



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD  
77K Street, NE Washington, DC 20002

January 16, 2013

MEMORANDUM FOR THE EXECUTIVE DIRECTOR

FROM: SUSAN CROWDER *SC*  
CHIEF FINANCIAL OFFICER

SUBJECT: QUARTERLY FINANCIAL ASSESSMENT OF TSP'S PRIMARY  
VENDORS – JANUARY 2013

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 Inc., The Active Network, Inc, and SunGard.

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, 2012. 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 2012, year-end 2011, the first nine months of 2011, and year-end 2010.

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 \$7 billion international business services company based in Hook, North Hampshire in the United Kingdom. With North American headquarters in Reston, Virginia, Serco now employs approximately 8,500 people in over 100 locations across the United States. Serco North America has annual revenue of \$1.3 billion.

Serco Services Inc. is the prime contractor for managing both FRTIB data centers, operating and maintaining the information technology (IT) components of the TSP record keeping system, providing incoming mail, data entry and imaging support, and operating the Clintwood Call Center. Serco Services Inc. also administers the accounting, court ordered payments, death benefits, and payroll office liaison functions. Serco Services Inc. relies on subcontracting support as follows: ICF International (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 Group continues to be a profitable and growing company. 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.

**Current Financial Condition:** Serco Group plc (Serco) provides financial results as of June 30 and December 31 of each year. We include available results below.

- **Income Statement:** For the six-month period ending June 30, 2012, Serco Group plc reported revenues of £2.3 billion, an increase of 4 percent from the £2.2 billion reported in the same period of 2011. Net profit through June 30, 2012 was £97.7 million, an increase of 19 percent from the £82.2 million reported for the second quarter of 2011.
- **Balance Sheet:** As of June 30, 2012, total assets were £3.1 billion, an increase of 17 percent from the £2.7 billion reported at the end of the second quarter 2011. Total liabilities were £2.1 billion, an increase of 17 percent from the £1.8 billion reported for the same period in 2011.

- **Cash Flow:** As of June 30, 2012, cash and cash equivalents totaled £218.8 million, a decrease of 28 percent from the £305 million reported for the second quarter 2011.
- **Leverage:** At June 30, 2012, total liabilities as a percent of total assets was 67 percent, which remained unchanged from the same period in 2011.
- **Current Ratio:** The current ratio (current assets/current liabilities) remained flat at 1.2 from reported second quarter 2011.

**Dun & Bradstreet Credit Score Class:** As of September 30, 2012, the credit score for Serco Services Inc. as a subsidiary of Serco Group plc, was 3, (moderate risk), unchanged from the credit score reported in the prior quarter.

**Stock Performance:** Serco Group plc's closing share price on January 7, 2013, was £552.00, down from its 52-week high of £602.00 on August 6, 2012. The 52-week low was £491.30, on January 6, 2012.

**SAS 70/SSAE 16 Report:** Not available.

**Significant Events:**

- December 20, 2012 - Serco Inc. announced today that the Company remains on track to meet expectations for 2012: they expect to deliver another year of strong total revenue growth, including further good organic growth, together with an increase in adjusted operating margin similar to that achieved in 2011. Serco recently completed acquisition of DMS Maritime for £82 million, and has also recently reached agreement on two small disposals of operations that were considered 'non-core' for £6 million.
- December 20, 2012 – Serco Inc. announced plans to establish the Serco Foundation as an independent charitable foundation to mark Serco's 25<sup>th</sup> year as a publicly traded company dedicated to service excellence. Serco is making a one-off endowment of £5 million to the foundation.
- November 27, 2012 – Serco was awarded a new production and engineering services contract in support of the US Navy's Automated Digital Network Systems. The five year contract exercises a one-year base period and four one-year option periods, with a total value of \$68 million.

**Risk Mitigation:** Should Serco Services Inc. cease operations, we could issue letter contracts (an agreement to be negotiated at a later point) on an emergency basis to: a) ICF International to continue systems programming and possibly expand support to data center operations; b) SunGard to continue incoming mail, data entry, and other operations to maintain the TSP record keeping system, accounting, legal, and Agency interface operations; and c) 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 well along the way to issuing a request for proposal (RFP) for the acquisition of a new IT Services contract which we are calling Technology and Enterprise Support Services (TESS). We have engaged industry in information sessions, held industry awareness conferences, issued a draft statement of work (SOW) and draft RFP, and will be issuing the final RFP in Mid-January. We have contracted with Gartner, BVTI, and Poole & Associates to assist in the development of the requirements and solicitation process for the competition of this contract.

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

	<b>Six Months Ended</b>		<b>Six Months Ended</b>	
	<b>6/30/2012</b>	<b>12/31/2011</b>	<b>6/30/2011</b>	<b>12/31/2010</b>
	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Audited</b>
Revenue	2,341.7	4646.4	2,245.8	4,326.7
Cost of sales	1,995.3	3946	1,912.8	3,682.4
<b>Gross profit</b>	<b>346.4</b>	<b>700.4</b>	<b>333.0</b>	<b>644.3</b>
Administrative expenses	222.5	410.3	199.2	385.6
<b>Adjusted operating profit</b>	<b>123.9</b>	<b>290.1</b>	<b>133.8</b>	<b>258.7</b>
Other expenses – amortization of intangibles arising on acquisition	11.5	20.0	8.4	17.4
Other expenses – acquisition-related costs	1.1	3.9	3.4	-
<b>Total administrative expenses</b>	<b>12.6</b>	<b>23.9</b>	<b>11.8</b>	<b>17.4</b>
Net profit on disposal o subsidiaries and operations	31.0	-	-	-
<b>Operating profit</b>	<b>142.3</b>	<b>266.2</b>	<b>122.0</b>	<b>241.3</b>
Investment revenue	5.7	12.2	5.3	3.9
Finance costs	27.5	40.1	15.5	31.3
<b>Profit before tax</b>	<b>120.5</b>	<b>238.3</b>	<b>111.8</b>	<b>213.9</b>
Tax	22.8	63.1	29.6	57.1
<b>Profit for the period</b>	<b>97.7</b>	<b>175.2</b>	<b>82.2</b>	<b>156.8</b>

