | 138,353 |
| Loans and advances to banks | 47,707 | 40,120 | 30,926 |
| Loans and advances to customers | 461,815 | 345,398 | 282,300 |
| Available for sale financial investments | 64,976 | 43,072 | 51,703 |
| Reverse repurchase agreements and cash collateral on securities borrowed | 130,354 | 183,075 | 174,090 |
| Other assets | 6,302 | 5,150 | 5,850 |
| Current tax assets | 389 | 518 | 557 |
| Investments in associates and joint ventures | 341 | 377 | 228 |
| Goodwill | 7,625 | 7,014 | 6,092 |
| Intangible assets | 2,777 | 1,282 | 1,215 |
| Property, plant, and equipment | 4,674 | 2,996 | 2,492 |
| Deferred tax assets | 2,668 | 1,463 | 764 |
| **Total Assets** | **2,052,980** | **1,227,361** | **996,787** |
| **LIABILITIES** | | | |
| Deposits from banks | 114,910 | 90,546 | 79,562 |
| Items in the course of collection due to other banks | 1,635 | 1,792 | 2,221 |
| Customer accounts | 335,505 | 294,987 | 256,754 |
| Trading portfolio liabilities | 59,474 | 65,402 | 71,874 |
| Financial liabilities designated at fair value | 76,892 | 74,489 | 53,987 |
| Liabilities to customers under investment contracts | 69,183 | 92,639 | 84,637 |
| Derivative financial instruments | 968,072 | 248,288 | 140,697 |
| Debt securities in issue | 149,567 | 120,228 | 111,137 |
| Repurchase agreements and cash collateral on securities lent | 182,285 | 169,429 | 136,956 |
| Other liabilities | 12,640 | 10,499 | 10,337 |
| Current tax liabilities | 1,216 | 1,311 | 1,020 |
| Insurance contract liabilities including unit-linked liabilities | 2,152 | 3,903 | 3,878 |
| Subordinated liabilities: | 29,842 | 18,150 | 13,786 |
| Deferred tax liabilities | 304 | 855 | 282 |
| Provisions | 535 | 830 | 462 |
| Retirement benefit liabilities | 1,357 | 1,537 | 1,807 |
| **Total Liabilities** | **2,005,569** | **1,194,885** | **969,397** |
| **SHAREHOLDER'S EQUITY** | | | |
| Called up share capital | 2,093 | 1,651 | 1,634 |
| Share premium account | 4,045 | 56 | 5,818 |
| Other reserves | 2,793 | 874 | 390 |
| Other equity | 3,652 | - | - |
| Retained earnings | 24,208 | 20,970 | 12,129 |
| Less: treasury shares | (173) | (260) | (212) |
| **Shareholders' equity excluding minority interest** | **36,618** | **23,291** | **19,799** |
| Minority interests | 10,793 | 9,185 | 7,591 |
| **Total Shareholder's Equity** | **47,411** | **32,476** | **27,390** |
| **Total Liabilities and Shareholder's Equity** | **2,052,980** | **1,227,361** | **996,787** |

**Barclays PLC**
**Statement of Cash Flows**
**(in £ millions)**

| | 12/31/08 | 12/31/07 | 12/31/06 |
|---|---|---|---|
| Net cash inflow/(outflow) from operating activities | 33,716 | (10,747) | (10,047) |
| Net cash inflow/(outflow) from investing activities | (8,755) | 10,064 | (1,154) |
| Net cash inflow/(outflow) from financing activities | 12,272 | 3,358 | 692 |
| Net gain on exchange rate changes on cash and cash equivalents | (5,801) | (550) | 562 |
| **Net (decrease)/increase in cash and cash equivalents** | **31,432** | **2,125** | **10,147** |
| Cash and cash equivalents - beginning of the period | 33,077 | 30,952 | 20,805 |
| **Cash and cash equivalents - end of the period** | **64,509** | **33,077** | **30,952** |

**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 & Data's northern Virginia facility under contract with Serco Services Inc. (formerly SI International). The Agency has a direct contract with Switch & Data for the western Pennsylvania facility that houses our backup data center.

Assessment: On 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. Much of this amount was used to reduce long-term debt, while the rest was used to improve the Company's cash reserve.

As of March 31, 2009, Switch & Data had borrowed the entire $120 million in principal outstanding under the Term Loan permitted under the terms of its 2008 Credit Facility. The company also had $22.5 million in principal outstanding under the Delayed Draw Term Loan, as well as a $1.4 million outstanding letter of credit. All of the Company's assets are pledged as collateral for the 2008 Credit Facility.

Current Financial Condition: In its SEC filing for the quarter ending March 31, 2009, Switch & Data reported a net loss of $2 million, compared to a net profit of $0.3 million for the quarter ending March 31, 2008.

- Income Statement: For the quarter ending March 31, 2009, total revenue increased 18 percent to $47.1 million, compared to $39.8 million in the same period in 2008. Total costs and operating expenses increased to $44.2 million for the first quarter of 2009, a 22 percent increase over the $36.4 million reported for the first quarter of 2008. Operating Income in the same period of 2009 was $2.9 million compared to $3.4 million for the same period of 2008. The increase in interest expense is primarily due to an increase in the weighted average outstanding debt balance.

