



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

January 14, 2011

MEMORANDUM FOR THE EXECUTIVE DIRECTOR

FROM: JAMES B. PETRICK *JBP*
CHIEF FINANCIAL OFFICER

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

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

For each vendor we have analyzed the following:

1. Current Financial Condition:

Our financial analysis consists of a review of the vendor's key financial statistics from their current income statement and balance sheet for the most recent quarter available to determine their overall financial stability. For this report, we are using available data for the period through September 30, 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 first nine months of 2010, year-end 2009, the first nine months of 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 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. (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 US government relationships. Serco now employs more than 11,500 people in over 100 locations across North America.

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 for both our primary and secondary data centers; SunGard for TSP record keeping support and maintenance of our core record keeping capabilities contained in its commercial-off-the-shelf proprietary software packages, and for incoming mail, data entry and imaging support.

Assessment: Serco Services Inc. has an extensive portfolio of Federal government contracts, and now serves all branches of the U.S. military, numerous civilian agencies and the intelligence community. They continue to be a profitable and growing company. We find no indication at this time that Serco Services Inc. is unable to fulfill its contractual obligations to the TSP.

Current Financial Condition: Serco Group plc (Serco) provides financial results twice a year: therefore, financial results are not available for the period ending September 30, 2010.

- **Income Statement:** For the six months ended June 30, 2010, Serco Group plc reported revenues of £2.1 billion, an increase of 10 percent from the £1.9 billion reported in the first six months of 2009. Profits were £74.4 million, up from £61.4 million in the same period of 2009.
- **Balance Sheet:** Through June 30, 2010, Total Assets of £2.6 billion were reported, an increase of 4 percent from the £2.5 billion reported at year-end 2009. Total Liabilities increased to £1.9 billion, a 4 percent increase from the £1.8 billion reported at year-end 2009.
- **Cash Flow:** At June 30, 2010, the Serco Group plc reported a cash balance of £313.8 million compared to £319.4 million at year-end 2009.

- **Current Ratio (Current Assets/Current Liabilities):** The Current Ratio was 1.2 as of June 30, 2010, unchanged from 1.2 at year-end 2009.
- **Leverage:** Through June 30, 2010, Total Liabilities as a percent of Total Assets was 73 percent, unchanged from 73 percent reported at year-end 2009.

Dun & Bradstreet Credit Score Class: As of December 31, 2010, the credit score for Serco Services Inc. as a subsidiary of Serco Group plc, was 2, (slight risk), unchanged from the credit score reported in the prior quarter.

Stock Performance: Serco Group plc's closing share price on December 31, 2010, was £555.50, down from its 52-week high of £651.00 on April 26, 2010. The 52-week low was £494.20 on February 9, 2010.

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

Significant Events:

- On December 27, 2010, Serco Inc. announced that the U.S. Army had awarded the Company two indefinite delivery, indefinite quantity (ID/IQ) contracts. The HR solutions Recruiting & Retention (R&R) Support Services contract has a ceiling value of \$274 million over a five year period. The Personnel Services Support of Human Resources Services (PSS) has a ceiling value of over \$1.3 billion over a five year period.
- On December 14, 2010, Veterans Enterprise Technology Solutions, Inc. was awarded a \$117 million Department of Homeland Security Task Order. Serco is the sole subcontractor and had been the incumbent on the prior contract.
- On November 19, 2010, Serco announced that the Company had been awarded a new Blanket Purchase Agreement (BPA) to support the Social Security Administration's Office of Facilities Management. The BPA is for a 5-year period, and has an estimated ceiling value of \$10 million.

Risk Mitigation: Should Serco Services Inc. cease operations, we could issue letter contracts (an agreement to be negotiated at a later point) on an emergency basis to: a) Jacob and Sundstrum 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 Clintwood call center, The Active Network, Inc.'s 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) 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 2011.

Serco Group
Income Statement
(In £ millions)

	6/30/2010	12/31/2009	6/30/2009	12/31/2008
Revenue	2,140.3	3,970.0	1,949.8	3,123.5
Cost of sales	(1,824.2)	(3,383.2)	(1,664.1)	(2,666.7)
Gross profit	316.1	586.8	285.7	456.8
Administrative expenses	(191.7)	(357.1)	(175.7)	(291.6)
Other expenses – amortization of intangibles arising on acquisition	(8.8)	(17.6)	(8.9)	(9.2)
Total administrative expenses	(200.5)	(374.7)	(184.6)	(300.8)
Operating profit	115.6	212.1	101.1	156.0
Investment revenue	1.6	2.7	1.3	8.2
Finance costs	(15.8)	(37.7)	(19.0)	(28.1)
Profit before tax	101.4	177.1	83.4	136.1
Tax	(27.0)	(46.9)	(22.0)	(36.5)
Profit for the period	74.4	130.2	61.4	99.6