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

	6/30/2012 Unaudited	12/31/2011 Audited	6/30/2011 Unaudited	12/31/2010 Audited
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	218.8	254.8	305.0	279.3
Derivative financial instruments	1.7	7.6	15.2	3.9
Trade and other receivables	863.3	798.6	815.6	786.2
Current tax assets	13.2	9.2	3.9	4.0
Inventories	62.7	58.8	70.5	65.4
<b>Total current assets</b>	<b>1,159.7</b>	<b>1,129.0</b>	<b>1,210.2</b>	<b>1,138.8</b>
<b>Non-current assets</b>				
Goodwill	1,226.8	1,259.0	932.7	899.5
Other intangible assets	193.5	184.9	146.9	145.0
Property, plant and equipment	194.7	194.8	146.9	135.4
Trade and other receivables	233.9	261.9	201.9	156.7
Retirement benefit assets	71.0	122.3	14.9	-
Deferred tax assets	50.6	28.2	27.7	38.1
Derivative financial instruments	0.5	2.0	2.2	3.5
<b>Total non-current assets</b>	<b>1,971.0</b>	<b>2,053.1</b>	<b>1,473.2</b>	<b>1,378.2</b>
<b>Total assets</b>	<b>3,130.7</b>	<b>3,182.1</b>	<b>2,683.4</b>	<b>2,517.0</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	839.2	804.2	836.1	805.5
Current tax liabilities	13.2	17.8	9.9	19.5
Obligations under finance leases	10.0	10.3	9.0	7.1
Provisions	9.0	10.4	-	-
Loans	87.4	206.6	147.0	159.5
Derivative financial instruments	14.0	12.3	4.8	2.4
<b>Total current liabilities</b>	<b>972.8</b>	<b>1,061.6</b>	<b>1,006.8</b>	<b>994.0</b>
<b>Non-current liabilities</b>				
Trade and other payables	58.0	61.4	28.6	22.2
Obligations under finance leases	47.9	35.6	17.1	19.3
Loans	715.2	636.2	457.1	354.6
Derivative financial instruments	28.4	26.3	0.9	5.2
Retirement benefit obligations	201.1	278.7	240.2	226.2
Provisions	57.6	56.2	37.2	39.6
Deferred tax liabilities	22.0	22.3	14.6	14.6
<b>Total Long-term liabilities</b>	<b>1,130.2</b>	<b>1,116.7</b>	<b>795.7</b>	<b>681.7</b>
<b>Total liabilities</b>	<b>2,103.0</b>	<b>2,178.3</b>	<b>1,802.5</b>	<b>1,675.7</b>
<b>Equity</b>				
Share capital	10.0	9.9	9.9	9.9
Share premium account	326.2	322.7	307.3	306.7
Capital redemption reserve	0.1	0.1	0.1	0.1
Retained earnings	775.1	706.3	625.4	568.5
Retirement benefit obligations reserve	(139.1)	(92.0)	(155.9)	(142.8)
Share-based payment reserve	70.5	66.1	63.6	58.7
Own shares reserve	(44.1)	(48.2)	(48.9)	(27.5)
Hedging and translation reserve	29.0	38.9	79.4	67.7
<b>Equity attributable to equity holders of the parent</b>	<b>1,027.7</b>	<b>1,003.8</b>	<b>880.9</b>	<b>841.3</b>
<b>Non controlling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>1,027.7</b>	<b>1,003.8</b>	<b>880.9</b>	<b>841.3</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,130.7</b>	<b>3,182.1</b>	<b>2,683.4</b>	<b>2,517.0</b>
<b>Current ratio: Current assets/Current liabilities</b>	<b>1.2</b>	<b>1.1</b>	<b>1.2</b>	<b>1.1</b>
<b>Leverage: Total liabilities/Total assets</b>	<b>67%</b>	<b>68%</b>	<b>67%</b>	<b>67%</b>

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

	Six Months Ended		Six Months Ended	
	6/30/2012 Unaudited	12/31/2011 Audited	6/30/2011 Unaudited	12/31/2010 Audited
<b>Net cash inflow/(outflow) from operating activities before special pension contribution</b>	51.3	257.0	118.9	261.0
Special pension contribution to defined pension scheme	-	(40.0)	(40.0)	(20.0)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>51.3</b>	<b>217.0</b>	<b>78.9</b>	<b>241.0</b>
<b>Investing activities</b>				
Interest received	1.3	3.4	1.3	3.3
Increase in security deposits	(1.8)	(8.2)	-	-
Proceeds from disposal of property, plant and equipment	1.9	9.2	1.0	6.1
Proceeds from disposal of investments	-	-	0.5	-
Proceeds from disposal of intangible assets	132.8	-	-	7.3
Acquisition of subsidiaries and business undertakings, net of cash acquired (excluding acquisition-related costs)	(67.5)	(325.3)	(23.9)	(2.1)
Purchase of other intangible assets	(18.8)	(35.2)	(22.1)	(20.9)
Purchase of property, plant and equipment	(22.9)	(49.7)	(21.3)	(35.4)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>25.0</b>	<b>(405.8)</b>	<b>(64.5)</b>	<b>(41.7)</b>
<b>Financing activities</b>				
Interest paid	(26.8)	(35.8)	(14.0)	(27.9)
Dividends paid	(28.9)	(37.3)	(25.2)	(32.3)
Non-controlling interest dividends paid	-	(0.1)	(0.1)	(0.2)
Cash inflow from matured derivative financial instruments	(1.4)	4.9	0.2	1.6
Repayment of loans	(421.0)	(559.8)	(99.3)	(167.8)
Repayment of non recourse loans	(4.0)	(7.9)	(3.6)	(7.6)
New loan advances	362.6	818.4	180.5	10.1
Capital element of finance lease repayments	4.8	(10.7)	(4.5)	(8.7)
Purchase of own shares for employee benefit	-	(24.0)	(24.0)	(23.0)
Proceeds from issue of share capital	4.7	17.3	1.4	8.3
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(110.0)</b>	<b>165.0</b>	<b>11.4</b>	<b>(247.5)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(33.7)</b>	<b>(23.8)</b>	<b>25.8</b>	<b>(48.2)</b>
Cash and cash equivalents at beginning of period	254.8	279.3	279.3	319.4
Net exchange gain(loss)	(2.3)	(0.7)	(0.1)	8.1
<b>Cash and cash equivalents at end of period</b>	<b>218.8</b>	<b>254.8</b>	<b>305.0</b>	<b>279.3</b>