- Balance Sheet: Through March 31, 2009, Switch & Data reported Total Assets of $371.9 million, a 4 percent increase from $358.9 million at year-end 2008. Total Liabilities of $252.0 million were reported, 6 percent higher than the $237.9 million reported at year-end 2008. The increase in liabilities was mainly due to an increase in long-term debt.

- Cash Flow: Through March 31, 2009, cash and cash equivalents totaled $22.4 million, an increase of $7.7 million from $14.7 million at year-end 2008.

- Current Ratio: The Current Ratio (Current Assets/Current Liabilities) increased to 0.9 as of March 31, 2009, from 0.6 at year-end 2008.

- Leverage: Through March 31, 2009, Total Liabilities as a percent of Total Assets increased to 67.7 percent from 66.3 percent reported at year-end 2008.

Stock Performance: The share price of Switch & Data as of June 30, 2009, was $11.73 (its initial public offering price was $17.00 per share). Its 52-week stock price range was $3.92-$18.17, where the low stock price was on November 21, 2008, and the high was on July 30, 2008.

SAS 70 Report: The most recent SAS 70 report is the report dated September 8, 2006 by SAS 70 Solutions. No issues related to the TSP were determined. In the meantime, SAS 70 certification is not required to be renewed or updated unless there is a material change in the company's operating procedures. Because Switch & Data has not made any material changes, the letter from 2006 is still in effect and Switch & Data is still certified. As of June 10, 2009, Switch & Data announced that it has completed a SAS 70 Type II audit which included its centralized Operations Service Support Center (OSSC), Security Operations Center (SOC) and human resources groups located in its Tampa Headquarters.

Dun & Bradstreet Credit Score Class: As of June 4, 2009, the credit score of 3 (moderate risk) changed from 2 (slight risk) reported on April 8, 2009.

Lawsuit Issues: No action reported during this period.

Significant Events:

- The Agency and Switch & Data are working together to complete the move to the new Virginia site. We started populating the new site with TSP IT assets in mid-November, and the complete transition should be completed by September 30, 2009.

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

We continue to monitor the Company's long-term viability, which includes periodic site visits and dialogue with onsite personnel to ascertain the condition and use of facilities, and timeliness of payrolls. At the same time we are researching other potential hosting companies/sites.

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

| | 03/31/09 | 12/31/08 | 03/31/08 | 12/31/07 |
|---|---|---|---|---|
| **Revenues** | 47,133 | 171,525 | 39,777 | 137,530 |
| **Cost and operating expenses** | | | | |
| Cost of revenues, exclusive of depreciation and amortization | 24,293 | 90,122 | 20,359 | 70,986 |
| Sales and marketing | 5,224 | 19,670 | 5,194 | 16,313 |
| General and administrative | 4,682 | 17,659 | 4,331 | 15,039 |
| Depreciation and amortization | 10,046 | 30,716 | 6,524 | 25,584 |
| Lease litigation settlement | - | - | - | 2,600 |
| Asset impairment | - | - | - | - |
| Total costs and operating expenses | 44,245 | 158,167 | 36,408 | 130,522 |
| **Operating income** | **2,888** | **13,358** | **3,369** | **7,008** |
| Interest income | 3 | 1,587 | 372 | 1,808 |
| Interest expense | (4,358) | (19,193) | (2,502) | (6,622) |
| Loss from debt extinguishment | - | (695) | (695) | (2,809) |
| Other income (expense), net | (238) | (768) | (161) | (305) |
| Income (loss) from continuing operations before income taxes | **(1,705)** | (5,711) | 383 | (920) |
| Provision for income taxes | (275) | (1,324) | (44) | (263) |
| Loss from continuing operations | (1,980) | (7,035) | 339 | (1,183) |
| Income (loss) from discontinued operations | - | - | - | 397 |
| **Net income/(loss)** | **(1,980)** | **(7,035)** | **339** | **(786)** |
| Preferred stock accretions and dividends | - | - | - | (227,522) |
| Net loss, attributable to common shareholders | (1,980) | (7,035) | 339 | (228,308) |

