



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

April 8, 2011

MEMORANDUM FOR THE EXECUTIVE DIRECTOR

FROM: JAMES B. PETRICK   
CHIEF FINANCIAL OFFICER

SUBJECT: QUARTERLY FINANCIAL ASSESSMENT OF TSP'S PRIMARY  
VENDORS – YEAR END 2010

The Board has requested that each quarter we review the TSP's primary vendors and report on their financial standing. This quarter, we have again reviewed Serco Group, BlackRock Inc., Equinix Inc., R.R. Donnelley & Sons, MetLife, and The Active Network, Inc.

For each vendor we have analyzed the following:

1. Current Financial Condition:

Our financial analysis consists of a review of the vendor's key financial statistics from their current income statement and balance sheet for the most recent quarter available to determine their overall financial stability. For this report, we are using available data for the period through December 31, 2010. We determine whether there is evidence of stable or growing income (i.e., the profitability of the company). We also review the current balance sheet to determine: 1) the current ratio of assets to liabilities to ascertain the vendor's ability to meet short term liquidity needs, and 2) the ratio of total debt to total assets to ascertain the prospects for longer term profitability. Then, we look for significant changes from prior to current periods to identify trends that may require further explanation. For comparative purposes, we have included information from the twelve months of 2010, year-end 2009, and year-end 2008.

2. Dun & Bradstreet Credit Score:

We continue our practice of reviewing the Dun & Bradstreet credit scores. These scores predict the likelihood of a firm paying in a severely delinquent manner (90+ days past term) over the next twelve months. The score range is 1-5 with 1 being the lowest risk and 5 the highest risk of the firm paying in a severely delinquent manner. While this score has some descriptive value in terms of the firm's current relationship with its credi-

tors and can disclose potential financial problems, it should only be considered one part of a firm's overall financial picture.

### 3. Significant Events:

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

### 4. Risk Mitigation:

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

### Attachments

## **Serco Services Inc. (a subsidiary of Serco Group plc)**

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

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

Assessment: Serco Services Inc. has an extensive portfolio of Federal government contracts, and serves all branches of the U.S. military, numerous civilian agencies and the intelligence community. Serco continues to be a profitable and growing company, with an addressable share in the Federal services market is valued at US\$150 billion per annum out of a total of US\$300 billion. We find no indication at this time that Serco Services Inc. is unable to fulfill its contractual obligations to the TSP.

### Current Financial Condition:

- **Income Statement:** Serco Group plc reported 2010 audited year-end revenues of £4.3 billion, compared to 2009 audited year-end revenues of £4.0 billion, an increase of 9 percent. In the Americas, year-end 2010 revenues were £953.9 million compared with £872.6 million at year-end 2009, an increase of 9 percent.
- **Balance Sheet:** As of December 31, 2010, Total Assets of £2.5 billion were reported, flat from the £2.5 billion reported at year-end 2009. Total Liabilities were £1.7 billion, a 9 percent decrease from the £1.8 billion reported at year-end 2009.
- **Cash Flow:** At December 31, 2010, Serco Group plc reported a cash balance of £279.3 million compared to £319.4 million at year-end 2009, reflecting a 13 percent decrease.
- **Current Ratio (Current Assets/Current Liabilities)** decreased to 1.1 as of December 31, 2010, from 1.2 at year-end 2009.

- **Leverage:** As of December 31, 2010, Total Liabilities as a percent of Total Assets were 67 percent, a decrease from 73 percent reported at year-end 2009.

**Dun & Bradstreet Credit Score Class:** As of March 31, 2011, the credit score for Serco Services Inc. as the U.S. subsidiary of Serco Group plc, was 3 (moderate risk) compared to a credit score of 2 (slight risk) reported in the prior quarter.

**Stock Performance:** Serco Group plc's closing share price on March 31, 2011, was £558.0, down from its 52-week high of £651.0 on April 26, 2010. The 52-week low was £529.50 on February 23, 2011.

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

#### Significant Events:

- On February 22, 2011, Serco announced that James Morgan joined the Company as Executive Vice President and Chief Financial Officer. Mr. Morgan will report to Serco's Chairman and CEO Ed Casey.
- On January 31, 2011, Serco announced that the U.S. Navy's Space and Naval Warfare Systems Command (SPAWAR) named the Company as one of four award winners for an ID/IQ contract to install and test C4ISR systems. The contract has a ceiling value of \$1.4 billion over a three-year base period with a two-year option period.

**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) Jacob and Sundstrom Inc. to continue systems programming and possibly expand support to data center operations, and; b) SunGard to continue incoming mail, data entry, and other operations as well as for expanded capabilities to maintain the TSP record keeping system, accounting, legal, and Agency interface operations.

If Serco Services Inc. were unable to operate the Virginia call center, The Active Network, Inc.'s call center in Maryland, could serve as a temporary backup.

The Agency is continuing to develop the requirements for a new statement of work (SOW) for the recompetition of Serco record keeping services. This effort was delayed due to relocating the Agency's primary data center while keeping the TSP modernization initiative on track. However, we have recently engaged a contractor to perform acquisition planning for recompetition of this contract. We are currently planning to conduct the competition in CY 2012.

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

|  | 12/31/2010     | 12/31/2009     | 12/31/2008     |
|--|----------------|----------------|----------------|
|  | Audited        | Audited        | Audited        |
| Revenue  | 4,326.7        | 3,970.0        | 3,123.5        |
| Cost of sales  | (3,682.4)      | (3,383.2)      | (2,666.7)      |
| <b>Gross profit</b>  | <b>644.3</b>   | <b>586.8</b>   | <b>456.8</b>   |
| Administrative expenses  | (385.6)        | (357.1)        | (291.6)        |
| Other expenses – amortisation of<br>intangibles arising on acquisition | (17.4)         | (17.6)         | (9.2)          |
| <b>Total administrative expenses</b>                                   | <b>(403.0)</b> | <b>(374.7)</b> | <b>(300.8)</b> |
| <b>Operating profit</b>  | <b>241.3</b>   | <b>212.1</b>   | <b>156.0</b>   |
| Investment revenue and finance costs                                   | (27.4)         | (35.0)         | (19.9)         |
| <b>Profit before tax</b>   | <b>213.9</b>   | <b>177.1</b>   | <b>136.1</b>   |
| Tax  | (57.1)         | (46.9)         | (36.5)         |
| <b>Profit for the period</b>   | <b>156.8</b>   | <b>130.2</b>   | <b>99.6</b>    |