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

	6/30/2012	12/31/2011	6/30/2011	12/31/2010
	Unaudited	Audited	Unaudited	Audited
Net cash inflow/(outflow) from operating activities	51.3	217.0	78.9	241.0
Net cash inflow/(outflow) from investing activities	25.0	(405.8)	(64.5)	(41.7)
Net cash inflow/(outflow) from financing activities	(110.0)	165.0	11.4	(247.5)
Change in cash and cash equivalents	(33.7)	(23.8)	25.8	(48.2)
Net exchange gain/(loss)	(2.3)	(0.7)	(0.1)	8.1
Cash and cash equivalents at beginning of period	254.8	279.3	279.3	319.4
Cash and cash equivalents at end of period	218.8	254.8	305.0	279.3

## **BlackRock, Inc.**

**General Information:** BlackRock, Inc. is one of the leading investment management companies in the U.S. The firm's products include a spectrum of fixed income and mutual funds, as well as investment tools, outsourcing and advisory services to institutional investors. The Company also offers risk management, strategic advisory and enterprise investment system services to insurance companies, finance companies, pension funds, foundations, REITs, commercial and mortgage banks, savings institutions and government agencies, with portfolios totaling approximately \$12 trillion.

**Assessment:** As of September 30, 2012, BlackRock's assets under management totaled \$3.673 trillion across equity, fixed income, cash management, alternative investment, real estate and advisory strategies. We find no indication that BlackRock is unable to fulfill its contractual obligations to the TSP.

### **Current Financial Condition:**

- **Income Statement:** For the third quarter of 2012, BlackRock reported total revenue of \$6.8 billion, which was a decrease of 1 percent from the \$6.85 billion reported for the same period in 2011. The Company reported a Net Income of \$1.77 billion, also down 1 percent from a Net Income of \$1.78 billion reported for the same period in 2011.
- **Balance Sheet:** As of September 30, 2012, Total Assets of \$192.8 billion were reported, an increase of 11 percent from the \$174 billion reported at the end of the same period 2011. Total Liabilities reported were \$167.5 billion, up 12 percent from the \$149.3 billion reported at the end of the third quarter 2011.
- **Cash Flow:** As of September 30, 2012, the Company reported cash and cash equivalents of \$4.2 billion, an increase of 42 percent from the \$2.98 billion reported for the same period 2011.
- **Leverage:** As of September 30, 2012, Total Liabilities reported were 87 percent of Total Assets, compared to 86 percent for the same period 2011.

- **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 26, 2012, the credit score was 2 (low risk), unchanged from the prior quarter.

**Stock Performance:** BlackRock Inc.'s closing share price on September 28, 2012, was \$178.30, down from its 52-week high of \$206.57 on April 3, 2012. The 52-week low was \$141.77.

**SAS 70/SSAE 16 Report:** The most current report is Deloitte & Touche's SSAE 16 Report, which covers operations from October 1, 2010 through September 30, 2011, and identified no significant areas of concern to the TSP.

**Significant Events:**

- **January 2, 2013 – iShares MSCI Emerging Markets Index Fund (EEM)** traded more than double its average daily volume as the developing country electronic traded fund rallied 2% after U.S. lawmakers reached a deal to avert the fiscal cliff. More than 101 million shares of EEM traded hands, compared with average daily volume (the past three months) of about 50 million shares.
- **December 10, 2012 – Exchange Traded Funds (ETFs)** have so far struggled to participate meaningfully in the \$4.5 trillion defined contribution market, because record keeping systems are not configured to handle them, and because plan providers and sponsors have been reluctant to uproot from index-based mutual funds. Yet the products are making some advances, particularly in target date funds, such as BlackRock's Life-Path target date line-up, which allocates 20 to 25 percent of its portfolio to ETFs. BlackRock's ETFs are finding the most success cracking into the DC market through models and asset allocation products that retirement plan advisers put together for their clients. As advisers look to build more risk based models for clients, they are seeking products that are beyond the core broad-based asset funds, such as ETFs.
- **December 5, 2012 – BlackRock** announced that it has returned to investors substantially all of the proceeds, at a profit, from its BlackRock Public-Private Investment Fund (the "Fund"). These returns represent a net multiple of 1.74X on funded capital and an internal rate of return of 23.5% on Treasury's equity

investment since the Fund's inception in October 2009. The Fund, managed by BlackRock, was jointly owned by the U.S. Department of the Treasury and private investors. Treasury has received \$917.1 million in net equity distributions (consisting of the return of Treasury's \$528.2 million investment in the Fund and approximately \$388.9 million in profits).

- November 21, 2012 – Anticipation of higher dividend taxes is prompting many companies (especially those with high levels of insider ownership, such as Wal-Mart) to change the January dividend payout date, or to put out a special one-time dividend by the end of this year. Pension fund managers such as BlackRock will be beneficially affected, as well.