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

| | 03/31/09 | 12/31/08 | 03/31/08 | 12/31/07 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 22,421 | 14,706 | 109,549 | 45,595 |
| Accounts receivable, net of allowance for bad debts | 10,584 | 11,497 | 7,671 | 9,029 |
| Prepaid and other assets | 1,584 | 2,429 | 1,432 | 1,468 |
| **Total current assets** | 34,589 | 28,632 | 118,652 | 56,092 |
| Property and equipment, net | 278,253 | 270,286 | 160,467 | 114,803 |
| Derivative asset | - | - | - | - |
| Goodwill | 36,023 | 36,023 | 36,023 | 36,023 |
| Other intangible assets, net | 17,625 | 18,575 | 21,835 | 23,287 |
| Other long-term assets, net | 5,393 | 5,349 | 5,768 | 2,485 |
| **Total assets** | 371,883 | 358,865 | 342,745 | 232,690 |
| **Liabilities, Redeemable Preferred Stock and Shareholders' Equity (Deficit)** | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued expenses | 22,901 | 34,131 | 24,520 | 26,859 |
| Derivative liability | 8,173 | 7,434 | 1,615 | 624 |
| Current portion of unearned revenue | 3,362 | 3,629 | 3,097 | 3,567 |
| Current portion of deferred rent | 459 | 455 | 355 | 363 |
| Current portion of customer security deposits | 600 | 547 | 955 | 936 |
| Current portion of long-term debt | 3,563 | - | - | 3,750 |
| **Total current liabilities** | 39,058 | 46,196 | 30,542 | 36,099 |
| Unearned revenue, less current portion | 1,841 | 1,858 | 1,886 | 2,073 |
| Deferred rent, less current portion | 20,819 | 18,587 | 13,987 | 12,882 |
| Customer security deposits, less current portion | 305 | 376 | 70 | 93 |
| Long-term debt, less current portion | 138,937 | 120,000 | 120,000 | 34,439 |
| Long-term portion of capital lease obligation | 50,990 | 50,927 | 50,057 | 22,049 |
| **Total liabilities** | 251,950 | 237,944 | 216,542 | 107,635 |
| Series C redeemable preferred stock | - | - | - | - |
| Series B convertible preferred stock | - | - | - | - |
| Commitments and contingencies | | | | |
| Shareholders' deficit | | | | |
| Common stock | 3 | 3 | 3 | 3 |
| Series B common stock | - | - | - | - |
| Series D-1 & D-2 preferred stock | - | - | - | - |
| Unearned stock compensation | - | - | - | (15) |
| Additional paid in capital | 349,273 | 347,909 | 342,019 | 340,520 |
| Accumulated deficit | (226,513) | (224,534) | (217,159) | (217,573) |
| Accumulated other comprehensive income | (2,830) | (2,457) | 1,340 | 2,120 |
| Total shareholders' deficit | 119,933 | 120,921 | 126,203 | 125,055 |
| **Total Liabilities, Preferred Stock and Shareholders' Deficit** | **371,883** | **358,865** | **342,745** | **232,690** |
| CURRENT RATIO: Current Assets/Current Liabilities | 0.89 | 0.62 | 3.88 | 1.55 |
| LEVERAGE: Total Liabilities/Total Assets | 67.75% | 66.30% | 63.18% | 46.26% |

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

| | 03/31/09 | 12/31/08 | 03/31/08 | 12/31/07 |
|---|---|---|---|---|
| Net cash inflow/(outflow) from operating activities | 8,964 | 45,614 | 11,036 | 38,641 |
| Net cash inflow/(outflow) from investing activities | (23,734) | (154,710) | (24,908) | (33,933) |
| Net cash inflow/(outflow) from financing activities | 22,500 | 78,863 | 78,011 | 36,563 |
| Net increase in cash and cash equivalents | 7,730 | (30,233) | 64,138 | 41,271 |
| Effect of exchange rate charges on cash | (15) | (656) | (184) | 653 |
| Cash and cash equivalents - beginning of the period | 14,706 | 45,595 | 45,595 | 3,671 |
| Cash and cash equivalents - end of the period | 22,421 | 14,706 | 109,549 | 45,595 |

**R.R. Donnelley & Sons**

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

Assessment: R.R. Donnelley was ranked number one in the publishing and printing industry with a Fortune 500 ranking of 229 in 2008, and has locations throughout the United States, Europe, Mexico, South America, and China. The Company reported a loss in both 2007 and in 2008. However, there is no indication at this time that it will be unable to meet its contractual obligations to the TSP.

Current Financial Condition: Income Statement: For the quarter ending March 31, 2009, the Company reported net earnings of $13.9 million, compared to net earnings of $182.5 million for the first quarter of 2008. As of March 31, 2009, the Company recorded net restructuring charges of $39.0 million for employee termination costs for 2,693 employees, of whom 1,709 were terminated as of March 31, 2009 related to closings of two catalog, magazine and retail insert manufacturing facilities, one book manufacturing facility and one digital solutions facility in the U.S. In addition, the Company also announced closings of one Global Turnkey Solutions manufacturing facility and one European manufacturing facility. The Company incurred other restructuring charges, including lease termination and other facility closure costs of $2.4 million in the first quarter of 2009. The Company also recorded $12.8 million of impairment charges for machinery and equipment associated with the facility closings in this period.

- Balance Sheet: As of March 31, 2009, $9.6 billion of Total Assets were reported, increased from $9.5 billion reported at year-end 2008. Total Liabilities of $7.4 billion were reported, an increase from $7.2 billion reported at year-end 2008.

- Cash Flow: As of March 31, 2009, the Company reported cash and cash equivalents of $1,027.6 million, a more than three-fold increase from the $324.7 million reported at year-end 2008.

- Current Ratio: As of March 31, 2009, the Current Ratio (Current Assets/Current Liabilities) was 1.5, slightly higher than 1.3 at year-end 2008.

- Leverage: As of March 31, 2009, Total Liabilities were 76.7 percent of Total Assets; compared to 75.6 percent at year-end 2008.

Dun & Bradstreet Credit Score Class: As of June 4, 2009, the credit score was 1 (lowest risk), unchanged from the previous quarter.

Stock Performance: The Company's share price on June 30, 2009 was $11.62. The 52-week range has been from $5.54 to $30.02, where the high was on June 30, 2008, and the low was on March 9, 2009.

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

Significant Events:

- On June 18, 2009, R.R. Donnelley & Sons acquired Prospectus Central, LLC. Located in Fitzgerald, GA, Prospectus Central has powered R.R. Donnelley's RightProspectus offering, which provides mutual fund companies, variable annuity companies, retirement product companies, broker/dealers and clearing firms with cost-effective alternatives for distributing prospectuses to investors.