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

|   | 12/31/2010     | 12/31/2009     | 12/31/2008     |
|---|----------------|----------------|----------------|
|   | Audited        | Audited        | Audited        |
| <b>Assets</b>                                       |                |                |                |
| <b>Current assets</b>                               |                |                |                |
| Cash and cash equivalents                           | 279.3          | 319.4          | 250.8          |
| Derivative financial instruments                    | 3.9            | 1.4            | 5.0            |
| Trade and other receivables                         | 790.2          | 720.9          | 725.7          |
| Inventories   | 65.4           | 65.9           | 50.2           |
| Total current assets                                | 1,138.8        | 1,107.6        | 1,031.7        |
| <b>Non-current assets</b>                           |                |                |                |
| Goodwill  | 899.5          | 898.4          | 963.2          |
| Other intangible assets                             | 145.0          | 164.4          | 192.7          |
| Property, plant and equipment                       | 135.4          | 129.2          | 115.4          |
| Trade and other receivables                         | 156.7          | 181.4          | 121.1          |
| Retirement benefit assets                           | -              | -              | 62.4           |
| Deferred tax assets                                 | 38.1           | 48.0           | 20.0           |
| Derivative financial instruments                    | 3.5            | 2.5            | 5.6            |
| Total non-current assets                            | 1,378.2        | 1,423.9        | 1,480.4        |
| <b>Total assets</b>                                 | <b>2,517.0</b> | <b>2,531.5</b> | <b>2,512.1</b> |
| <b>Liabilities</b>                                  |                |                |                |
| <b>Current liabilities</b>                          |                |                |                |
| Trade and other payables                            | 805.5          | 771.6          | 756.2          |
| Current tax liabilities                             | 19.5           | 14.1           | 19.5           |
| Obligations under finance leases                    | 7.1            | 6.0            | 4.5            |
| Loans   | 159.5          | 110.7          | 36.8           |
| Derivative financial instruments                    | 2.4            | 5.5            | 4.2            |
| Total current liabilities                           | 994.0          | 907.9          | 821.2          |
| <b>Non-current liabilities</b>                      |                |                |                |
| Trade and other payables                            | 22.2           | 23.1           | 32.7           |
| Obligations under finance leases                    | 19.3           | 18.0           | 12.7           |
| Loans   | 354.6          | 543.2          | 710.9          |
| Derivative financial instruments                    | 5.2            | 1.7            | 0.4            |
| Retirement benefit obligations                      | 226.2          | 294.2          | 177.1          |
| Provisions  | 39.6           | 42.3           | 45.9           |
| Deferred tax liabilities                            | 14.6           | 9.0            | 25.9           |
| Total Long-term liabilities                         | 681.7          | 931.5          | 1,005.6        |
| <b>Total liabilities</b>                            | <b>1,675.7</b> | <b>1,839.4</b> | <b>1,826.8</b> |
| <b>Equity</b>                                       |                |                |                |
| Share capital                                       | 9.9            | 9.8            | 9.7            |
| Share premium account                               | 306.7          | 304.1          | 301.1          |
| Capital redemption reserve                          | 0.1            | 0.1            | 0.1            |
| Retained earnings                                   | 568.5          | 444.1          | 339.8          |
| Retirement benefit obligations reserve              | (142.8)        | (150.0)        | (47.7)         |
| Share-based payment reserve                         | 58.7           | 49.6           | 40.0           |
| Own shares reserve                                  | (27.5)         | (13.0)         | (19.7)         |
| Hedging and translation reserve                     | 67.7           | 47.3           | 61.9           |
| Equity attributable to equity holders of the parent | 841.3          | 692.0          | 685.2          |
| Minority interest                                   | -              | 0.1            | 0.1            |
| <b>Total equity</b>                                 | <b>841.3</b>   | <b>692.1</b>   | <b>685.3</b>   |
| <b>Total liabilities and shareholders' equity</b>   | <b>2,517.0</b> | <b>2,531.5</b> | <b>2,512.1</b> |
| Current ratio: Current assets/Current liabilities   | 1.1            | 1.2            | 1.3            |
| Leverage: Total liabilities/Total assets            | 66.6%          | 72.7%          | 72.7%          |

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

|   | 12/31/2010<br>Audited | 12/31/2009<br>Audited | 12/31/2008<br>Audited |
|---|-----------------------|-----------------------|-----------------------|
| <b>Net cash inflow/(outflow) from operating activities</b>                  | <b>241.0</b>          | <b>235.1</b>          | <b>162.6</b>          |
| <b>Investing activities</b>   |                       |                       |                       |
| Interest received   | 3.3                   | 2.1                   | 7.3                   |
| Proceeds from disposal of subsidiary and business undertakings              | -                     | 0.6                   | 1.9                   |
| Proceeds from disposal of intangible assets                                 | 7.3                   | -                     | -                     |
| Proceeds from disposal of property, plant and equipment                     | 6.1                   | 3.7                   | 17.5                  |
| Acquisition of subsidiaries and business undertakings, net of cash acquired | (2.1)                 | (14.7)                | (322.2)               |
| Purchase of other intangible assets   | (20.9)                | (17.3)                | (20.4)                |
| Purchase of property, plant and equipment                                   | (35.4)                | (38.9)                | (32.6)                |
| <b>Net cash inflow/(outflow) from investing activities</b>                  | <b>(41.7)</b>         | <b>(64.5)</b>         | <b>(348.5)</b>        |
| <b>Financing activities</b>   |                       |                       |                       |
| Interest paid   | (27.9)                | (33.6)                | (30.3)                |
| Dividends paid  | (32.3)                | (25.9)                | (21.6)                |
| Non-controlling interest dividends paid                                     | (0.2)                 | -                     | -                     |
| Cash inflow from matured derivative financial instruments                   | 1.6                   | -                     | -                     |
| Repayment of borrowings   | (167.8)               | (66.8)                | (78.6)                |
| New loan advances   | 10.1                  | 33.8                  | 397.4                 |
| Capital element of finance lease repayments                                 | (8.7)                 | (5.7)                 | (8.6)                 |
| Purchase of own shares for employee benefit trust (ESOP)                    | (23.0)                | (2.4)                 | (9.2)                 |
| Proceeds from issue of share capital  | 8.3                   | 10.4                  | 5.4                   |
| Repayment of non recourse loans   | (7.6)                 | (6.5)                 | (7.5)                 |
| Other financing   | -                     | -                     | (17.0)                |
| <b>Net cash inflow/(outflow) from financing activities</b>                  | <b>(247.5)</b>        | <b>(96.7)</b>         | <b>230.0</b>          |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                 | <b>(48.2)</b>         | <b>73.9</b>           | <b>44.1</b>           |
| Cash and cash equivalents at beginning of period                            | 319.4                 | 250.8                 | 185.0                 |
| Net exchange gain(loss)   | 8.1                   | (5.3)                 | 21.7                  |
| <b>Cash and cash equivalents at end of period</b>                           | <b>279.3</b>          | <b>319.4</b>          | <b>250.8</b>          |

## **BlackRock, Inc.**

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

As of December 31, 2010, BlackRock's assets under management totaled \$3.56 trillion across equity, fixed income, cash management, alternative investments, real estate, and advisory strategies. BlackRock is publicly-traded, with Bank of America, PNC Financial Services, and Barclays PLC holding 7.1%, 20.3%, and 19.7% respectively, with the remainder owned by institutional and individual investors, as well as BlackRock employees. The company acquired Barclays Global Investors (BGI) in December 2009 under the BlackRock name, making it the largest money manager in the world.