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

	6/30/2010	12/31/2009	6/30/2009	12/31/2008
ASSETS				
Non-current assets				
Goodwill	925.7	898.4	900.3	963.2
Other intangible assets	146.4	164.4	171.9	192.7
Property, plant and equipment	129.9	129.2	117.5	115.4
Trade and other receivables	206.5	181.4	141.1	121.1
Retirement benefit assets	-	-	-	62.4
Deferred tax assets	50.2	48.0	42.7	20.0
Derivative financial instruments	3.6	2.5	3.9	5.6
	<u>1,462.3</u>	<u>1,423.9</u>	<u>1,377.4</u>	<u>1,480.4</u>
Current assets				
Inventories	62.7	65.9	54.4	50.2
Trade and other receivables	804.3	720.9	714.2	725.7
Cash and cash equivalents	313.8	319.4	237.2	250.8
Derivative financial instruments	4.1	1.4	0.8	5.0
Total current assets	<u>1,184.9</u>	<u>1,107.6</u>	<u>1,006.6</u>	<u>1,031.7</u>
TOTAL ASSETS	<u>2,647.2</u>	<u>2,531.5</u>	<u>2,384.0</u>	<u>2,512.1</u>
LIABILITIES				
Current liabilities				
Trade and other payables	(871.0)	(771.6)	(746.8)	(756.2)
Current tax liabilities	(19.0)	(14.1)	(20.7)	(19.5)
Obligations under finance leases	(7.3)	(6.0)	(5.1)	(4.5)
Loans	(105.9)	(110.7)	(42.2)	(36.8)
Derivative financial instruments	(5.6)	(5.5)	(8.6)	(4.2)
Total current liabilities	<u>(1,008.8)</u>	<u>(907.9)</u>	<u>(823.4)</u>	<u>(821.2)</u>
Non-current liabilities				
Trade and other payables	(21.8)	(23.1)	(26.2)	(32.7)
Obligations under finance leases	(19.1)	(18.0)	(17.1)	(12.7)
Loans	(498.3)	(543.2)	(605.8)	(710.9)
Derivative financial instruments	(2.8)	(1.7)	(2.4)	(0.4)
Retirement benefit obligations	(319.6)	(294.2)	(210.0)	(177.1)
Provisions	(41.0)	(42.3)	(40.5)	(45.9)
Deferred tax liabilities	(8.6)	(9.0)	(21.3)	(25.9)
Total Long-term liabilities	<u>(911.2)</u>	<u>(931.5)</u>	<u>(923.3)</u>	<u>(1,005.6)</u>
TOTAL LIABILITIES	<u>(1,920.0)</u>	<u>(1,839.4)</u>	<u>(1,746.7)</u>	<u>(1,826.8)</u>
EQUITY				
Share capital	9.8	9.8	9.7	9.7
Share premium account	305.5	304.1	301.7	301.1
Capital redemption reserve	0.1	0.1	0.1	0.1
Retained earnings	496.8	444.1	384.3	339.8
Retirement benefit obligations reserve	(163.1)	(150.0)	(112.9)	(47.7)
Share-based payment reserve	54.4	49.6	42.4	40.0
Own shares reserve	(28.3)	(13.0)	(17.3)	(19.7)
Hedging and translation reserve	51.9	47.3	29.2	61.9
Equity attributable to equity holders of the parent	<u>727.1</u>	<u>692.0</u>	<u>637.2</u>	<u>685.2</u>
Minority interest	0.1	0.1	0.1	0.1
TOTAL EQUITY	<u>727.2</u>	<u>692.1</u>	<u>637.3</u>	<u>685.3</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>(1,192.8)</u>	<u>(1,147.3)</u>	<u>(1,109.4)</u>	<u>(1,141.5)</u>
CURRENT RATIO: Current Assets/Current Liabilities	1.17	1.22	1.22	1.26
LEVERAGE: Total Liabilities/Total Assets	0.73	0.73	0.73	0.73

Serco Group
Cash Flow Statement
(In £ millions)

	6/30/2010	12/31/2009	6/30/2009	12/31/2008
Net cash inflow/(outflow) from operating activities	150.8	235.1	104.2	162.6
Net cash inflow/(outflow) from investing activities	(13.6)	(64.5)	(35.6)	(348.5)
Net cash inflow/(outflow) from financing activities	(145.5)	(96.7)	(62.8)	230.0
Change in cash and cash equivalents	(8.3)	73.9	(0.4)	44.1
Cash and cash equivalents at beginning of period	319.4	250.8	250.8	185.0
Net exchange gain	2.7	(5.3)	(13.2)	21.7
Cash and cash equivalents at end of period	313.8	319.4	237.2	250.8