- On June 10, 2009, Quebecor World rejected R.R. Donnelley & Sons' June 8 proposal to acquire all its assets and assume certain liabilities. R.R. Donnelley's original May 12, 2009 proposal was modified in response to certain Quebecor World creditors and resubmitted on June 2 and June 8 of this year.

- On June 2, 2009, R.R. Donnelley & Sons enhanced its global business services and outsourcing platform by opening of a second facility in Manila, Philippines. With a focus on delivering advanced support services for litigation, review and contract drafting services, the new facility will also offer a broad portfolio of research and creative services to clients across many industries. The new R.R. Donnelley professionals in Manila join more than 60,000 R.R. Donnelley colleagues operating in nearly 40 countries.

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

**R R Donnelley & Sons**
**Income Statement**
**(in $ millions)**

| | **03/31/09** | **12/31/08** | **03/31/08** | **12/31/07** |
|---|---|---|---|---|
| Net sales | 2,455.6 | 11,581.6 | 2,997.1 | 11,587.1 |
| Cost of Sales (excludes Depreciation & Amoritization shown below) | 1,882.8 | 8,576.3 | 2,218.2 | 8,532.4 |
| Selling, General & Administrative Expenses | 283.2 | 1,220.5 | 344.7 | 1,302.3 |
| Restructuring and Impairment Charges - net | 54.2 | 1,184.7 | 6.9 | 839.0 |
| Depreciation & Amortization | 148.0 | 640.6 | 157.6 | 598.3 |
| Total Operating Expenses | 2,368.2 | 11,622.1 | 2,727.4 | 11,272.0 |
| Income from Continuing Operations | 87.4 | (40.5) | 269.7 | 315.1 |
| Interest Expense - net | 59.1 | 226.4 | 57.0 | 227.3 |
| Investment and Other Income (Expense) - net | (0.3) | (2.4) | 4.6 | 3.6 |
| Earnings from Continuing Operations before Income Taxes, and Minority Interest | 28.0 | (269.3) | 217.3 | 91.4 |
| Income Taxes | 11.6 | (83.9) | 35.4 | 136.5 |
| Minority Interest | | 6.3 | | 3.3 |
| Net Earnings from Continuing Operations | 16.4 | (191.7) | 181.9 | (48.4) |
| Income (loss) from Discontinued Operations, net of tax | 0.0 | 1.8 | 0.5 | (0.5) |
| Less: Income (loss) attributable to RR Donnelley common shareholders | (2.5) | - | 0.1 | - |
| Net Income/(Loss) | **13.9** | **(189.9)** | **182.5** | **(48.9)** |

**R R Donnelley & Sons**
**Balance Sheet**
**(in $ millions)**

| | 03/31/09 | 12/31/08 | 03/31/08 | 12/31/07 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | 1,027.6 | 324.0 | 397.7 | 379.0 |
| Restricted cash equivalents | 0.2 | 7.9 | 7.3 | 63.9 |
| Receivables, less allowance for doubtful accounts | 1,706.3 | 1,903.2 | 2,255.3 | 2,181.2 |
| Income taxes receivable | 27.9 | 189.4 | 0.0 | 0.0 |
| Inventories, net | 592.2 | 695.7 | 733.9 | 709.5 |
| Prepaid expenses and other current assets | 88.6 | 104.6 | 83.8 | 85.5 |
| Deferred income taxes | 55.3 | 56.2 | 111.4 | 102.2 |
| Total Current Assets | 3,498.1 | 3,281.0 | 3,589.4 | 3,521.3 |
| Property, plant and equipment net | 2,462.8 | 2,564.0 | 2,788.3 | 2,726.0 |
| Goodwill | 2,431.7 | 2,425.9 | 3,294.0 | 3,264.9 |
| Prepaid pension cost | - | 15.6 | 839.7 | 833.2 |
| Other intangible assets net | 810.5 | 831.1 | 1,315.9 | 1,323.2 |
| Other noncurrent assets | 392.2 | 376.7 | 419.9 | 418.1 |
| **Total Assets** | **9,595.3** | **9,494.3** | **12,247.2** | **12,086.7** |
| **LIABILITIES AND SHAREHOLDER'S EQUITY** | | | | |
| Accounts payable | 718.9 | 767.6 | 950.6 | 954.9 |
| Accrued liabilities | 764.5 | 795.7 | 979.0 | 1,085.3 |
| Short-term and current portion of long-term debt | 826.7 | 923.5 | 893.1 | 725.0 |
| Total Current Liabilities | 2,310.1 | 2,486.8 | 2,822.7 | 2,765.2 |
| Long-term debt | 3,603.3 | 3,203.3 | 3,597.8 | 3,601.9 |
| Pension liability | 482.7 | 491.5 | - | 128.9 |
| Postretirement benefit obligations | 292.5 | 291.9 | 252.6 | 247.9 |
| Deferred income taxes | 255.9 | 260.9 | 898.4 | 872.3 |
| Other noncurrent liabilities | 407.8 | 441.0 | 624.7 | 560.2 |
| Liabilities of discontinued operations | 0.4 | 0.4 | 1.7 | 3.0 |
| **Total Liabilities** | **7,352.7** | **7,175.8** | **8,197.9** | **8,179.4** |
| **SHAREHOLDERS EQUITY** | | | | |
| Common stock | 303.7 | 303.7 | 303.7 | 303.7 |
| Additional paid-in capital | 2,892.2 | 2,885.7 | 2,864.7 | 2,858.4 |
| Retained earnings | 864.6 | 903.8 | 1,439.3 | 1,312.9 |
| Accumulated other comprehensive income | -647.2 | -580.7 | 413.1 | 341.3 |
| Unearned compensation | - | - | - | - |
| Treasury stock, at cost | -1,195.7 | -1,194.0 | -971.5 | -909.0 |
| **Total Shareholders Equity** | **2,217.6** | **2,318.5** | **4,049.3** | **3,907.3** |
| Noncontrolling interests | 25.0 | - | - | - |
| **Total Liabilities and Shareholders Equity** | **9,595.3** | **9,494.3** | **12,247.2** | **12,086.7** |
| CURRENT RATIO: Current Assets/Current Liabilities | 1.5 | 1.3 | 1.3 | 1.3 |
| LEVERAGE: Total Liabilities/Total Assets | 76.6% | 75.6% | 66.9% | 67.7% |