### Current Financial Condition:

- **Income Statement:** For CY 2010, BlackRock reported total revenue of \$8.6 billion which increased 83 percent from \$4.7 billion in 2009. The Company reported a Net Income of \$2.1 billion, up 136 percent from a Net Income of \$875 million reported for the same period in 2009.
- **Balance Sheet:** As of December 31, 2010, Total Assets of \$178.5 billion were reported, an increase of \$335 million from \$178.1 billion reported at year-end 2009. Total Liabilities reported were \$152.1 billion, down \$1.4 billion from the \$153.5 billion reported at year-end 2009.
- **Cash Flow:** As of December 31, 2010, the Company reported cash and cash equivalents of \$3.4 billion, a decrease of \$1.3 billion from the \$4.7 billion reported at year-end 2009.
- **Leverage:** As of December 31, 2010, Total Liabilities reported were 85 percent of Total Assets, compared to 86 percent at year-end 2009.
- **Current Ratio:** N.A. (BlackRock does not present current assets and current liabilities in its balance sheet presentation).

Dun & Bradstreet Credit Score Class: As of March 31, 2011, the credit score was 3 (moderate risk), unchanged from the previous quarter.



Stock Performance: BlackRock's closing share price on March 31, 2011, was \$201.01, down from its 52-week high of \$212.27 on March 31, 2010. The 52-week low was \$138.42 on July 1, 2010.

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

Significant Events:

- On February 28, 2011, BlackRock, Inc. and NTR plc formed a strategic relationship agreement to launch a new renewable power investment group, which currently manages over \$110 billion of assets across a range of alternative investment strategies.
- On February 24, 2011, BlackRock Inc. announced that its board raised the quarterly dividend by 37.5% to \$1.375 a share from \$1 a share in the previous quarter. The dividend was paid on March 23, 2011 to shareholders of record at the close of business on March 7, 2011.

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

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

|   | 12/31/10     | 12/31/09   | 12/31/08   |
|---|--------------|------------|------------|
|   | Audited      | Audited    | Audited    |
| <b>Revenue</b>  |              |            |            |
| Investment advisory, administration fees and securities lending revenue       |              |            |            |
| Related parties   | 4,893        | 2,616      | 2,962      |
| Other third parties   | 2,397        | 1,210      | 1,295      |
| Total investment advisory, administration fees and securities lending revenue | 7,290        | 3,826      | 4,257      |
| Investment advisory performance fees  | 540          | 202        | 177        |
| <i>BlackRock Solutions</i> and advisory                                       | 460          | 477        | 393        |
| Distribution fees   | 116          | 100        | 139        |
| Other revenue   | 206          | 95         | 98         |
| Total revenue   | 8,612        | 4,700      | 5,064      |
| <b>Expenses</b>   |              |            |            |
| Employee compensation and benefits  | 3,097        | 1,802      | 1,815      |
| Distribution and servicing costs  |              |            |            |
| Related parties   | 226          | 368        | 495        |
| Other third parties   | 182          | 109        | 96         |
| Amortization of deferred mutual fund sales commissions                        | 102          | 100        | 130        |
| Direct fund expenses  | 493          | 95         | 86         |
| General and administration  | 1,354        | 779        | 665        |
| Restructuring charges   | -            | 22         | 38         |
| Amortization of intangible assets   | 160          | 147        | 146        |
| Total expenses  | 5,614        | 3,422      | 3,471      |
| Operating income  | 2,998        | 1,278      | 1,593      |
| <b>Non-operating income (expense)</b>   |              |            |            |
| Net gain (loss) on investments  | 179          | 42         | (573)      |
| Net gain (loss) on consolidated variable interest entities                    | (35)         | -          | -          |
| Interest and dividend income  | 29           | 20         | 65         |
| Interest expense  | (150)        | (68)       | (69)       |
| Total non-operating income (expense)  | 23           | (6)        | (577)      |
| Income before income taxes  | 3,021        | 1,272      | 1,016      |
| Income tax expense  | 971          | 375        | 387        |
| Net income  | 2,050        | 897        | 629        |
| Less:   |              |            |            |
| Net income (loss) attributable to redeemable non-controlling interests        | 3            | 2          | (1)        |
| Net income (loss) attributable to nonredeemable non-controlling interests     | (16)         | 20         | (154)      |
| <b>Net income attributable to BlackRock, Inc.</b>                             | <b>2,063</b> | <b>875</b> | <b>784</b> |

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

|  | 12/31/10       | 12/31/09       | 12/31/08      |
|--|----------------|----------------|---------------|
|  | Audited        | Audited        | Audited       |
| <b>Assets</b>  |                |                |               |
| Cash and cash equivalents  | 3,367          | 4,708          | 2,032         |
| Accounts receivable  | 2,095          | 1,718          | 901           |
| Due from related parties   | 150            | 189            | 309           |
| Investments  | 1,540          | 1,049          | 1,429         |
| Assets of consolidated variable interest entities                                  |                |                |               |
| Cash and cash equivalents  | 93             | -              | -             |
| Bank loans and other investments   | 1,312          | -              | -             |
| Separate account assets  | 121,137        | 119,629        | 2,623         |
| Collateral held under securities lending agreements                                | 17,638         | 19,335         | -             |
| Deferred mutual fund sales commissions, net  | 66             | 103            | 135           |
| Property and equipment (net of accumulated depreciation)                           | 428            | 443            | 260           |
| Intangible assets (net of accumulated amortization)                                | 17,512         | 17,666         | 6,441         |
| Goodwill   | 12,805         | 12,680         | 5,533         |
| Other assets   | 316            | 604            | 261           |
| Total assets   | <u>178,459</u> | <u>178,124</u> | <u>19,924</u> |
| <b>Liabilities</b>   |                |                |               |
| Accrued compensation and benefits  | 1,520          | 1,482          | 826           |
| Accounts payable and accrued liabilities   | 1,068          | 840            | 545           |
| Due to related parties   | 57             | 505            | 103           |
| Short-term borrowings  | 100            | 2,234          | 200           |
| Liabilities of consolidated variable interest entities                             |                |                |               |
| Borrowings   | 1,278          | -              | -             |
| Other liabilities  | 7              | -              | -             |
| Convertible debentures   | 67             | 243            | 245           |
| Long-term borrowings   | 3,192          | 3,191          | 697           |
| Separate account liabilities   | 121,137        | 119,629        | 2,623         |
| Collateral liability under securities lending agreements                           | 17,638         | 19,335         | -             |
| Deferred tax liabilities   | 5,477          | 5,571          | 1,826         |
| Other liabilities  | 584            | 492            | 299           |
| Total liabilities  | <u>152,125</u> | <u>153,522</u> | <u>7,364</u>  |
| <b>Temporary equity</b>  |                |                |               |
| Redeemable non-controlling interests   | 6              | 49             | 266           |
| <b>Permanent Equity</b>  |                |                |               |
| BlackRock, Inc. stockholders' equity   |                |                |               |
| Common stock   | 1              | 1              | 1             |
| Preferred stock  | 1              | 1              | -             |
| Additional paid-in capital   | 22,502         | 22,127         | 10,473        |
| Retained earnings  | 3,723          | 2,436          | 1,982         |
| Appropriated retained earnings   | 75             | -              | -             |
| Accumulated other comprehensive (loss)   | (96)           | (96)           | (186)         |
| Escrow shares, common, at cost   | (1)            | (137)          | (143)         |
| Treasury stock, common, at cost  | (111)          | (3)            | (58)          |
| Total BlackRock, Inc. stockholders' equity   | <u>26,094</u>  | <u>24,329</u>  | <u>12,069</u> |
| Nonredeemable non-controlling interests  | 189            | 224            | 225           |
| Nonredeemable non-controlling interests of consolidated variable interest entities | 45             | -              | -             |
| Total permanent equity   | <u>26,328</u>  | <u>24,553</u>  | <u>12,294</u> |
| Total liabilities, temporary equity and permanent equity                           | <u>178,459</u> | <u>178,124</u> | <u>19,924</u> |
| <br>Total liabilities/Total assets   | <br>85.2%      | <br>86.2%      | <br>37.0%     |