**Risk Mitigation:** BlackRock manages the TSP's bond and equity funds. TSP assets are held in trust and cannot be accessed by BlackRock's creditors. The main risk to the TSP is that BlackRock's investment operations could be interrupted or terminated. If the TSP were to acquire a successor 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	
	09/30/12	12/31/11	09/30/11	12/31/10
	Unaudited	Audited	Unaudited	Audited
<b>Revenue</b>				
Investment advisory, administration fees and securities lending revenue	5,991	7,896	6,033	7,290
Investment advisory performance fees	224	371	224	540
<i>BlackRock Solutions</i> and advisory	382	510	361	460
Distribution fees	58	100	78	116
Other revenue	143	204	158	206
<b>Total revenue</b>	<b>6,798</b>	<b>9,081</b>	<b>6,854</b>	<b>8,612</b>
<b>Expenses</b>				
Employee compensation and benefits	2,439	3,199	2,425	3,097
Distribution and servicing costs	282	386	299	408
Amortization of deferred sales commissions	43	81	63	102
Direct fund expenses	440	563	435	493
General and administration	958	1,415	1,074	1,354
Restructuring charges	-	32	-	-
Amortization of intangible assets	117	156	117	160
<b>Total expenses</b>	<b>4,279</b>	<b>5,832</b>	<b>4,413</b>	<b>5,614</b>
<b>Operating income</b>	<b>2,519</b>	<b>3,249</b>	<b>2,441</b>	<b>2,998</b>
<b>Non-operating income (expense)</b>				
Net gain (loss) on investments	143	46	18	179
Net gain (loss) on consolidated variable interest entities	1	(18)	(36)	(35)
Interest and dividend income	27	34	25	29
Interest expense	(158)	(176)	(128)	(150)
<b>Total non-operating income (expense)</b>	<b>13</b>	<b>(114)</b>	<b>(121)</b>	<b>23</b>
<b>Income before income taxes</b>	<b>2,532</b>	<b>3,135</b>	<b>2,320</b>	<b>3,021</b>
Income tax expense	742	796	564	971
<b>Net income</b>	<b>1,790</b>	<b>2,339</b>	<b>1,756</b>	<b>2,050</b>
Less: Net income (loss) attributable to redeemable non-controlling interests	7	-	-	3
Less: Net income (loss) attributable to nonredeemable non-controlling interests	15	2	(26)	(16)
<b>Net income attributable to BlackRock, Inc.</b>	<b>1,768</b>	<b>2,337</b>	<b>1,782</b>	<b>2,063</b>

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

	Nine Months Ended		Nine Months Ended	
	09/30/12	12/31/11	09/30/11	12/31/10
	Unaudited	Audited	Unaudited	Audited
<b>Assets</b>				
Cash and cash equivalents	4,223	3,506	2,983	3,367
Accounts receivable	2,464	1,960	2,073	2,095
Due from related parties	121	142	145	150
Investments	1,864	1,631	1,525	1,540
Assets of consolidated variable interest entities				
Cash and cash equivalents	292	54	70	93
Bank loans and other investments	1,683	1,639	1,638	1,312
Separate account assets	128,013	118,871	115,265	121,137
Collateral held under securities lending agreements	22,562	20,918	19,317	17,638
Deferred sales commissions, net	26	38	45	66
Property and equipment (net of accumulated depreciation)	560	537	545	428
Intangible assets (net of accumulated amortization)	17,442	17,356	17,395	17,512
Goodwill	12,908	12,792	12,797	12,805
Other assets	670	452	484	316
<b>Total Assets</b>	<b>192,828</b>	<b>179,896</b>	<b>174,282</b>	<b>178,459</b>
<b>Liabilities</b>				
Accrued compensation and benefits	1,204	1,383	1,105	1,520
Accounts payable and accrued liabilities	1,427	923	1,171	1,068
Due to related parties	15	22	23	57
Short-term borrowings	100	100	100	100
Liabilities of consolidated variable interest entities				
Borrowings	1,843	1,574	1,586	1,278
Other liabilities	9	9	7	7
Convertible debentures	-	-	-	67
Long-term borrowings	6,186	4,690	4,690	3,192
Separate account liabilities	128,013	118,871	115,265	121,137
Collateral liability under securities lending agreements	22,562	20,918	19,317	17,638
Deferred income tax liabilities	5,311	5,323	5,366	5,477
Other liabilities	849	721	713	584
<b>Total Liabilities</b>	<b>167,519</b>	<b>154,534</b>	<b>149,343</b>	<b>152,125</b>
<b>Temporary equity</b>				
Redeemable non-controlling interests	48	92	1	6
<b>Total Temporary Equity</b>	<b>48</b>	<b>92</b>	<b>1</b>	<b>6</b>
<b>Permanent Equity</b>				
BlackRock, Inc. stockholders' equity				
Common stock	2	1	1	1
Preferred stock	-	-	-	1
Additional paid-in capital	19,322	20,275	20,150	22,502
Retained earnings	6,010	5,046	4,736	3,723
Appropriated retained earnings	56	72	79	75
Accumulated other comprehensive loss	(58)	(127)	(110)	(96)
Escrow shares, common, at cost	(1)	(1)	(1)	(1)
Treasury stock, common, at cost	(274)	(218)	(128)	(111)
<b>Total BlackRock, Inc. stockholders' equity</b>	<b>25,057</b>	<b>25,048</b>	<b>24,727</b>	<b>26,094</b>
Nonredeemable non-controlling interests	170	184	175	189
Nonredeemable non-controlling interests of consolidated variable interest entities	34	38	36	45
<b>Total Permanent Equity</b>	<b>25,261</b>	<b>25,270</b>	<b>24,938</b>	<b>26,328</b>
<b>Total Liabilities, Temporary Equity and Permanent Equity</b>	<b>192,828</b>	<b>179,896</b>	<b>174,282</b>	<b>178,459</b>