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

| | 03/31/09 | 12/31/08 | 03/31/08 | 12/31/07 |
|---|---|---|---|---|
| Net cash inflow/(outflow) from operating activities from continuing operatio | 538.4 | 1,015.9 | 125.7 | 1,176.1 |
| Net cash inflow/(outflow) from investing activities | (72.2) | (351.2) | (170.0) | (2,510.9) |
| Net cash inflow/(outflow) from financing activities | 249.3 | (676.8) | 48.4 | 1,476.2 |
| | | | | |
| Effect of exchange rate charges on cash | (12.2) | (42.9) | 14.6 | 26.2 |
| Net increase (decrease) in cash and cash equivalents | 703.3 | (55.0) | 18.7 | 167.6 |
| | | | | |
| Cash and cash equivalents - beginning of the period | 324.0 | 379.0 | 379.0 | 211.4 |
| Cash and cash equivalents - end of the period | 1,027.3 | 324.0 | 397.7 | 379.0 |

**MetLife**

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

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

Current Financial Condition: As of March 31, 2009, MetLife reported Total Revenues of $10.2 billion, down 12 percent from the $11.6 billion reported for the same period of 2008.

- Income Statement: As of March 31, 2009, MetLife reported a Net Loss of $574 million, a decrease from Net Income of $625 million reported in the same period of 2008. This is the first loss reported for MetLife since we have done these quarterly assessments.

- Balance Sheet: As of March 31, 2009, Total Assets of $491.4 billion were reported, a decrease of $10.2 billion from $501.7 billion reported at year-end 2008. Total Liabilities were $468.0 billion in the first quarter of 2009, a decrease of $9.7 billion from the $477.7 billion at year-end 2008.

- Cash Flow: The Company's short-term liquidity position, defined as cash and cash equivalents, was $19.4 billion and $24.2 billion at March 31, 2009 and year-end 2008, respectively, which reflected a 20 percent decrease.

- Leverage: As of March 31, 2008, Total Liabilities were 95.2 percent of Total Assets, flat from 95.2 percent at year-end 2008.

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

- Company Ratings: As of May 7, 2009, when MetLife submitted its filing with the SEC, its financial strength ratings were as follows: (unchanged from year-end)

| ***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: As of June 4, 2009, the credit score was 3 (moderate risk), the same as the prior quarter.

Stock Performance: The MetLife closing share price on June 30, 2009, was $30.01. The 52-week range for stock prices was from $11.37 to $65.50; the high was on September 19, 2008, and the low was on March 6, 2009.

SAS 70 Report: There is no SAS report available.

Significant Events:

- On June 30, 2009, MetLife issued $500 million in 10.750 percent Fixed-to-Floating Rate Junior Subordinated Debentures which are due in 2069.

- On June 3, 2009, MetLife Global Funding I launched $1.4 billion in a two-part sale including $1 billion in five-year fixed-rate notes and $400 million in two-year floating rate notes. The joint lead managers on the offering are Barclays, JP Morgan Chase, and UBS.

- On June 2, 2009, A.M. Best Co. has assigned a debt rating of "a-" to the $1.25 billion issue of 6.75 percent of Senior Notes, due 2016 of MetLife, Inc. The rating outlook is stable. Other MetLife ratings are unchanged.

- As of March 31, 2009 and year-end 2008, MetLife had outstanding $5.9 billion and $2.7 billion in short-term debt, respectively, and $11 billion and $9.7 billion in long-term debt, respectively. Short- and long-term debt includes MetLife Bank funding from the Federal Reserve Bank of New York and the Federal Home Loan Bank (FHLB) of NY as well as the above-mentioned advances from the FHLB of Boston.