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

|  | 12/31/10       | 12/31/09       | 12/31/08     |
|--|----------------|----------------|--------------|
|  | Audited        | Audited        | Audited      |
| <b>Cash inflow/(outflow) from operating activities</b>   |                |                |              |
| Net income   | 2,050          | 897            | 629          |
| Adjustments to reconcile net income to cash from operating activities:                             |                |                |              |
| Depreciation and amortization  | 310            | 239            | 236          |
| Amortization of deferred mutual fund sales commissions   | 102            | 100            | 130          |
| Stock-based compensation   | 445            | 317            | 278          |
| Deferred income tax expense (benefit)  | 3              | (89)           | (234)        |
| Net (gains) losses on non-trading investments  | (62)           | (20)           | 216          |
| Purchases of investments within consolidated funds   | (26)           | (41)           | (127)        |
| Proceeds from sale and maturities of investments within consolidated funds                         | 54             | 285            | 342          |
| Assets and liabilities of consolidated VIEs:   |                |                |              |
| Change in cash and cash equivalents  | (45)           | -              | -            |
| Net (gains) losses within consolidated VIEs  | 35             | -              | -            |
| Net (purchases)/proceeds within consolidated VIEs  | 44             | -              | -            |
| (Earnings) losses from equity method investees   | (141)          | (30)           | 294          |
| Distributions of earnings from equity method investees   | 14             | 18             | 28           |
| Other adjustments  | (1)            | 3              | 13           |
| Changes in operating assets and liabilities:   |                |                |              |
| Accounts receivable  | (364)          | (223)          | 339          |
| Due from related parties   | 45             | 159            | (112)        |
| Deferred mutual fund sales commissions   | (65)           | (68)           | (90)         |
| Investments, trading   | (118)          | (53)           | 265          |
| Other assets   | 236            | (50)           | 115          |
| Accrued compensation and benefits  | 52             | (218)          | (237)        |
| Accounts payable and accrued liabilities   | 164            | 165            | (227)        |
| Due to related parties   | (356)          | (10)           | 7            |
| Other liabilities  | 112            | 18             | 51           |
| Cash flows from operating activities   | <u>2,488</u>   | <u>1,399</u>   | <u>1,916</u> |
| <b>Cash inflow/(outflow) from investing activities</b>   |                |                |              |
| Purchases of investments   | (656)          | (73)           | (417)        |
| Purchases of assets held for sale  | (1)            | (2)            | (59)         |
| Proceeds from sales of disposal group  | 2              | -              | 41           |
| Proceeds from sales and maturities of investments  | 181            | 260            | 122          |
| Distributions of capital from equity method investees  | 53             | 89             | 15           |
| Net consolidation (deconsolidations) of sponsored investment funds                                 | (52)           | 27             | (3)          |
| Acquisitions, net of cash acquired   | (23)           | (5,755)        | (16)         |
| Purchases of property and equipment  | (131)          | (65)           | (77)         |
| Cash flows from investing activities   | <u>(627)</u>   | <u>(5,519)</u> | <u>(394)</u> |
| <b>Cash inflow/(outflow) from financing activities</b>   |                |                |              |
| Repayments of short term borrowings  | (2,134)        | -              | (400)        |
| Proceeds from short term borrowings  | -              | 2,034          | 300          |
| Repayments of long term borrowings   | -              | -              | (1)          |
| Repayments on convertible debt   | (176)          | (7)            | -            |
| Proceeds from long term borrowings   | -              | 2,495          | -            |
| Cash dividends paid  | (776)          | (422)          | (419)        |
| Proceeds from/of stock options exercised   | 10             | 18             | 24           |
| Proceeds from issuance of common stock   | 6              | 2,804          | 6            |
| Repurchases of common stock  | (264)          | (46)           | (46)         |
| Merrill Lynch capital contribution   | 10             | 25             | -            |
| Net (redemptions/distributions paid)/subscriptions received from non-controlling interests holders | 110            | (255)          | (207)        |
| Excess tax benefit from stock-based compensation   | 44             | 33             | 59           |
| Net borrowings/(repayments of borrowings) by consolidated sponsored investment funds               | -              | 70             | (203)        |
| Cash inflow/(outflow) from financing activities  | <u>(3,170)</u> | <u>6,749</u>   | <u>(887)</u> |
| Effect of exchange rate changes on cash and cash equivalents                                       | (32)           | 47             | (259)        |
| Net decrease in cash and cash equivalents  | (1,341)        | 2,676          | 376          |
| Cash and cash equivalents, beginning of period   | 4,708          | 2,032          | 1,656        |
| Cash and cash equivalents, end of period   | <u>3,367</u>   | <u>4,708</u>   | <u>2,032</u> |

## **Equinix Inc. (formerly Switch & Data)**

General Information: Equinix, Inc. is a U.S. based public corporation that provides network-neutral data centers (IBX or "Internet Business Exchange") and interconnection services. The company offers collocation, traffic exchange and outsourced IT infrastructure solutions to enterprises, content companies, systems integrators and nearly 600 network service providers. Equinix has 90 data centers located in 35 major metropolitan areas in 11 countries in North America, Europe and Asia-Pacific. In the U.S., data centers are in 22 metropolitan areas. More than 200 different carriers and ISPs now participate in Equinix IBX centers.