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

	Nine Months Ended 09/30/12 Unaudited	12/31/11 Audited	Nine Months Ended 09/30/11 Unaudited	12/31/10 Audited
<b>Cash inflow/(outflow) from operating activities</b>				
Net income	1,790	2,339	1,756	2,050
Adjustments to reconcile net income to cash from operating activities:				
Depreciation and amortization	219	299	222	310
Amortization of deferred sales commissions	43	81	63	102
Stock-based compensation	344	497	375	445
Deferred income tax expense (benefit)	(42)	(137)	(108)	3
Net (gains) losses on non-trading investments	(32)	(40)	(17)	(62)
Purchases of investments within consolidated funds	(83)	(41)	(8)	(26)
Proceeds from sale and maturities of investments within consolidated funds	48	50	41	54
Assets and liabilities of consolidated VIEs:				
Change in cash and cash equivalents	(32)	54	38	(45)
Net (gains) losses within consolidated VIEs	(1)	16	36	35
Net (purchases)/proceeds within consolidated VIEs	233	82	44	44
(Earnings) losses from equity method investees	(124)	(23)	(13)	(141)
Distributions of earnings from equity method investees	29	30	26	14
Other adjustments	-	-	-	(1)
Changes in operating assets and liabilities:				
Accounts receivable	(493)	124	6	(384)
Due from related parties	21	(6)	(9)	45
Deferred sales commissions	(31)	(53)	(42)	(65)
Investments, trading	(197)	(116)	(31)	(118)
Other assets	(184)	(122)	(156)	236
Accrued compensation and benefits	(189)	(140)	(420)	52
Accounts payable and accrued liabilities	489	(152)	90	184
Due to related parties	(7)	(35)	(34)	(356)
Other liabilities	105	117	94	112
<b>Cash flows from operating activities</b>	<u>1,886</u>	<u>2,826</u>	<u>1,953</u>	<u>2,488</u>
<b>Cash inflow/(outflow) from investing activities</b>				
Purchases of investments	(397)	(204)	(142)	(656)
Purchases of assets held for sale	-	-	-	(1)
Proceeds from sales of disposal group	-	-	-	2
Proceeds from sales and maturities of investments	391	213	142	181
Distributions of capital from equity method investees	51	34	32	53
Net consolidation (deconsolidations) of sponsored investment funds	(208)	-	-	(52)
Acquisitions, net of cash acquired, and contingent payments	(267)	-	-	(23)
Purchases of property and equipment	(121)	(247)	(218)	(131)
<b>Cash flows from investing activities</b>	<u>(551)</u>	<u>(204)</u>	<u>(186)</u>	<u>(627)</u>
<b>Cash inflow/(outflow) from financing activities</b>				
Repayments of short term borrowings	-	(600)	(600)	(2,134)
Proceeds from short term borrowings	-	600	600	-
Repayments of long term borrowings	-	-	-	-
Repayments of convertible debt	-	(67)	(67)	(178)
Proceeds from long term borrowings	1,495	1,496	1,496	-
Cash dividends paid	(804)	(1,014)	(769)	(776)
Proceeds from stock options exercised	47	16	13	10
Proceeds from issuance of common stock	6	5	3	6
Repurchases of common stock	(1,475)	(2,885)	(2,783)	(264)
Merrill Lynch capital contribution	7	8	8	10
Repayments of borrowings by consolidated VIE's	(203)	-	(72)	-
Net (redemptions/distributions paid)/subscriptions received from non-controlling interests holders	183	(125)	(27)	110
Excess tax benefit from stock-based compensation	73	54	23	44
Reissuance of treasury stock	-	27	-	-
Purchases of treasury stock	-	-	-	-
Net borrowings/(repayments of borrowings) by consolidated sponsored investment funds	-	-	-	-
<b>Cash inflow/(outflow) from financing activities</b>	<u>(661)</u>	<u>(2,485)</u>	<u>(2,175)</u>	<u>(3,170)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>43</u>	<u>2</u>	<u>24</u>	<u>(32)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>717</u>	<u>139</u>	<u>(384)</u>	<u>(1,341)</u>
<b>Cash and cash equivalents, beginning of period</b>	<u>3,506</u>	<u>3,367</u>	<u>3,367</u>	<u>4,708</u>
<b>Cash and cash equivalents, end of period</b>	<u>4,223</u>	<u>3,506</u>	<u>2,983</u>	<u>3,367</u>

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

	Nine Months Ended		Nine Months Ended	
	09/30/12	12/31/11	09/30/11	12/31/10
	Unaudited	Audited	Unaudited	Audited
Net cash inflow/(outflow) from operating activities	1,886	2,826	1,953	2,488
Net cash inflow/(outflow) from investing activities	(551)	(204)	(186)	(627)
Net cash inflow/(outflow) from financing activities	(661)	(2,485)	(2,175)	(3,170)
Change in cash and cash equivalents	717	139	(384)	(1,341)
Cash and cash equivalents - beginning of the period	3,506	3,367	3,367	4,708
Cash and cash equivalents - end of the period	4,223	3,506	2,983	3,367



## **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 was recently ranked 45<sup>th</sup> on 2012's InformationWeek 500, which is a list of the top technology innovators in the United States. Equinix has 90 IBX data centers in 31 strategic markets across the Americas, EMEA and Asia-Pacific, connecting more than 4,000 customers. In the U.S., data centers are in 12 metropolitan areas.

**Assessment:** Equinix is under contractual obligation to host data center services for the TSP at two sites. The TSP's primary data center operates out of a northern Virginia facility. On November 1, 2012, Equinix sold 16 U.S. data centers previously owned by Switch and Data to 365 Main for \$75 million. One of these data centers sold is the Pittsburgh center which serves as the backup data center for TSP. Equinix remains contractually obligated to oversee data center services for the TSP at this site. We have no indication that Equinix will be unable to perform its contractual commitments.

### **Current Financial Condition:**

- **Income Statement:** Equinix reported revenue of \$1.39 billion for the first nine months of 2012, up 21 percent from the \$1.15 billion reported for the same period in 2011. The Company reported Net Income of \$100.4 million for the nine month period ending September 30, 2012, an increase of 33 percent from the Net Income of \$75.7 million reported for the same period in 2011.
- **Balance Sheet:** As of September 30, 2012, Total Assets of \$6 billion were reported, an increase of 5 percent from the \$5.7 billion reported for the same period in 2011. Total Liabilities were \$3.68 billion, an increase of 1 percent from the \$3.64 billion at the end of the first nine months of 2011.
- **Cash Flow:** Cash and cash equivalents were \$240 million at September 30, 2012, a decrease of 35 percent from the \$370.5 million reported at the end of the same period 2011.
- **Leverage:** As of September 30, 2012, Total Liabilities were 61 percent of Total Assets, decreasing from 64 percent at close of first nine months of 2011.

- **Current Ratio:** As of September 30, 2012, the Current Ratio (Current Assets/Current Liabilities) was 1.2, compared to 2.0 reported at end of third quarter 2011.

**Dun & Bradstreet Credit Score Class:** As of January 3, 2013, the credit score was 1 (lowest risk) unchanged from the prior quarter.

**Stock Performance:** Equinix' closing share price and 52-week high was \$206.05 on September 28, 2012. The 52-week low was \$84.27 on October 3, 2011.