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

**MetLife, Inc**
**Income Statement**
**(in $ millions)**

| | 03/31/09 | 12/31/08 | 03/31/08 | 12/31/07 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Premiums | 6,122 | 25,914 | 6,291 | 27,895 |
| Universal life and investment type product policy fees | 1,183 | 5,381 | 1,397 | 5,311 |
| Net investment income | 3,263 | 16,296 | 4,297 | 19,006 |
| Other revenues | 554 | 1,586 | 369 | 1,533 |
| Net investment gains (losses) | (906) | 1,812 | (730) | (738) |
| **Total Revenues** | **10,216** | **50,989** | **11,624** | **53,007** |
| **Expenses** | | | | |
| Policyholder benefits and claims | 6,582 | 27,437 | 6,583 | 27,828 |
| Interest credited to policyholder account balances | 1,168 | 4,787 | 1,233 | 5,741 |
| Policyholder dividends | 424 | 1,751 | 429 | 1,726 |
| Other expenses | 3,002 | 11,924 | 11,924 | 11,673 |
| **Total Expenses** | **11,176** | **45,899** | **20,169** | **46,968** |
| Income from continuing operations before provision for income taxes | (960) | 5,090 | 832 | 6,039 |
| Provision for income taxes | (376) | 1,580 | 207 | 1,759 |
| **Income from continuing operations** | **(584)** | **3,510** | **625** | **4,280** |
| Less: Net income (loss) attributable to noncontrolling interests | (4) | - | 12 | - |
| Income(loss) from discontinued operations, net of income taxes | 36 | (301) | 35 | 37 |
| Income before cumulative effect of a change in accounting, net of income taxes | (544) | 3,209 | 648 | 4,317 |
| Less: Preferred Stock Dividends | 30 | - | 33 | - |
| Cumulative effect of a change in accounting, net of income taxes | - | - | - | - |
| **Net income/(loss)** | **(574)** | **3,209** | **615** | **4,317** |
| Preferred stock dividends | - | 125 | - | 137 |
| Net income available to common shareholders | **(574)** | **3,084** | **615** | **4,180** |

**MetLife, inc.**
**Balance Sheet**
**(in $ millions)**

| | 03/31/09 | 12/31/08 | 03/31/08 | 12/31/07 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Investments: | | | | |
| Fixed maturities | 191,415 | 188,251 | 244,088 | 242,242 |
| Trading securities | 922 | 946 | 808 | 779 |
| Equity securities | 2,817 | 3,197 | 5,533 | 6,050 |
| Mortgage and consumer loans | 53,044 | 51,364 | 47,777 | 47,030 |
| Policy loans | 9,851 | 9,802 | 10,739 | 10,419 |
| Real estate and real estate joint ventures held for investment | 7,380 | 7,585 | 6,962 | 6,597 |
| Real estate held for sale | 1 | 1 | 1 | 172 |
| Other limited partnership interests | 5,365 | 6,039 | 6,349 | 6,155 |
| Short term investments | 10,896 | 13,878 | 2,612 | 2,648 |
| Other invested assets | 15,130 | 17,248 | 14,357 | 12,642 |
| Total investments | 296,821 | 298,311 | 339,226 | 334,734 |
| Cash and cash equivalents | 19,424 | 24,207 | 10,874 | 10,368 |
| Accrued investment income | 3,142 | 3,061 | 3,382 | 3,630 |
| Premiums and other receivables | 18,514 | 16,973 | 14,998 | 14,607 |
| Deferred policy acquisition costs | 20,754 | 20,144 | 22,085 | 21,521 |
| Current income taxes recoverable | - | - | 430 | 303 |
| Deferred income tax assets | 6,349 | 4,927 | - | - |
| Assets of subsidiaries held for sale | - | 946 | - | - |
| Goodwill | 5,010 | 5,008 | 5,094 | 4,910 |
| Other assets | 7,028 | 7,262 | 8,473 | 8,330 |
| Separate account assets | 114,366 | 120,839 | 152,570 | 160,159 |
| **Total Assets** | **491,408** | **501,678** | **557,132** | **558,562** |
| **LIABILITIES AND SHAREHOLDER'S EQUITY** | | | | |
| Future policy benefits | 131,609 | 130,555 | 134,047 | 132,262 |
| Policyholder account balances | 148,568 | 149,805 | 141,530 | 137,349 |
| Other policyholder funds | 8,136 | 7,762 | 10,631 | 10,176 |
| Policyholder dividends payable | 846 | 1,023 | 993 | 994 |
| Policyholder dividend obligation | - | - | 119 | 789 |
| Short term debt | 5,878 | 2,659 | 632 | 667 |
| Long term debt | 11,042 | 9,667 | 9,652 | 9,628 |
| Collateral financing arragements | 5,242 | 5,192 | 5,792 | 5,732 |
| Junior subordinated debt securities | 2,691 | 3,758 | 4,474 | 4,474 |
| Shares subject to mandatory redemption | - | - | 159 | 159 |
| Liabilities of subsidiaries held for sale | - | 748 | - | - |
| Current income taxes payable | 635 | 342 | - | - |
| Deferred income taxes payable | | - | 1,462 | 2,457 |
| Payables for collateral under securities loaned and other transactions | 24,341 | 31,059 | 46,649 | 44,136 |
| Other liabilities | 14,625 | 14,284 | 15,423 | 14,401 |
| Separate account liabilities | 114,366 | 120,839 | 152,570 | 160,159 |
| **Total Liabilities** | **467,979** | **477,693** | **524,133** | **523,383** |
| **STOCKHOLDERS EQUITY** | | | | |
| Preferred stock | 1 | 1 | 1 | 1 |
| Common stock | 8 | 8 | 8 | 8 |
| Additional paid in capital | 16,860 | 15,811 | 17,600 | 17,098 |
| Retained earnings | 21,829 | 22,403 | 20,526 | 19,884 |
| Treasury stock, at cost | (230) | (236) | (4,108) | (2,890) |
| Accumulated other comprehensive income (loss) | (15,358) | (14,253) | (1,028) | 1,078 |
| **Total Stockholders Equity** | **23,110** | **23,734** | **32,999** | **35,179** |
| Noncontrolling interests | 319 | 251 | | |
| Total Equity | 23,429 | 23,985 | 32,999 | 35,179 |
| **Total Liabilities and Stockholders Equity** | **491,408** | **501,678** | **557,132** | **558,562** |
| LEVERAGE: Total Liabilities/Total Assets | 95.23% | 95.22% | 94.08% | 93.70% |