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

Litigation: On March 8, 2011, a securities class action complaint was filed against Equinix Inc. in the U.S. District Court for the Northern District of California. The lawsuit, filed on behalf of all purchasers of Equinix common stock from the period of July 29, 2010 to October 5, 2010, alleges that the company failed to disclose integration difficulties with Switch and Data following its 2010 acquisition, as well as claims that its executives were not forthright about its business model. The company believes the claims are without merit and will not have an impact on its ability to conduct its operations.

### Current Financial Condition:

- **Income Statement:** Equinix reported total revenue of \$1.2 billion for 2010, up 38 percent from the \$882.5 million reported for the same period in 2009. The Company reported Net Income of \$36.9 million, a decrease of 47 percent from the \$69.4 million reported in the same period in 2009.
- **Balance Sheet:** As of December 31, 2010, Total Assets of \$4.4 billion were reported, an increase of \$1.4 billion from \$3.0 billion reported at year-end 2009. Total Liabilities were \$2.6 billion, an increase of \$711 million from the \$1.9 billion at year-end 2009.
- **Cash Flow:** Cash and cash equivalents were \$442.8 million at December 31, 2010, an increase of \$96.8 million from \$346.1 million reported at year-end 2009.
- **Leverage:** As of December 31, 2010, Total Liabilities were 57.7 percent of Total Assets, decreasing from 61.1 percent at year-end 2009.



- **Current Ratio:** As of December 31, 2010, the Current Ratio (Current Assets/Current Liabilities) was 2.4, compared to 2.3 reported at year-end 2009

**Dun & Bradstreet Credit Score Class:** As of March 31, 2011, the credit score was 1 (low risk) unchanged from December 31, 2010.

**Stock Performance:** Equinix's closing share price on March 31, 2011 was \$91.10, down from its 52-week high of \$107.44 on May 13, 2010. The 52-week low was \$69.42 on October 6, 2010.

**SAS 70 Report:** No current information is available.

**Significant Events:**

- On February 15, 2011, Equinix, Inc. and Riverwood Capital announced that they have entered into a definitive agreement to acquire approximately 90 percent of ALOG Data Centers of Brazil S.A. in an all cash transaction valued at approximately \$127 million. The investment will extend Platform Equinix to South America, creating a footprint of 95 data centers across 37 global markets.

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

**Equinix Inc.**  
**Income Statement**  
(in \$ thousands)

|  | 12/31/10<br>Audited | 12/31/09<br>Audited | 12/31/08<br>Audited |
|--|---------------------|---------------------|---------------------|
| <b>Revenues</b>  | <b>1,220,334</b>    | <b>882,509</b>      | <b>704,680</b>      |
| Costs and operating expenses:                            |                     |                     |                     |
| Cost of revenues   | 674,667             | 483,420             | 414,799             |
| Sales and marketing                                      | 111,104             | 63,584              | 66,913              |
| General and administrative                               | 220,781             | 155,324             | 146,564             |
| Acquisition costs  | 12,337              | 5,155               | -                   |
| Restructuring charges                                    | 6,734               | (6,053)             | 3,142               |
| <b>Total costs and operating expenses</b>                | <b>1,025,623</b>    | <b>701,430</b>      | <b>631,418</b>      |
| <b>Income from operations</b>                            | <b>194,711</b>      | <b>181,079</b>      | <b>73,262</b>       |
| Interest income  | 1,515               | 2,384               | 8,940               |
| Interest expense   | (140,475)           | (74,232)            | (61,677)            |
| Other than temporary impairment loss on investments      | 3,626               | (2,590)             | (1,527)             |
| Loss on debt extinguishment and interest rate swaps, net | (10,187)            | -                   | -                   |
| Other income (expense)                                   | 690                 | 2,387               | 1,307               |
| <b>Income before taxes</b>                               | <b>49,880</b>       | <b>109,028</b>      | <b>20,305</b>       |
| Income tax benefit (expense)                             | (12,999)            | (39,597)            | 87,619              |
| <b>Net income</b>  | <b>36,881</b>       | <b>69,431</b>       | <b>107,924</b>      |

**Equinix Inc.**  
**Balance Sheet**  
(in \$ thousands)

|   | 12/31/10<br>Audited | 12/31/09<br>Audited | 12/31/08<br>Audited |
|---|---------------------|---------------------|---------------------|
| <b>Assets</b>   |                     |                     |                     |
| Cash and cash equivalents   | 442,841             | 346,056             | 220,207             |
| Short-term investments  | 147,192             | 248,508             | 42,112              |
| Accounts receivable, net  | 116,358             | 64,767              | 66,029              |
| Other current assets  | 71,657              | 68,556              | 51,163              |
| <b>Total Current Assets</b>   | <b>778,048</b>      | <b>727,887</b>      | <b>379,511</b>      |
| Long term investments   | 2,806               | 9,803               | 45,626              |
| Property, plant and equipment net                                   | 2,650,953           | 1,808,115           | 1,492,830           |
| Goodwill  | 774,365             | 381,050             | 342,829             |
| Intangible assets, net  | 150,945             | 51,015              | 50,918              |
| Other assets  | 90,892              | 60,280              | 123,022             |
| <b>Total assets</b>   | <b>4,448,009</b>    | <b>3,038,150</b>    | <b>2,434,736</b>    |
| <b>Liabilities and shareholders' equity</b>                         |                     |                     |                     |
| Accounts payable and accrued expenses                               | 145,854             | 99,053              | 74,317              |
| Accrued property and equipment                                      | 91,667              | 109,876             | 89,518              |
| Current portion of capital lease and other financing obligations    | 7,988               | 6,452               | 4,499               |
| Current portion of mortgage and loans payable                       | 19,978              | 58,912              | 52,054              |
| Current portion of convertible debt                                 | -                   | -                   | 19,150              |
| Other current liabilities   | 52,628              | 41,166              | 50,455              |
| <b>Total current liabilities</b>                                    | <b>318,115</b>      | <b>315,459</b>      | <b>289,993</b>      |
| Capital lease and other financing obligations, less current portion | 253,945             | 154,577             | 133,031             |
| Mortgage and loans payable, less current portion                    | 100,337             | 371,322             | 386,446             |
| Senior notes  | 750,000             | -                   | -                   |
| Convertible debt, less current portion                              | 916,337             | 893,706             | 608,510             |
| Other liabilities   | 228,760             | 120,603             | 100,095             |
| <b>Total liabilities</b>  | <b>2,567,494</b>    | <b>1,855,667</b>    | <b>1,518,075</b>    |
| <b>Shareholders' equity</b>   |                     |                     |                     |
| Common stock  | 46                  | 39                  | 38                  |
| Additional paid-in capital  | 2,341,586           | 1,665,662           | 1,524,834           |
| Accumulated other comprehensive income/( loss)                      | (112,018)           | (97,238)            | (152,800)           |
| Accumulated deficit   | (349,099)           | (385,980)           | (455,411)           |
| <b>Total shareholders' equity</b>                                   | <b>1,880,515</b>    | <b>1,182,483</b>    | <b>916,661</b>      |
| <b>Total liabilities and shareholders' equity</b>                   | <b>4,448,009</b>    | <b>3,038,150</b>    | <b>2,434,736</b>    |
| Current ratio:<br>Current assets/Current liabilities                | 2.4                 | 2.3                 | 1.3                 |
| Leverage:<br>Total liabilities/Total assets                         | 57.7%               | 61.1%               | 62.4%               |