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 September 30, 2010, BlackRock's assets under management totaled \$3.446 trillion across equity, fixed income, cash management, alternative investment, real estate and advisory strategies. BlackRock is publicly-traded, with Bank of America, PNC Financial Services, and Barclays PLC holding 33.9%, 24.3%, and 19.7% of its shares 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 the nine months ended September 30, 2010, BlackRock reported total revenue of \$6.1 billion which increased 94 percent from \$3.2 billion for the same period in 2009. For the nine months ended September 30, 2010, the Company reported a Net Income of \$1.4 billion, up 127 percent from a Net Income of \$619 million reported for the same period in 2009.
- **Balance Sheet:** As of September 30, 2010, Total Assets of \$174.5 billion were reported, a decrease of \$3.5 billion from \$178.1 billion reported at year-end 2009. Total Liabilities reported were \$148.8 billion, down \$4.6 billion from the \$153.5 billion reported at year-end 2009.
- **Cash Flow:** As of September 30, 2010, the Company reported cash and cash equivalents of \$2.6 billion, a decrease of \$2.1 billion from the \$4.7 billion reported at year-end 2009.
- **Leverage:** As of September 30, 2010, Total Liabilities reported were 85.3 percent of Total Assets, compared to 86.2 percent at year-end 2009.
- **Current Ratio:** N.A. (BlackRock Inc. does not present current assets and current liabilities in its balance sheet presentation).

Dun & Bradstreet Credit Score Class: As of December 31, 2010, the credit score was 3 (moderate risk), unchanged from the previous quarter.

Stock Performance: BlackRock Inc.'s closing share price on December 31, 2010, was \$190.58, down from its 52-week high of \$243.80 on January 11, 2010. The 52-week low was \$138.42 on July 1, 2010.

SAS 70 Report: Price Waterhouse Coopers' SAS-70 reported on the Processing of Transactions results (January 1, 2009 through November 30, 2009), as of December 18, 2009, and identified no areas of concern.

Significant Events:

- On November 15, 2010, BlackRock completed a secondary offering of 58.7 million shares of its common stock at a price per share of \$163.00. The total offering included 51.2 million shares offered by Bank of America Corporation and 7.5 million shares offered by The PNC Financial Services Group, Inc. This reduced Bank of America Corporation's economic ownership of BlackRock shares from 33.9 percent to 7.1 percent; PNC's share dropped from 24.3 percent to 20.3 percent. Barclays PLC holding was not included in this secondary offering therefore, Barclays' shares remained at 19.7%
- On October 25, 2010, BlackRock and SunGard Global Network announced a joint solution to create an "income window" for defined contribution plan record keeping firms when considering the implementation of funds holding annuities for income generation.

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)

	Nine Months Ended		Nine Months Ended	
	09/30/10	12/31/09	09/30/09	12/31/08
	Unaudited	Audited	Unaudited	Audited
Revenue				
Investment advisory, administration fees and securities lending revenue				
Related parties	3,529	2,616	1,763	2,962
Other third parties	1,810	1,210	809	1,295
	<hr/>	<hr/>	<hr/>	<hr/>
Investment advisory, administration fees and securities lending revenue	5,339	3,826	2,572	4,257
Investment advisory performance fees	214	202	77	177
<i>BlackRock Solutions</i> and advisory	328	477	369	393
Distribution fees	89	100	73	139
Other revenue	149	95	65	98
Total revenue	<hr/>	<hr/>	<hr/>	<hr/>
	6,119	4,700	3,156	5,064
Expenses				
Employee compensation and benefits	2,256	1,802	1,185	1,815
Distribution and servicing costs				
Related parties	194	368	291	495
Other third parties	108	109	80	96
Amortization of deferred mutual fund sales commissions	79	100	76	130
Direct fund expenses	359	95	43	86
General and administration	945	779	462	665
Restructuring charges	-	22	22	38
Amortization of intangible assets	120	147	108	146
Total expenses	<hr/>	<hr/>	<hr/>	<hr/>
	4,061	3,422	2,267	3,471
Operating income	<hr/>	<hr/>	<hr/>	<hr/>
	2,058	1,278	889	1,593
Non-operating income (expense)				
Net gain (loss) on investments	117	42	5	(573)
Net gain (loss) on consolidated variable interest entities	(16)	-	-	-
Interest and dividend income	19	20	16	65
Interest expense	(115)	(68)	(45)	(69)
Total non-operating income (expense)	<hr/>	<hr/>	<hr/>	<hr/>
	5	(6)	(24)	(577)
Income before income taxes	2,063	1,272	865	1,016
Income tax expense	662	375	225	387
Net income	<hr/>	<hr/>	<hr/>	<hr/>
	1,401	897	640	629
Less: Net income (loss) attributable to redeemable non-controlling interests	2	2	2	(1)
Less: Net income (loss) attributable to nonredeemable non-controlling interests	(7)	20	19	(154)
Net income attributable to BlackRock, Inc.	<hr/>	<hr/>	<hr/>	<hr/>
	1,406	875	619	784