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

| | 03/31/09 | 12/31/08 | 03/31/08 | 12/31/07 |
|---|---|---|---|---|
| Net cash inflow/(outflow) from operating activities | (985) | 10,703 | 3,543 | 9,962 |
| Net cash nflow/(outflow) from in investing activities | (1,618) | (2,671) | (7,738) | (10,644) |
| Net cash nflow/(outflow) from financing activities | (2,168) | 6,188 | 4,654 | 3,943 |
| Change in cash and cash equivalents | (4,815) | 13,871 | 506 | 3,261 |
| | | | | |
| Cash and cash equivalents - beginning of the period | 24,239 | 10,368 | 10,368 | 7,107 |
| Cash and cash equivalents - end of the period | 19,424 | 24,239 | 10,874 | 10,368 |

**The Active Network, Inc.**

General Information: The Active Network, Inc. purchased the InfoSpherix division from Spherix in August 2007. A new contract was awarded October 10, 2008 that became effective in March 2009.

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 services in North America, Europe, China, and Australia/New Zealand, managing online entry, software needs and websites for over 1,000 events, tournaments, golf courses and facilities in these regions. About 99 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, Inc. was founded in 1998 and has shown a pattern of rapid growth through acquisition. During the period 2004-2007, 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. Ranked by percentage revenue growth over five years, the Company grew 576 percent from 2003 to 2007 and captured 285th place overall on Deloitte's 2008 Technology Fast 500 list.

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.

Dun & Bradstreet Credit Score Class: As of June 4, 2009, the credit score was 2 (slight risk) unchanged from the previous quarter.

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

SAS 70 Report: The Company does not have this report at this time but is in the process of establishing a project plan to obtain it in the future.

Significant Events:

- As of June 9, 2009, Active.com® division has been selected as the technology provider for iHoops, the official youth basketball initiative of the NCAA and NBA, and will be launched this fall. iHoops will provide supporting services and programs for youth

**BlackRock, Inc.**

General Information: BlackRock, Inc., founded in 1988 in New York, is one of the leading investment management companies in the U.S. The firm's products include a spectrum of fixed income and mutual funds, as well as investment tools, outsourcing and advisory services to institutional investors. It also offers risk management and investment technology services to insurance companies, finance companies, pension funds, foundations, REITs, commercial and mortgage banks, savings institutions and government agencies. These services are provided under the brand name BlackRock Solutions to clients in over 60 countries, primarily the United States, the United Kingdom, Japan and Australia.

Significant Events:

- On June 16, 2009, BlackRock, Inc. announced that it received written notice from Barclays PLC that Barclays' Board of Directors accepted BlackRock, Inc.'s offer to acquire Barclays Global Investors ("BGI"). Barclays also notified BlackRock, Inc. that its Board will recommend the transaction to Barclays' shareholders for approval at a special meeting to be held in early August 2009. The TSP assets in four investment funds are managed by BGI. BlackRock, Inc. agreed to acquire the Global Investors business from Barclays in a cash and stock deal that will boost client assets under management to about \$2.7 trillion, making the firm the largest of its type in the world. The transaction is subject to approval by Barclays' shareholders and regulators, and is expected to close in the fourth quarter, giving Barclays a 19.9% stake in BlackRock, Inc.

- On May 21, 2009, BlackRock, Inc. announced that its Board of Directors declared a quarterly cash dividend of \$0.78 per share of common stock, which was paid on June 23, 2009 to shareholders of record at the close of business on June 8, 2009.

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

| | 03/31/09 | 12/31/08 | 3/31/2008 | 12/31/2007 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Investment advisory and administration base fees | | | | |
| Related parties | $507 | $2,961 | $802 | $2,640 |
| Other third parties | 292 | 1,271 | 330 | 1,370 |
| Investment advisory performance fees | 11 | 177 | 42 | 350 |
| Investment advisory and administration base and performance fees | 810 | 4,409 | 1,174 | 4,360 |
| BlackRock Solutions and advisory | 140 | 406 | 60 | 198 |
| Distribution fees | 25 | 139 | 35 | 123 |
| Other revenue | 12 | 110 | 31 | 164 |
| Total revenue | 987 | 5,064 | 1,300 | 4,845 |
| **Expenses** | | | | |
| Employee compensation and benefits | 351 | 1,815 | 469 | 1,767 |
| Portfolio administration and servicing costs | | - | | |
| Related parties | 104 | 102 | 132 | 78 |
| Other third parties | 25 | 495 | 24 | 470 |
| Amortization of deferred mutual fund sales commissions | 27 | 130 | 30 | 108 |
| General and administration | 151 | 745 | 212 | 870 |
| Restructuring charges | 22 | 38 | - | - |
| Amortization of intangible assets | 36 | - | 37 | 130 |
| Termination of closed-end fund administration and servicing | - | 146 | | 128 |
| Fee sharing | - | - | | - |
| Total expenses | 716 | 3,471 | 904 | 3,551 |
| Operating income | 271 | 1,593 | 396 | 1,294 |
| **Non-operating income (expense)** | | | | |
| Net gain (loss) on investments | (172) | (573) | (20) | 504 |
| Interest and dividend income | 8 | 65 | 18 | 74 |
| Interest expense | (15) | (66) | (18) | (49) |
| Total non-operating income (expense) | (179) | (574) | (20) | 529 |
| Income before income taxes | 92 | 1,019 | 376 | 1,823 |
| Income tax expense | 30 | 388 | 130 | 464 |
| Net income | 62 | 631 | 246 | 1,359 |
| Less: Net income (loss) attributable to non-controlling interests | (22) | (155) | (20) | 364 |
| **Net income attributable to BlackRock, Inc.** | **84** | **786** | **266** | **995** |