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

|  | <b>12/31/10</b> | <b>12/31/09</b> | <b>12/31/08</b> |
|--|-----------------|-----------------|-----------------|
|  | Audited         | Audited         | Audited         |
| Net cash provided by operating activities from continuing operations | 392,872         | 355,492         | 267,558         |
| Net cash used in investing activities                                | (600,969)       | (558,178)       | (478,040)       |
| Net cash provided by financing activities                            | 309,686         | 323,598         | 145,106         |
| Effect of exchange rate charges on cash                              | (4,804)         | 4,937           | (5,050)         |
| Net increase in cash and cash equivalents                            | <u>96,785</u>   | <u>125,849</u>  | <u>(70,426)</u> |
| Cash and cash equivalents - beginning of the period                  | <u>346,056</u>  | <u>220,207</u>  | <u>290,633</u>  |
| <b>Cash and cash equivalents - end of the period</b>                 | <b>442,841</b>  | <b>346,056</b>  | <b>220,207</b>  |

## **R.R. Donnelley & Sons**

General Information: R.R. Donnelley & Sons and Company 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 240 in 2010, with locations throughout North America, Latin America, Asia, and Europe. The company also placed #92 on the InformationWeek 500 list for 2010. R.R. Donnelley reported annual losses for 2007, 2008 and 2009 related to restructuring in light of reduced printing demand. However, this appears to have paid off in a return to profitability in 2010. There is no indication at this time that the company will be unable to meet its contractual obligations to the TSP.

### Current Financial Condition:

- **Income Statement:** For the year ending December 31, 2010, R.R. Donnelley reported net sales of \$10.0 billion compared to \$9.9 billion in the same period of 2009. The Company reported net income of \$221.7 million, compared to a net loss of \$27.3 million in 2009.
- **Balance Sheet:** As of December 31, 2010, \$9.1 billion of Total Assets were reported, up from \$8.7 billion reported at year-end 2009. Total Liabilities of \$6.8 billion were reported, an increase from \$6.6 billion reported at year-end 2009.
- **Cash Flow:** As of December 31, 2010, the Company reported cash and cash equivalents of \$519.1 million, an increase from the \$499.2 million reported at year-end 2009.
- **Current Ratio:** As of December 31, 2010, the Current Ratio (Current Assets/Current Liabilities) was 1.6, compared to 1.5 at year-end 2009.
- **Leverage:** As of December 31, 2010, Total Liabilities were 75.3 percent of Total Assets, flat from year-end 2009.

Dun & Bradstreet Credit Score Class: As of March 31, 2011, the credit score was 1 (lowest risk) compared to December 31, 2010 when the credit score was 3 (moderate risk).

Stock Performance: R. R. Donnelley's closing share price on March 31, 2011, was \$18.92, down from its 52-week high of \$22.83 on April 26, 2010. The 52-week low was \$14.87 on August 25, 2010.



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

Significant Events:

- On January 13, 2011, R.R. Donnelley & Sons announced a regular quarterly dividend of 26 cents per common share. The dividend was paid on March 1, 2011 to stockholders of record as of the close of business on January 28, 2011.
- On December 17, 2010, the Company entered into a \$1.75 billion revolving unsecured and committed credit agreement which expires on December 17, 2013, subject to a possible one-year extension if agreed to by the lending financial institutions. The Credit Agreement replaced the Company's previous \$2.0 billion unsecured and committed revolving credit facility.

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

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

|  | <b>12/31/10</b>     | <b>12/31/09</b>      | <b>12/31/08</b>       |
|--|---------------------|----------------------|-----------------------|
|  | Audited             | Audited              | Audited               |
| Net sales  | 10,018.9            | 9,857.4              | 11,581.6              |
| Cost of sales  | 7,642.9             | 7,462.9              | 8,576.3               |
| Selling, general & administrative expenses             | 1,123.4             | 1,088.5              | 1,220.5               |
| Restructuring and impairment charges - net             | 157.9               | 382.7                | 1,184.7               |
| Depreciation & amortization                            | 539.2               | 579.0                | 640.6                 |
| Total operating expenses                               | <u>9,463.4</u>      | <u>9,513.1</u>       | <u>11,622.1</u>       |
| <b>Income from continuing operations</b>               | <b>555.5</b>        | <b>344.3</b>         | <b>(40.5)</b>         |
| Interest expense - net                                 | 222.6               | 234.6                | 226.4                 |
| Investment and other income (expense) - net            | <u>(9.9)</u>        | <u>(16.6)</u>        | <u>(2.4)</u>          |
| Earnings before income taxes                           | <u>323.0</u>        | <u>93.1</u>          | <u>(269.3)</u>        |
| Income taxes   | 105.9               | 114.5                | (83.9)                |
| Less: Income attributable to noncontrolling interests  | <u>(4.6)</u>        | <u>5.9</u>           | <u>6.3</u>            |
| <b>Net earnings</b>                                    | <b><u>221.7</u></b> | <b><u>(27.3)</u></b> | <b><u>(191.7)</u></b> |
| Income (loss) from discontinued operations, net of tax | -                   | -                    | 1.8                   |
| <b>Net Income/(loss)</b>                               | <b><u>221.7</u></b> | <b><u>(27.3)</u></b> | <b><u>(189.9)</u></b> |