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

	09/30/10	12/31/09	09/30/09	12/31/08
	Unaudited	Audited	Unaudited	Audited
Assets				
Cash and cash equivalents	2,636	4,708	2,763	2,032
Accounts receivable	2,052	1,718	1,219	901
Due from related parties	168	189	91	309
Investments	1,512	1,049	1,041	1,429
Separate account assets	116,667	119,629	3,536	2,623
Assets of consolidated variable interest entities				
Cash and cash equivalents	91	-	-	-
Bank loans and other investments	1,293	-	-	-
Collateral held under securities lending agreements	18,981	19,335	-	-
Deferred mutual fund sales commissions, net	75	103	106	135
Property and equipment (net of accumulated depreciation)	429	443	250	260
Intangible assets (net of accumulated amortization)	17,546	17,666	6,335	6,441
Goodwill	12,641	12,638	5,718	5,533
Other assets	413	588	321	261
Total assets	174,504	178,066	21,380	19,924
Liabilities				
Accrued compensation and benefits	1,146	1,482	584	826
Accounts payable and accrued liabilities	1,234	850	712	545
Due to related parties	151	490	107	103
Short-term borrowings	100	2,234	200	200
Liabilities of consolidated variable interest entities				
Borrowings	1,237	-	-	-
Other liabilities	7	-	-	-
Convertible debentures	67	243	247	245
Long-term borrowings	3,191	3,191	696	697
Separate account liabilities	116,667	119,629	3,536	2,623
Collateral liability under securities lending agreements	18,981	19,335	-	-
Deferred tax liabilities	5,548	5,518	1,729	1,826
Other liabilities	495	492	268	299
Total liabilities	148,824	153,464	8,079	7,364
Temporary equity				
Redeemable non-controlling interests	54	49	9	266
Convertible debentures	-	-	1	-
Total temporary equity	54	49	10	266
Permanent Equity				
BlackRock, Inc. stockholders' equity				
Common stock	1	1	1	1
Preferred stock	1	1	1	-
Additional paid-in capital	22,400	22,127	11,003	10,473
Retained earnings	3,260	2,436	2,286	1,982
Appropriated retained earnings	94	-	-	-
Accumulated other comprehensive (loss)	(95)	(96)	(88)	(186)
Escrow shares, common, at cost	(137)	(137)	(143)	(143)
Treasury stock, common, at cost	(124)	(3)	-	(58)
Total BlackRock, Inc. stockholders' equity	25,400	24,329	13,060	12,069
Nonredeemable non-controlling interests	180	224	231	225
Nonredeemable non-controlling interests of consolidated variable interest entities	46	-	-	-
Total permanent equity	25,626	24,553	13,291	12,294
Total liabilities, temporary equity and permanent equity	174,504	178,066	21,380	19,924
 Total liabilities/Total assets	 85.3%	 86.2%	 37.8%	 37.0%

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

	Nine Months Ended		Nine Months Ended	
	09/30/10	12/31/09	09/30/09	12/31/08
	Unaudited	Audited	Unaudited	Audited
Net cash inflow/(outflow) from operating activities	1,415	1,399	831	1,916
Net cash inflow/(outflow) from investing activities	(480)	(5,519)	11	(394)
Net cash inflow/(outflow) from financing activities	(3,004)	6,749	(171)	(887)
Change in cash and cash equivalents	(2,072)	2,676	731	376
Cash and cash equivalents - beginning of the period	4,708	2,032	2,032	1,656
Cash and cash equivalents - end of the period	2,636	4,708	2,763	2,032

Equinix Inc.

General Information: Equinix, Inc. is a U.S. based public corporation that provides network-neutral data centers (IBX or "Internet Business Exchange") and interconnection services. The company offers collocation, traffic exchange and outsourced IT infrastructure solutions to enterprises, content companies, systems integrators and network service providers. Equinix has 87 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 will be unable to perform its contractual commitments.

Current Financial Condition:

- **Income Statement:** Equinix reported total revenue of \$875.1 million for the first nine months of 2010, up 36.7 percent from the \$640.0 million reported for the same period in 2009. The Company reported Net Income of \$23.1 million, a decrease of 55 percent from the \$51.7 million reported in the same period in 2009.
- **Balance Sheet:** As of September 30, 2010, Total Assets of \$4.5 billion were reported, an increase of \$1.5 billion from \$3.0 billion reported at year-end 2009. Total Liabilities were \$2.6 billion, an increase of \$0.7 billion from the \$1.9 billion at year-end 2009.
- **Cash Flow:** Cash and cash equivalents were \$389.1 million at September 30, 2010, an increase of \$43 million from \$346.1 million reported at year-end 2009.
- **Leverage:** As of September 30, 2010, Total Liabilities were 58.6 percent of Total Assets, decreasing from 61.1 percent at year-end 2009.
- **Current Ratio:** As of September 30, 2010, the Current Ratio (Current Assets/Current Liabilities) was 2.9, compared to 2.3 reported at year-end 2009

Dun & Bradstreet Credit Score Class: As of December 31, 2010, the credit score was 1 (low risk), improved from the credit score of 2 (slight risk) reported in the prior quarter.

Stock Performance: Equinix's closing share price on December 31, 2010, was \$81.26, down from its 52-week high of \$110.57 on May 5, 2010. The 52-week low was \$69.42 on October 6, 2010.

SAS 70 Report: No current information is available.