**SAS 70/SSAE 16 Report:** Brightline CPA & Associates Inc. reported on The Independent Service Auditor's Report on a Description of a Service Organization's System and the Suitability of the Design and Operating Effectiveness of Controls dated December 19, 2011. This report covers a review of the Company's 39 data center hosting services systems from June 1, 2011 to November 30, 2011, which have achieved Statement on Standards for Attestation Engagements (SSAE) No. 16 Type II standards compliance. We have reviewed the report and identified no areas of concern to the TSP.

**Significant Events:**

- December 24, 2012 – Equinix, Inc. was added to the NASDAQ-100 Index, composed of the 100 largest non-financial stocks listed on the Nasdaq Stock Market based on market capitalization.
- December 10, 2012 – ChinaNetCenter, a leading CDN and IDC services provider in China, has joined Platform Equinix(TM) to expand its service delivery into the United States. The company deployed a content delivery network (CDN) node in Equinix's Los Angeles International Business Exchange(TM) (IBX(R)) data center, LA1, to serve as a hub from which it can provide its CDN and Internet data center (IDC) services.
- December 6, 2012 – Equinix, Inc. was selected by LMAX exchange for data center services in Equinix' London campus. This will be LMAX's primary operation cite.
- December 4, 2012, - Chicago Board Options Exchange (CBOE), home of the largest and oldest U.S. options exchange, is moving its trading engine platform to Equinix' NY4 International Business Exchange(TM) data center in Secaucus, N.J. in order to eliminate trading latencies, accelerate trading speed, and to allow customers and

partners inside the Equinix financial ecosystem in New York to connect directly to the CBOE Command platform.

- December 3, 2012 – Equinix, Inc. opened a new IBX data center in the greater Miami area (Boca Raton), known as MI3. Equinix is already seeing strong demand from network customers looking to leverage MI3 for fast access to Latin and South America.

**Risk Mitigation:** Equinix' robust IT infrastructure 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		Nine Months Ended		
	09/30/12	12/31/11	09/30/11	12/31/10	
	Unaudited	Audited	Unaudited	Audited	
<b>Revenues</b>	<b>1,389,224</b>	<b>1,606,842</b>	<b>1,147,668</b>	<b>1,220,334</b>	
<b>Costs and operating expenses:</b>					
Cost of revenues	693,874	867,641	612,580	674,667	
Sales and marketing	147,224	159,091	113,211	111,104	
General and administrative	242,532	265,932	193,986	220,781	
Restructuring charges	-	3,534	2,186	6,734	
Acquisition costs	6,883	3,481	2,729	12,337	
<b>Total costs and operating expenses</b>	<b>1,090,513</b>	<b>1,299,679</b>	<b>924,692</b>	<b>1,025,623</b>	
<b>Income from operations</b>	<b>298,711</b>	<b>307,163</b>	<b>222,976</b>	<b>194,711</b>	
Interest income	2,708	2,280	1,526	1,515	
Interest expense	(149,812)	(181,303)	(126,152)	(140,475)	
Other than temporary impairment loss on investments	-	-	-	3,626	
Loss on debt extinguishment and interest rate swaps, net	(5,204)	-	-	(10,187)	
Other income (expense)	(1,491)	2,821	1,438	690	
<b>Income before taxes</b>	<b>144,912</b>	<b>130,961</b>	<b>99,788</b>	<b>49,880</b>	
Income tax expense	(44,489)	(38,351)	(24,090)	(12,999)	
<b>Net income</b>	<b>100,423</b>	<b>92,610</b>	<b>75,698</b>	<b>36,881</b>	

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

	Nine Months Ended		Nine Months Ended	
	09/30/12	12/31/11	09/30/11	12/31/10
	Unaudited	Unaudited	Unaudited	Audited
<b>Assets</b>				
Cash and cash equivalents	239,687	278,823	370,523	442,841
Short-term investments	164,787	635,721	700,246	147,192
Accounts receivable, net	181,973	139,057	144,185	116,358
Assets held-for-sale	68,991	-	-	-
Other current assets	69,748	182,156	115,344	71,657
<b>Total Current Assets</b>	<b>725,186</b>	<b>1,235,757</b>	<b>1,330,298</b>	<b>778,048</b>
Long term investments	115,362	161,801	99,419	2,806
Property, plant and equipment, net	3,791,063	3,225,912	3,122,094	2,650,953
Goodwill	1,043,284	866,495	867,280	774,365
Intangible assets, net	200,648	148,635	153,505	150,945
Other assets	115,427	146,724	158,091	90,892
<b>Total assets</b>	<b>5,990,970</b>	<b>5,785,324</b>	<b>5,730,687</b>	<b>4,448,009</b>
<b>Liabilities and shareholders' equity</b>				
Accounts payable and accrued expenses	244,712	229,043	181,093	145,854
Accrued property, plant and equipment	141,025	93,224	90,181	91,667
Current portion of capital lease and other financing obligations	14,853	11,542	11,367	7,988
Current portion of loans payable	49,332	87,440	74,652	19,978
Current portion of convertible debt	-	246,315	243,176	-
Liabilities held-for-sale	22,745	-	-	-
Other current liabilities	139,792	57,690	55,687	52,628
<b>Total current liabilities</b>	<b>612,459</b>	<b>725,254</b>	<b>656,156</b>	<b>318,115</b>
Capital lease and other financing obligations, less current portion	487,868	390,269	376,848	253,945
Loans payable, less current portion	199,349	168,795	161,984	100,337
Convertible debt	705,127	694,769	1,500,000	916,337
Senior notes	1,500,000	1,500,000	691,520	750,000
Other liabilities	174,327	286,424	253,300	228,760
<b>Total liabilities</b>	<b>3,679,130</b>	<b>3,765,511</b>	<b>3,639,808</b>	<b>2,567,494</b>
Redeemable non-controlling interests	78191	67,601	66,372	-
<b>Shareholders' equity</b>				
Common stock	49	48	47	46
Additional paid-in capital	2,539,235	2,437,623	2,417,781	2,341,586
Treasury Stock	(36,706)	(86,666)	-	-
Accumulated other comprehensive loss	(113,642)	(143,698)	(120,416)	(112,018)
Accumulated deficit	(155,287)	(255,095)	(272,905)	(349,099)
<b>Total shareholders' equity</b>	<b>2,233,649</b>	<b>1,952,212</b>	<b>2,024,507</b>	<b>1,880,515</b>
<b>Total liabilities and shareholders' equity</b>	<b>5,990,970</b>	<b>5,785,324</b>	<b>5,730,687</b>	<b>4,448,009</b>
Current ratio:				
Current assets/Current liabilities	1.2	1.7	2.0	2.4
Leverage:				
Total liabilities/Total assets	61%	65%	64%	57.7%