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

|   | 12/31/10       | 12/31/09       | 12/31/08       |
|---|----------------|----------------|----------------|
|   | Audited        | Audited        | Audited        |
| <b>Assets</b>                                     |                |                |                |
| Cash and cash equivalents                         | 519.1          | 499.2          | 324.0          |
| Restricted cash equivalents                       | -              | -              | 7.9            |
| Receivables, less allowance for doubtful accounts | 1,922.9        | 1,675.9        | 1,903.2        |
| Income taxes receivable                           | 49.3           | 63.2           | 189.4          |
| Inventories                                       | 560.6          | 561.8          | 695.7          |
| Prepaid expenses and other current assets         | 115.4          | 160.8          | 104.6          |
| Deferred income taxes                             | -              | -              | 56.2           |
| <b>Total current assets</b>                       | <b>3,167.3</b> | <b>2,960.9</b> | <b>3,281.0</b> |
| Property, plant and equipment - net               | 2,138.7        | 2,271.4        | 2,564.0        |
| Goodwill  | 2,526.8        | 2,333.3        | 2,425.9        |
| Other intangible assets net                       | 775.0          | 747.4          | 831.1          |
| Other noncurrent assets                           | 475.4          | 434.6          | 392.3          |
| <b>Total assets</b>                               | <b>9,083.2</b> | <b>8,747.6</b> | <b>9,494.3</b> |
| <b>Liabilities and shareholders' equity</b>       |                |                |                |
| Accounts payable                                  | 939.8          | 886.4          | 767.6          |
| Accrued liabilities                               | 902.2          | 813.4          | 795.7          |
| Short-term and current portion of long-term debt  | 131.4          | 339.9          | 923.5          |
| <b>Total current liabilities</b>                  | <b>1,973.4</b> | <b>2,039.7</b> | <b>2,486.8</b> |
| Long-term debt                                    | 3,398.6        | 2,982.5        | 3,203.3        |
| Pension liability                                 | 533.0          | 509.8          | 491.5          |
| Postretirement benefit                            | 287.4          | 324.5          | 291.9          |
| Deferred income taxes                             | 174.5          | 205.5          | 260.9          |
| Other noncurrent liabilities                      | 470.9          | 524.6          | 418.0          |
| <b>Total liabilities</b>                          | <b>6,837.8</b> | <b>6,586.6</b> | <b>7,152.4</b> |
| <b>Shareholders' equity</b>                       |                |                |                |
| Common stock                                      | 303.7          | 303.7          | 303.7          |
| Additional paid-in capital                        | 2,907.0        | 2,906.2        | 2,885.7        |
| Retained earnings                                 | 670.2          | 662.9          | 903.8          |
| Accumulated other comprehensive income            | (490.4)        | (545.0)        | (580.7)        |
| Treasury stock, at cost                           | (1,166.2)      | (1,193.8)      | (1,194.0)      |
| <b>Total shareholders' equity</b>                 | <b>2,224.3</b> | <b>2,134.0</b> | <b>2,318.5</b> |
| Noncontrolling interests                          | 21.1           | 27.0           | 23.4           |
| <b>Total liabilities and shareholders equity</b>  | <b>9,083.2</b> | <b>8,747.6</b> | <b>9,494.3</b> |
| Current ratio: Current assets/Current liabilities | 1.6            | 1.5            | 1.3            |
| Leverage: Total liabilities/Total assets          | 75.3%          | 75.3%          | 75.3%          |

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

|   | <b>12/31/10</b> | <b>12/31/09</b> | <b>12/31/08</b> |
|---|-----------------|-----------------|-----------------|
|   | Audited         | Audited         | Audited         |
| Net cash inflow/(outflow) from operating activities from operating activities | 752.5           | 1,425.8         | 1,018.0         |
| Net cash inflow/(outflow) from investing activities                           | (674.5)         | (260.9)         | (351.2)         |
| Net cash inflow/(outflow) from financing activities                           | (58.0)          | (1,028.0)       | (678.9)         |
| Change in cash and cash equivalents   | <u>19.9</u>     | <u>175.2</u>    | <u>(55.0)</u>   |
| Effect of exchange rate charges on cash                                       | (0.1)           | 38.3            | (42.9)          |
| Cash and cash equivalents - beginning of the period                           | <u>499.2</u>    | <u>324.0</u>    | <u>379.0</u>    |
| <b>Cash and cash equivalents - end of the period</b>                          | <b>519.1</b>    | <b>499.2</b>    | <b>324.0</b>    |

## **MetLife**

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

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

### Current Financial Condition:

- **Income Statement:** For the year ending December 31, 2010, MetLife reported Total Revenues of \$52.7 billion, up 28 percent from the \$41.1 billion reported for 2009. MetLife reported a Net Profit of \$2.7 billion in 2010, compared to a Net Loss of \$2.4 billion reported in 2009.
- **Balance Sheet:** As of December 31, 2010, Total Assets of \$730.9 billion were reported, an increase of \$191.6 billion from \$539.3 billion reported at year-end 2009. Total Liabilities were \$681.8 billion at year-end 2010, an increase of \$175.9 billion from the \$505.8 billion at year-end 2009.
- **Cash Flow:** The Company's short-term liquidity position, defined as cash and cash equivalents, was \$13.0 billion and \$10.1 billion at December 31, 2010 and year-end 2009, respectively, which reflected a 29 percent increase.
- **Leverage:** As of December 31, 2010, Total Liabilities were 93.3 percent of Total Assets, down from 93.8 percent at year-end 2009.
- **Current Ratio:** N.A. (MetLife does not present current assets and current liabilities in its balance sheet presentation).
- **Company Ratings:** Based on MetLife's disclosure of the potential acquisition of Alico in February 2010, the rating agencies downgraded or placed the ratings of MetLife, Inc. and its subsidiaries on "Credit Watch" and "Under Review." Insurer financial strength ratings as of February 2, 2011 were unchanged as follows:



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

Dun & Bradstreet Credit Score Class: As of March 31, 2011, the credit score was 5 (highest risk) unchanged since December 31, 2010.

Stock Performance: MetLife's closing share price on March 31, 2011, was \$44.73, down from its 52-week high of \$48.72 on February 8, 2011. The 52-week low was \$35.38 on August 25, 2010.

SAS 70 Report: There is no SAS report available.

Significant Events:

- On March 2, 2011, MetLife Inc. and Alico Holdings LLC, a subsidiary of American International Group, have priced their combined offerings of 146,809,712 common shares of MetLife common stock at \$43.25 a share. MetLife offered 68,570,000 shares of its common stock to the public for gross proceeds of \$2.97 billion. Net proceeds from MetLife's sale of its common stock will be used to repurchase and cancel 6,857,000 shares of contingent convertible preferred stock owned by AIG. Upon the completion of the offerings, AIG will have sold all of its holdings of MetLife securities received in MetLife's acquisition of Alico.
- On February 18, 2011, MetLife, Inc. declared first quarter 2011 dividends of \$0.25 per share on Series A, and \$0.41 per share on Series B stocks. Both dividends were paid on March 15, 2011 to shareholders of record as of February 28, 2011.