Significant Events:

- On January 3, 2011, Equinix announced that it paid \$93 million to retire the mortgage on its data center campus in Ashburn, Virginia. The mortgage had been secured by the 32-acre business park which houses six Equinix data centers. The Equinix Ashburn campus includes more than 620,000 square feet of data center space. The campus is one of the Internet's busiest intersections, managing digital traffic flow between the nearly 200 networks that meet inside the buildings.
- On November 2, 2010, Equinix announced that it ranked number 307 on Deloitte's Technology Fast 500™, a ranking of 500 of the fastest growing technology, media, telecommunications, life sciences and clean technology companies in North America. Rankings are based on percentage of fiscal year revenue growth during the period from 2005-2009.

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)

	Nine Months Ended 09/30/10 Unaudited	12/31/09 Audited	Nine Months Ended 09/30/09 Unaudited	12/31/08 Audited
Revenues	875,090	882,509	639,957	704,680
Costs and operating expenses:				
Cost of revenues	481,108	483,420	356,346	414,799
Sales and marketing	79,586	63,584	46,315	66,913
General and administrative	155,961	155,324	111,677	146,564
Acquisition costs	11,957	5,155	1,379	0
Restructuring charges	6,243	(6,053)	(6,053)	3,142
Total costs and operating expenses	734,855	701,430	509,664	631,418
Income from operations	140,235	181,079	130,293	73,262
Interest income	1,307	2,384	1,949	8,940
Interest expense	(101,653)	(74,232)	(51,619)	(61,677)
Other than temporary impairment recovery (loss) on investments	3,626	(2,590)	(2,687)	(1,527)
Loss on debt extinguishment and interest rate swaps, net	(4,831)	0	0	0
Other income	193	2,387	3,675	1,307
Income before taxes	38,877	109,028	81,611	20,305
Income tax (expense)/benefit	(15,756)	(39,597)	(29,902)	87,619
Net income	23,121	69,431	51,709	107,924

Equinix Inc.
Balance Sheet
(In \$ thousands)

	09/30/10 Unaudited	12/31/09 Audited	09/30/09 Unaudited	12/31/08 Audited
Assets				
Cash and cash equivalents	389,149	346,056	283,147	220,207
Short-term investments	322,979	248,508	326,234	42,112
Accounts receivable, net	115,616	64,767	67,589	66,029
Deferred tax assets	-	-	15,163	35,936
Other current assets	64,067	68,556	21,961	15,227
Total Current Assets	891,811	727,887	714,094	379,511
Long term investments	3,223	9,803	18,061	45,626
Property, plant and equipment net	2,582,890	1,808,115	1,703,009	1,492,830
Goodwill	778,258	381,050	377,556	342,829
Intangible assets, net	155,601	51,015	52,062	50,918
Deferred tax assets, net	-	-	43,938	65,228
Other assets	69,108	60,280	53,858	57,794
Total assets	4,480,891	3,038,150	2,962,578	2,434,736
Liabilities and shareholders' equity				
Accounts payable and accrued expenses	134,091	99,053	104,288	74,317
Accrued property and equipment	97,012	109,876	64,598	89,518
Current portion of capital lease and other financing obligations	7,624	6,452	6,347	4,499
Current portion of mortgage and loans payable	22,480	58,912	53,101	52,054
Current portion of convertible debt	-	-	-	19,150
Other current liabilities	49,818	41,166	51,827	50,455
Total current liabilities	311,025	315,459	280,161	289,993
Capital lease and other financing obligations, less current portion	261,929	154,577	154,179	133,031
Mortgage and loans payable, less current portion	179,027	371,322	394,263	386,446
Senior notes	750,000	-	-	-
Convertible debt	910,495	893,706	888,364	608,510
Other liabilities	214,442	120,603	111,177	100,095
Total liabilities	2,626,918	1,855,667	1,828,144	1,518,075
Shareholders' equity				
Common stock	46	39	39	38
Additional paid-in capital	2,320,107	1,665,662	1,636,984	1,524,834
Accumulated other comprehensive income/(loss)	(103,321)	(97,238)	(98,887)	(152,800)
Accumulated deficit	(362,859)	(385,980)	(403,702)	(455,411)
Total shareholders' equity	1,853,973	1,182,483	1,134,434	916,661
Total liabilities and shareholders' equity	4,480,891	3,038,150	2,962,578	2,434,736
Current ratio:				
Current assets/Current liabilities	2.9	2.3	2.5	1.3
Leverage:				
Total liabilities/Total assets	58.6%	61.1%	61.7%	62.4%

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

	Nine Months Ended		Nine Months Ended	
	09/30/10	12/31/09	09/30/09	12/31/08
	Unaudited	Audited	Unaudited	Audited
Net cash provided by operating activities from continuing operations	269,981	355,492	272,982	267,558
Net cash used in investing activities	(618,507)	(558,178)	(542,494)	(478,040)
Net cash provided by financing activities	395,675	323,598	326,520	145,106
Effect of exchange rate charges on cash	(4,056)	4,937	5,932	(5,050)
Net increase in cash and cash equivalents	43,093	125,849	62,940	(70,426)
Cash and cash equivalents - beginning of the period	346,056	220,207	220,207	290,633
Cash and cash equivalents - end of the period	389,149	346,056	283,147	220,207

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 233 in 2009, and has locations throughout the United States, Europe, Mexico, South America, and China. The Company 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 it will be unable to meet its contractual obligations to the TSP.