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

	Nine Months Ended 09/30/12 Unaudited	12/31/11 Audited	Nine Months Ended 09/30/11 Unaudited	12/31/10 Audited
<b>Cash flows from operating activities</b>				
Net Income	101,651	92,610	76,517	36,881
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation	278,214	328,610	240,096	246,544
Stock based compensation	62,234	71,532	53,060	67,489
Excess tax benefits from stock-based compensation	(53,174)	-	-	-
Amortization of debt issuance costs and debt discount	18,057	32,172	23,816	27,915
Amortization of intangible assets	16,668	19,064	14,207	13,632
Allowance for doubtful accounts	4,031	4,987	3,609	2,056
Accretion of asset retirement obligation and accrued restructuring charge	3,412	4,720	3,473	3,128
Loss on debt extinguishment and interest rate swaps, net	5,204	-	-	10,187
Other items	2,210	5,154	1,933	2,265
Restructuring charges	-	3,481	2,186	6,734
Realized net (gains) losses on investments	-	(8)	-	(11)
Changes in operating assets and liabilities				
Accounts receivable	(46,900)	(23,061)	(26,299)	(39,886)
Deferred tax assets, net	-	9,525	-	6,110
Other assets	31,020	(30,492)	(7,217)	(11,865)
Accounts payable and accrued expenses	19,307	35,782	(9,492)	30,363
Accrued restructuring charges	-	(3,079)	-	(4,426)
Other liabilities	(19,007)	36,612	24,099	(4,244)
<b>Net cash provided by operating activities</b>	<b>422,927</b>	<b>587,609</b>	<b>399,988</b>	<b>392,872</b>
<b>Cash flows from investing activities</b>				
Purchases of investments	(365,934)	(1,268,574)	(1,027,855)	(744,798)
Sales of investments	338,192	125,674	104,800	25,174
Maturities of investments	542,155	495,865	274,620	827,540
Purchase of Switch and Data, net of cash acquired	-	(41,954)	-	(113,289)
Purchases of other property, plant and equipment	(554,092)	(685,675)	(495,515)	(579,397)
Purchase of real estate	-	-	(23,993)	(14,861)
Purchase of Asia Tone and ancotel, net of cash acquired	(273,034)	-	-	-
Purchase of ALOG, net of cash acquired	-	-	(41,954)	-
Increase in restricted cash	(8,270)	(97,724)	(95,932)	(1,582)
Release of restricted cash	87,437	1,000	1,000	244
Other investing activities, net	-	10	10	-
<b>Net cash used in investing activities</b>	<b>(233,548)</b>	<b>(1,471,378)</b>	<b>(1,304,819)</b>	<b>(800,969)</b>
<b>Cash Flows from financing activities</b>				
Purchases of treasury stock	(13,364)	(86,666)	-	-
Proceeds from employee equity awards	50,139	38,893	35,704	39,817
Excess tax benefits from stock-based compensation	53,174	-	-	-
Proceeds from senior notes	-	750,000	750,000	750,000
Proceeds from loans payable	258,542	95,336	90,635	121,581
Repayment of capital lease and other financing obligations	(8,907)	(10,426)	(7,404)	(16,133)
Repayment of mortgage and loans payable	(315,779)	(22,829)	(21,273)	(558,007)
Repayment of convertible debt	(250,007)	-	-	-
Debt issuance costs	(8,767)	(15,661)	(15,551)	(23,124)
Debt extinguishment costs	-	-	-	(4,448)
Other financing activities, net	-	81	-	-
<b>Net cash (used in) provided by financing activities</b>	<b>(234,969)</b>	<b>748,728</b>	<b>832,111</b>	<b>309,686</b>
Effect of exchange rate on cash flows and cash equivalents	6,452	(911)	402	(4,804)
<b>Net increase/decrease in cash and cash equivalents</b>	<b>(39,136)</b>	<b>(135,952)</b>	<b>(72,318)</b>	<b>96,785</b>
<b>Cash and equivalents at beginning of period</b>	<b>278,823</b>	<b>442,841</b>	<b>442,841</b>	<b>346,056</b>
<b>Cash and equivalents at end of period</b>	<b>239,687</b>	<b>306,889</b>	<b>370,523</b>	<b>442,841</b>

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

	<b>Nine Months Ended</b>	<b>Nine Months Ended</b>	<b>12/31/10 Audited</b>
	<b>09/30/12 Unaudited</b>	<b>12/31/11 Audited</b>	<b>09/30/11 Unaudited</b>
Net cash provided by operating activities from continuing operations	422,927	587,609	399,988
Net cash used in investing activities	(233,546)	(1,471,378)	10
Net cash provided by financing activities	(234,969)	748,728	832,111
	6,452	(911)	402
Effect of exchange rate charges on cash	(39,136)	(135,952)	1,232,511
Net increase in cash and cash equivalents	278,823	442,841	442,841
Cash and cash equivalents - beginning of the period	239,687	306,889	1,675,352
Cash and cash equivalents - end of the period			442,841