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

| | 03/31/09 | 12/31/2008 | 3/31/2008 | 12/31/2007 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 1,793 | 2,032 | 1,194 | 1,656 |
| Accounts receivable | 953 | 901 | 1,491 | 1,236 |
| Due from related parties | 110 | 309 | 254 | 175 |
| Investments | 1,137 | 1,429 | 1,923 | 2,000 |
| Separate account assets | 2,452 | 2,623 | 4,148 | 4,670 |
| Deferred mutual fund sales commissions, net | 120 | 135 | 170 | 175 |
| Property and equipment (net of accumulated depreciation of $277 at March 31, 2009 and $259 at December 31, 2008) | 256 | 260 | 271 | 266 |
| Intangible assets (net of accumulated amortization of $360 at March 31, 2009 and $324 at December 31, 2008) | 6,405 | 6,441 | 6,544 | 6,553 |
| Goodwill | 5,736 | 5,533 | 5,500 | 5,520 |
| Other assets | 261 | 261 | 322 | 310 |
| Total assets | **19,223** | **19,924** | **21,816** | **22,561** |
| **Liabilities** | | | | |
| Accrued compensation and benefits | 221 | 826 | 419 | 1,087 |
| Accounts payable and accrued liabilities | 551 | 545 | 1,104 | 789 |
| Due to related parties | 116 | 103 | 112 | 114 |
| Short-term borrowings | 200 | 200 | 300 | 300 |
| Convertible debentures | 246 | 245 | - | - |
| Long-term borrowings | 697 | 697 | 947 | 947 |
| Separate account liabilities | 2,452 | 2,623 | 4,148 | 4,670 |
| Deferred tax liabilities | 1,783 | 1,826 | 2,019 | 2,060 |
| Other liabilities | 546 | 299 | 374 | 420 |
| Total liabilities | 6,812 | 7,364 | 9,423 | 10,387 |
| **Commitments and contingencies (Note 13)** | | | | |
| **Temporary equity** | | | | |
| Redeemable non-controlling interests | 134 | 266 | 579 | 578 |
| Convertible debentures | 3 | - | - | - |
| Total temporary equity | 137 | 266 | 579 | 578 |
| **Permanent Equity** | | | | |
| BlackRock, Inc. stockholders' equity | | | | |
| Common stock, $0.01 par value; Shares authorized: 500,000,000 at March 31, 2009 and December 31, 2008; Shares issued: 48,301,735 at March 31, 2009 and 118,573,367 at December 31, 2008; Shares outstanding: 47,161,099 at March 31, 2009 and 117,291,110 at December 31, 2008 | - | 1 | 1 | 1 |
| Preferred stock (Note 12) | 1 | - | - | - |
| Additional paid-in capital | 10,471 | 10,473 | 10,294 | 10,274 |
| Retained earnings | 1,961 | 1,982 | 1,760 | 1,622 |
| Accumulated other comprehensive (loss) | (192) | (186) | 92 | 71 |
| Escrow shares, common, at cost (911,266 shares held at March 31, 2009 and December 31, 2008) | (143) | (143) | (188) | (188) |
| Treasury stock, common, at cost (229,370 and 370,991 shares held at March 31, 2009 and December 31, 2008, respectively) | (25) | (58) | (144) | (184) |
| Total BlackRock, Inc. stockholders' equity | 12,073 | 12,069 | 11,814 | 11,596 |
| Nonredeemable non-controlling interests | 201 | 224 | - | - |
| Total permanent equity | 12,274 | 12,293 | 11,814 | 11,596 |
| Total liabilities, temporary equity and permanent equity | **19,223** | **19,923** | **21,816** | **22,561** |
| | | | | |
| Total liabilities/Total assets | 35.4% | 37.0% | 43.2% | 46.0% |

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

| | 03/31/09 | 12/31/08 | 3/31/2008 | 12/31/2007 |
|---|---|---|---|---|
| Net cash inflow/(outflow) from operating activities | (126) | 1,916 | (130) | 587 |
| Net cash inflow/(outflow) from investing activities | 104 | (394) | (134) | (1,068) |
| Net cash inflow/(outflow) from financing activities | (201) | (887) | (205) | 959 |
| Change in cash and cash equivalents | (239) | 376 | (462) | 496 |
| Cash and cash equivalents - beginning of the period | 2,032 | 1,656 | 1,656 | 1,160 |
| Cash and cash equivalents - end of the period | **1,793** | **2,032** | **1,194** | **1,656** |