Current Financial Condition:

- **Income Statement:** For the quarter ending September 30, 2010, R.R. Donnelley reported net sales of \$7.3 billion compared to \$7.2 billion in the same period of 2009. The Company reported net income of \$194.7 million, compared to \$52.2 million for the third quarter of 2009.
- **Balance Sheet:** As of September 30, 2010, \$8.8 billion of Total Assets were reported, up from \$8.7 billion reported at year-end 2009. Total Liabilities of \$6.6 billion were reported, unchanged from \$6.6 billion reported at year-end 2009.
- **Cash Flow:** As of September 30, 2010, the Company reported cash and cash equivalents of \$731.6 million, an increase from the \$499.2 million reported at year-end 2009.
- **Current Ratio:** As of September 30, 2010, the Current Ratio (Current Assets/Current Liabilities) was 1.9, increased from 1.5 at year-end 2009.
- **Leverage:** As of September 30, 2010, Total Liabilities were 74.8 percent of Total Assets; compared to 75.3 percent at year-end 2009.

Dun & Bradstreet Credit Score Class: As of December 31, 2010, the credit score was 3 (moderate risk) a decline from the credit score of 1 (lowest risk) reported in the prior quarter.

Stock Performance: R. R. Donnelley's closing share price on December 31, 2010, was \$17.47, down from its 52-week high of \$23.20 on January 7, 2010. The 52-week low was \$14.87 on August 25, 2010.

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

Significant Events:

- On January 4, 2011, R.R. Donnelley announced that it had acquired 8touches, an online provider of easy-to-use tools that allow real estate sales associates, brokers, Multiple Listing Service (MLS) associations and other marketers to create customized communications materials such as direct mail, flyers, and brochures.
- On November 30, 2010, R.R. Donnelley announced that it had been named to the 2010/2011 Ocean Tomo 300 Patent Index™, the first equity index based on the value of corporate intellectual property. The Index represents a diversified portfolio of 300 companies that own the most valuable patents relative to their book value.

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)

	Nine Months Ended		Nine Months Ended	
	09/30/10	12/31/09	09/30/09	12/31/08
	Unaudited	Audited	Unaudited	Audited
Net sales	7,311.8	9,857.4	7,274.3	11,581.6
Cost of sales	5,560.0	7,462.9	5,480.5	8,576.3
Selling, general & administrative expenses	803.4	1,088.5	807.2	1,220.5
Restructuring and impairment charges - net	74.9	382.7	234.1	1,184.7
Depreciation & amortization	403.7	579.0	436.7	640.6
Total operating expenses	6,842.0	9,513.1	6,958.5	11,622.1
Income from continuing operations	469.8	344.3	315.8	(40.5)
Interest expense - net	166.1	234.6	178.7	226.4
Investment and other income (expense) - net	(9.1)	(16.6)	(14.9)	(2.4)
Earnings before income taxes	294.6	93.1	122.2	(269.3)
Income tax expense	103.6	114.5	65.0	(83.9)
Net earnings (loss)	191.0	(21.4)	57.2	(185.4)
Income (loss) from discontinued operations, net of tax	-	-	-	1.8
Less: Income attributable to noncontrolling interests	(3.7)	(5.9)	5.0	(6.3)
Net earnings attributable to RR Donnelley common shareholders	194.7	(27.3)	52.2	(189.9)
Less: Income (loss) attributable to RR Donnelley common shareholders	-	-	-	-
Net Income/(loss)	194.7	(27.3)	52.2	(189.9)

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

	09/30/10	12/31/09	09/30/09	12/31/08
	Unaudited	Audited	Unaudited	Audited
Assets				
Cash and cash equivalents	731.6	499.2	414.9	324.0
Restricted cash equivalents	50.4	-	-	7.9
Receivables, less allowance for doubtful accounts	1,805.0	1,675.9	1,772.4	1,903.2
Income taxes receivable	36.2	63.2	51.6	189.4
Inventories	565.9	561.8	563.1	695.7
Prepaid expenses and other current assets	158.7	160.8	104.7	104.6
Deferred income taxes	-	-	59.7	56.2
Total current assets	3,347.8	2,960.9	2,966.4	3,281.0
Property, plant and equipment - net	2,071.9	2,271.4	2,332.7	2,564.0
Goodwill	2,329.7	2,333.3	2,457.9	2,425.9
Other intangible assets net	641.6	747.4	773.0	831.1
Other noncurrent assets	433.8	434.6	390.8	392.3
Total assets	8,824.8	8,747.6	8,920.8	9,494.3
Liabilities and shareholders' equity				
Accounts payable	894.7	886.4	863.4	767.6
Accrued liabilities	828.7	813.4	843.6	795.7
Short-term and current portion of long-term debt	8.0	339.9	431.9	923.5
Total current liabilities	1,731.4	2,039.7	2,138.9	2,486.8
Long-term debt	3,407.4	2,982.5	2,982.4	3,203.3
Pension liability	494.5	509.8	461.7	491.5
Postretirement benefit	335.7	324.5	298.3	291.9
Deferred income taxes	165.2	205.5	242.8	260.9
Other noncurrent liabilities	466.9	524.6	468.3	418.0
Total liabilities	6,601.1	6,586.6	6,592.4	7,152.4
Shareholders' equity				
Common stock	303.7	303.7	303.7	303.7
Additional paid-in capital	2,901.2	2,906.2	2,905.1	2,885.7
Retained earnings	696.9	662.9	795.9	903.8
Accumulated other comprehensive income	(532.0)	(545.0)	(506.8)	(580.7)
Treasury stock, at cost	(1,168.0)	(1,193.8)	(1,195.7)	(1,194.0)
Total shareholders' equity	2,201.8	2,134.0	2,302.2	2,318.5
Noncontrolling interests	21.9	27.0	26.2	23.4
Total liabilities and shareholders equity	8,824.8	8,747.6	8,920.8	9,494.3
Current ratio: Current assets/Current liabilities	1.9	1.5	1.4	1.3
Leverage: Total liabilities/Total assets	74.8%	75.3%	73.9%	75.3%