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

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

|  | 12/31/10      | 12/31/09       | 12/31/08      |
|--|---------------|----------------|---------------|
|  | Audited       | Audited        | Audited       |
| <b>Revenues</b>  |               |                |               |
| Premiums   | 27,394        | 26,460         | 25,914        |
| Universal life and investment-type product policy fees                         | 6,037         | 5,203          | 5,381         |
| Net investment income  | 17,615        | 14,837         | 16,289        |
| Other revenues   | 2,328         | 2,329          | 1,586         |
| Net investment gains (losses)  | (392)         | (2,906)        | (2,098)       |
| Net derivative gains (losses)  | (265)         | (4,866)        | 3,910         |
| <b>Total revenues</b>  | <b>52,717</b> | <b>41,057</b>  | <b>50,982</b> |
| <b>Expenses</b>  |               |                |               |
| Policyholder benefits and claims and policyholder dividends                    | 31,031        | 29,986         | 29,188        |
| Interest credited to policyholder account balances                             | 4,925         | 4,849          | 4,788         |
| Other expenses   | 12,803        | 10,556         | 11,947        |
| <b>Total expenses</b>  | <b>48,759</b> | <b>45,391</b>  | <b>45,923</b> |
| Income (loss) from continuing operations before provision for income taxes     | 3,958         | (4,334)        | 5,059         |
| Provision for income tax expense (benefit)                                     | 1,181         | (2,015)        | 1,580         |
| <b>Income from continuing operations</b>                                       | <b>2,777</b>  | <b>(2,319)</b> | <b>3,479</b>  |
| Income (loss) from discontinued operations, net of income taxes                | 9             | 41             | (201)         |
| Net income/(loss)  | 2,786         | (2,278)        | 3,278         |
| Less: Net income (loss) attributable to noncontrolling interests               | (4)           | (32)           | 69            |
| Income before cumulative effect of a change in accounting, net of income taxes | 2,790         | (2,246)        | 3,209         |
| Less: Preferred Stock Dividends  | 122           | 122            | 125           |
| <b>Net income/(loss)</b>   | <b>2,668</b>  | <b>(2,368)</b> | <b>3,084</b>  |

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

|  | 12/31/10       | 12/31/09       | 12/31/08       |
|--|----------------|----------------|----------------|
|  | Audited        | Audited        | Audited        |
| <b>Assets</b>  |                |                |                |
| Investments:   |                |                |                |
| Fixed maturities   | 327,284        | 227,642        | 188,251        |
| Equity securities  | 3,606          | 3,084          | 3,197          |
| Trading securities   | 18,589         | 2,384          | 946            |
| Mortgage loans   | 62,376         | 50,909         | 51,364         |
| Policy loans   | 11,914         | 10,061         | 9,802          |
| Real estate and real estate joint ventures held for investment                 | 8,030          | 6,852          | 7,535          |
| Real estate held for sale  | -              | 44             | 51             |
| Other limited partnership interests  | 6,416          | 5,508          | 6,039          |
| Short term investments   | 9,387          | 8,374          | 13,878         |
| Other invested assets  | 15,430         | 12,709         | 17,248         |
| Total investments  | 463,032        | 327,567        | 298,311        |
| Cash and cash equivalents  | 13,046         | 10,112         | 24,207         |
| Accrued investment income  | 4,381          | 3,173          | 3,061          |
| Premiums and other receivables   | 19,830         | 16,752         | 16,973         |
| Deferred policy acquisition costs  | 27,307         | 19,256         | 20,144         |
| Current income taxes recoverable   | -              | 316            | -              |
| Deferred income tax assets   | -              | 1,228          | 4,927          |
| Goodwill   | 11,781         | 5,047          | 5,008          |
| Assets of subsidiaries held for sale   | -              | -              | 946            |
| Other assets   | 8,192          | 6,822          | 7,262          |
| Separate account assets  | 183,337        | 149,041        | 120,839        |
| <b>Total assets</b>  | <b>730,906</b> | <b>539,314</b> | <b>501,678</b> |
| <b>Liabilities and stockholders' equity</b>                                    |                |                |                |
| <b>Liabilities</b>   |                |                |                |
| Future policy benefits   | 173,373        | 135,879        | 130,555        |
| Policyholder account balances  | 211,020        | 138,673        | 142,921        |
| Other policyholder funds   | 15,806         | 8,446          | 7,762          |
| Policyholder dividends payable   | 830            | 761            | 1,023          |
| Policyholder dividend obligation   | 876            | -              | -              |
| Payables for collateral under securities loaned and other transactions         | 27,272         | 24,196         | 31,059         |
| Bank deposits  | 10,316         | 10,211         | 6,884          |
| Short term debt  | 306            | 912            | 2,659          |
| Long term debt   | 27,586         | 13,220         | 9,667          |
| Collateral financing arrangements  | 5,297          | 5,297          | 5,192          |
| Junior subordinated debt securities  | 3,191          | 3,191          | 3,758          |
| Current income taxes payable   | 316            | -              | 342            |
| Deferred income tax liability  | 1,881          | -              | -              |
| Other liabilities  | 20,386         | 15,989         | 14,284         |
| Separate account liabilities   | 183,337        | 149,041        | 120,839        |
| Liabilities of subsidiaries held for sale                                      | -              | -              | 748            |
| <b>Total liabilities</b>   | <b>681,793</b> | <b>505,816</b> | <b>477,693</b> |
| Shareable noncontrolling interest in partially owned consolidated subsidiaries | 117            | -              | -              |
| <b>Stockholders' equity</b>  |                |                |                |
| Preferred stock  | 1              | 1              | 1              |
| Common stock   | 10             | 8              | 8              |
| Additional paid in capital   | 26,423         | 16,859         | 15,811         |
| Retained earnings  | 21,363         | 19,501         | 22,403         |
| Treasury stock, at cost  | (172)          | (190)          | (236)          |
| Accumulated other comprehensive income (loss)                                  | 1,000          | (3,058)        | (14,253)       |
| <b>Total stockholders equity</b>   | <b>48,625</b>  | <b>33,121</b>  | <b>23,734</b>  |
| Noncontrolling interests   | 371            | 377            | 251            |
| <b>Total Equity</b>  | <b>48,996</b>  | <b>33,498</b>  | <b>23,985</b>  |
| <b>Total liabilities and stockholders equity</b>                               | <b>730,906</b> | <b>539,314</b> | <b>501,678</b> |
| <br>Leverage: Total liabilities/Total assets                                   | <br>93.3%      | <br>93.8%      | <br>95.2%      |

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

|  | <b>12/31/10</b><br>Audited | <b>12/31/09</b><br>Audited | <b>12/31/08</b><br>Audited |
|--|----------------------------|----------------------------|----------------------------|
| Net cash inflow/(outflow) from operating activities  | 7,996                      | 3,803                      | 10,702                     |
| Net cash inflow/(outflow) from investing activities  | (18,314)                   | (13,935)                   | (2,671)                    |
| Net cash inflow/(outflow) from financing activities  | 13,381                     | (4,103)                    | 6,189                      |
| Change in cash and cash equivalents                  | <u>2,934</u>               | <u>(14,127)</u>            | <u>13,871</u>              |
| Cash and cash equivalents - beginning of the period  | <u>10,112</u>              | <u>24,239</u>              | <u>10,368</u>              |
| <b>Cash and cash equivalents - end of the period</b> | <b>13,046</b>              | <b>10,112</b>              | <b>24,239</b>              |