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

	Nine Months Ended		Nine Months Ended	
	09/30/10	12/31/09	09/30/09	12/31/08
	Unaudited	Audited	Unaudited	Audited
Net cash inflow/(outflow) from operating activities	481.1	1,425.8	1,098.5	1,018.0
Net cash inflow/(outflow) from investing activities	(152.3)	(260.9)	(157.0)	(351.2)
Net cash inflow/(outflow) from financing activities	(89.7)	(1,028.0)	(884.4)	(678.9)
Change in cash and cash equivalents	232.4	175.2	90.9	(55.0)
Effect of exchange rate charges on cash	(6.7)	38.3	33.8	(42.9)
Cash and cash equivalents - beginning of the period	499.2	324.0	324.0	379.0
Cash and cash equivalents - end of the period	731.6	499.2	414.9	324.0

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:** As of September 30, 2010, MetLife reported Total Revenues of \$39.8 billion, up 39 percent from the \$28.7 billion reported for the same period of 2009. **Income Statement:** As of September 30, 2010, MetLife reported a Net Profit of \$2.6 billion, compared to a Net Loss of \$2.6 billion reported in the same period of 2009.
- **Balance Sheet:** As of September 30, 2010, Total Assets of \$617.3 billion were reported, an increase of \$77.9 billion from \$539.3 billion reported at year-end 2009. Total Liabilities were \$570.5 billion in the third quarter of 2010, an increase of \$64.6 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 \$14.5 billion and \$10.1 billion at September 30, 2010 and year-end 2009, respectively, which reflected a 44 percent increase.
- **Leverage:** As of September 30, 2010, Total Liabilities were 92.4 percent of Total Assets, a decline 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 November 4, 2010 are as follows:

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

Dun & Bradstreet Credit Score Class: As of December 31, 2010, the credit score was 5 (highest risk), unchanged from the credit score of 5 in the prior quarter. Last period, the Dun & Bradstreet report stated that the company is \$3 million past due on a \$10 million telecommunications account balance. However, we confirmed with MetLife that this issue has since cleared and the Company currently reports a \$0 balance. The current highest outstanding balance according to Dun & Bradstreet is \$900,000.

Stock Performance: MetLife's closing share price on December 31, 2010, was \$44.44, down from its 52-week high of \$47.75 on April 26, 2010. The 52-week low was \$33.40 on February 9, 2010.

SAS 70 Report: There is no SAS report available.

Significant Events:

- On November 15, 2010, MetLife declared fourth quarter dividends of \$0.25 per share on the company's floating rate non-cumulative preferred stock, Series A, and \$0.40 per share on the company's 6.50% non-cumulative preferred stock, Series B. Both dividends are payable December 15, 2010 to shareholders of record as of November 30, 2010.
- On November 1, 2010, MetLife announced completion of its acquisition of American Life Insurance Company (Alico) from American International Group, Inc. (AIG) for \$16.2 billion.

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 regulatory standards.

MetLife, Inc
Income Statement
(in \$ millions)

	09/30/10 Unaudited	12/31/09 Audited	09/30/09 Unaudited	12/31/08 Audited
Revenues				
Premiums	20,078	26,460	19,299	25,914
Universal life and investment type product policy fees	4,345	5,203	3,650	5,381
Net investment income	12,822	14,838	10,914	16,291
Other revenues	1,681	2,329	1,728	1,586
Net investment gains (losses)				
Other-than-temporary impairments on fixed maturity securities	(538)	(2,439)	(1,769)	(1,296)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	181	939	479	-
Other net investment gains (losses)	33	(6,272)	(1,500)	3,108
Total net investments gains (losses)	(324)	(7,772)	(2,790)	1,812
Net derivatives gains (losses)	1,278	-	(4,084)	-
Total Revenues	39,880	41,058	28,717	50,984
Expenses				
Policyholder benefits and claims	21,952	28,336	20,701	27,437
Interest credited to policyholder account balances	3,458	4,849	3,655	4,788
Policyholder dividends	1,157	1,650	1,297	1,751
Other expenses	9,358	10,556	7,576	11,947
Total Expenses	35,925	45,391	33,229	45,923
Income from continuing operations before provision for income taxes	3,955	(4,333)	(4,512)	5,061
Provision for income taxes	1,259	(2,015)	(1,884)	1,580
Income (loss) from continuing operations, net of income taxes	2,696	(2,318)	(2,628)	3,481
Income (loss) from discontinued operations, net of income taxes	5	40	37	(203)
Net income (loss)	2,701	(2,278)	(2,591)	3,278
Less: Net income (loss) attributable to noncontrolling interests	(7)	(32)	(25)	69
Income before cumulative effect of a change in accounting, net of income taxes	2,708	(2,246)	(2,566)	3,209
Less: Preferred Stock Dividends	91	122	91	125
Net income/(loss)	2,617	(2,368)	(2,657)	3,084

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

	09/30/10 Unaudited	12/31/09 Audited	09/30/09 Unaudited	12/31/08 Audited
Assets				
Investments:				
Fixed maturities	260,564	227,642	223,896	188,251
Equity securities	2,865	3,084	3,117	3,197
Trading securities	3,987	2,384	1,970	946
Mortgage loans				
Held for investment	57,098	48,181	48,239	49,352
Held for sale	2,840	2,728	2,442	2,012
Mortgage loans, net	59,938	50,909	50,681	51,364
Policy loans	10,230	10,061	10,001	9,802
Real estate and real estate joint ventures held for investment	6,981	6,852	6,982	7,535
Real estate held for sale	9	44	50	51
Other limited partnership interests	5,948	5,508	5,255	6,039
Short term investments	11,590	8,374	6,861	13,878
Other invested assets	16,571	12,709	13,916	17,248
Total investments	378,683	327,567	322,729	298,311
Cash and cash equivalents	14,557	10,112	15,562	24,207
Accrued investment income	3,469	3,173	3,236	3,061
Premiums and other receivables	18,654	16,752	16,903	16,973
Deferred policy acquisition costs	17,463	19,256	19,208	20,144
Current income tax recoverable	178	316	412	-
Deferred income tax assets	-	1,228	535	4,927
Goodwill	4,966	5,047	5,033	5,008
Assets of subsidiaries held for sale	-	-	-	946
Other assets	6,913	6,822	7,140	7,262
Separate account assets	172,372	149,041	144,434	120,839
Total assets	617,255	539,314	535,192	501,678
Liabilities and stockholders' equity				
Liabilities				
Future policy benefits	143,686	135,879	134,492	130,555
Policyholder account balances	145,360	138,673	147,543	149,805
Other policyholder funds	8,912	8,446	8,549	7,762
Policyholder dividends payable	834	761	911	1,023
Policyholder dividend obligation	2,014	-	-	-
Payables for collateral under securities loaned and other transactions	31,891	24,196	24,363	31,059
Bank deposits	9,362	10,211	-	-
Short term debt	2,057	912	2,131	2,659
Long term debt	24,512	13,220	13,202	9,667
Collateral financing arrangements	5,297	5,297	5,297	5,192
Junior subordinated debt securities	3,191	3,191	3,191	3,758
Current income tax payable	-	-	-	342
Deferred income tax liability	3,543	-	-	-
Other liabilities	17,455	15,989	16,486	14,284
Separate account liabilities	172,372	149,041	144,434	120,839
Liabilities of subsidiaries held for sale	-	-	-	748
Total liabilities	570,486	505,816	500,599	477,693
Stockholders' equity				
Preferred stock	1	1	1	1
Common stock	9	8	8	8
Additional paid in capital	20,451	16,859	16,865	15,811
Retained earnings	22,096	19,501	19,822	22,403
Treasury stock, at cost	(172)	(190)	(194)	(236)
Accumulated other comprehensive income (loss)	4,030	(3,058)	(2,234)	(14,253)
Total stockholders equity	46,415	33,121	34,268	23,734
Noncontrolling interests	354	377	325	251
Total Equity	46,769	33,498	34,593	23,985
Total liabilities and stockholders equity	617,255	539,314	535,192	501,678
Leverage: Total liabilities/Total assets				
	92.42%	93.79%	93.54%	95.22%

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

	09/30/10	12/31/09	09/30/09	12/31/08
	Unaudited	Audited	Unaudited	Audited
Net cash inflow/(outflow) from operating activities	5,193	3,803	2,718	10,702
Net cash inflow/(outflow) from investing activities	(19,369)	(13,935)	(7,357)	(2,671)
Net cash inflow/(outflow) from financing activities	18,629	(4,103)	(4,126)	6,189
Change in cash and cash equivalents	<u>4,445</u>	<u>(14,127)</u>	<u>(8,677)</u>	<u>13,871</u>
Cash and cash equivalents - beginning of the period	<u>10,112</u>	<u>24,239</u>	<u>24,239</u>	<u>10,368</u>
Cash and cash equivalents - end of the period	14,557	10,112	15,562	24,239