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

**General Information:** R.R. Donnelley & Sons and Company of Chicago, IL provides bulk mailing services for the TSP. 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 249 in 2012, and has locations throughout North America, Latin America, Asia and Europe. The Company reported annual losses for 2007, 2008, 2009 and 2011 related to restructuring in light of reduced printing demand. 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 nine months ending September 30, 2012, R.R. Donnelley reported net sales of \$7.56 billion, down 4 percent from the \$7.89 billion reported in the same period of 2011. The Company reported net income of \$472 million, compared to a net income of \$382.3 million reported for the same period in 2011.
- **Balance Sheet:** As of September 30, 2012, \$8.3 billion of Total Assets were reported, down 7 percent from the \$8.9 billion reported at the end of the third quarter 2011. Total Liabilities of \$7.15 billion were reported, up 1 percent from the \$7.08 billion reported at third quarter-end 2011.
- **Cash Flow:** As of September 30, 2012, the Company reported cash and cash equivalents of \$392.9 million, an increase of 7 percent from the \$368.1 million reported at the end of the third quarter 2011.
- **Leverage:** As of September 30, 2012, Total Liabilities were 86.1 percent of Total Assets, compared to 79.5 percent at third quarter-end 2011.
- **Current Ratio:** As of September 30, 2012, the Current Ratio (Current Assets/Current Liabilities) was 1.4, increased from 1.3 at third quarter-end 2011.



**Dun & Bradstreet Credit Score Class:** As of October 8, 2012, the credit score was 1 (low risk), unchanged from the prior quarter.

**Stock Performance:** R. R. Donnelley's closing share price on January 4, 2013, was \$9.27, down from its 52-week high of \$15.09 on January 3, 2012. The 52-week low was \$8.58 on December 17, 2012. Analysts explain that stock market investors are shying away from high dividend-yield stocks such as RR Donnelley (down 14% for the quarter) because of fears that the tax rate on dividends will jump to 43.4% from 15%. In addition, their removal from the S&P 500 has hurt their share price.

**SAS 70/SSAE 16 Report:** The most recent 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:**

- December 5, 2012 – RR Donnelley & Sons will join the S&P MidCap 400 (replacing Medicis Pharmaceutical Corp.). RR Donnelley moved from the S&P 500 (and was replaced by Garmin Ltd.). RR Donnelley's market cap (1.68 billion) is more representative of the mid-cap market space. (Stocks typically gain when they are added to major indices because mutual funds and other institutional investors that track those indices are expected to update their portfolios by purchasing shares of the newly added companies.) RR Donnelly shares lost 6 cents to \$9.24 per share.
- December 3, 2012 - R. R. Donnelley & Sons Company announced the availability of its RRD ActiveDisclosure system, a cloud-based solution to draft, collaborate on, and finalize Securities and Exchange Commission (SEC) disclosures and other filing requirements. It helps enterprises create and manage disclosures, making the process faster and easier, and enabling companies' financial reporting teams to focus on all aspects of governance, risk and compliance, as well as other business critical activities. The RRD ActiveDisclosure system gives users greater control over the creation of their periodic disclosures, allowing teams to collaborate in real time and improve the efficiency of their end-to-end processes. The tool's integrated XBRL features help ensure the completeness of XBRL tagging and built-in validation provides assurance prior to filing.
- November 2012 –R.R. Donnelley was awarded multi-year agreements by Scotiabank and AARP.

**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>Nine Months Ended</b>	<b>Nine Months Ended</b>	<b>12/31/10 Audited</b>
	<b>09/30/12 Unaudited</b>	<b>12/31/11 Unaudited</b>	<b>09/30/11 Unaudited</b>
<b>Net sales</b>	7,562.3	10,611.0	7,890.2
			10,018.9
<b>Cost of sales</b>	5,814.7	8,091.8	5,994.1
<b>Selling, general &amp; administrative expenses</b>	812.8	1,236.3	933.1
<b>Restructuring and impairment charges - net</b>	97.9	667.8	160.7
<b>Depreciation &amp; amortization</b>	364.9	549.9	420.0
<b>Total operating expenses</b>	7,090.3	10,545.8	7,507.9
			9,463.4
<b>Income from continuing operations</b>	<b>472.0</b>	<b>65.2</b>	<b>382.3</b>
			<b>555.5</b>
<b>Interest expense - net</b>	188.0	243.3	182.1
<b>Investment and other income (expense) - net</b>	3.2	10.6	11.1
<b>Loss on debt extinguishment</b>	12.1	(69.90)	(69.9)
			-
<b>Earnings before income taxes</b>	268.7	(237.4)	141.4
			323.0
<b>Income taxes</b>	70.6	(116.3)	(64.1)
<b>Net earnings</b>	198.1	(121.1)	205.5
			217.1
<b>Less: Income (loss) attributable to noncontrolling interests</b>	0.5	1.5	1.4
			(4.6)
<b>Net earnings attributable to RR Donnelley common shareholders</b>	<b>197.6</b>	<b>(122.6)</b>	<b>204.1</b>
			<b>221.7</b>

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

	Nine Months Ended 09/30/12 Unaudited	12/31/11 Unaudited	Nine Months Ended 09/30/11 Unaudited	12/31/10 Audited
<b>Assets</b>				
Cash and cash equivalents	392.9	449.7	368.1	519.1
Restricted cash equivalents	-	-	-	-
Receivables, less allowance for doubtful accounts	2,035.9	1,844.2	2,041.1	1,922.9
Income taxes receivable	14.2	32.4	49.8	49.3
Inventories	546.5	510.9	571.8	560.6
Prepaid expenses and other current assets	149.4	131.4	152.1	115.4
<b>Total current assets</b>	<b>3,138.9</b>	<b>2,968.6</b>	<b>3,182.9</b>	<b>3,167.3</b>
Property, plant and equipment - net	1,668.4	1,854.6	1,930.1	2,138.7
Goodwill	2,269.4	2,222.1	2,629.5	2,526.8
Other intangible assets net	547.1	590.3	696.0	775.0
Other noncurrent assets	680.1	646.1	467.4	475.4
<b>Total assets</b>	<b>8,303.9</b>	<b>8,281.7</b>	<b>8,905.9</b>	<b>9,083.2</b>
<b>Liabilities and shareholders' equity</b>				
Accounts payable	1,094.5	1,063.3	1,024.0	939.8
Accrued liabilities	830.0	817.0	832.4	902.2
Short-term and current portion of long-term debt	364.1	243.7	519.0	131.4
<b>Total current liabilities</b>	<b>2,288.6</b>	<b>2,124.0</b>	<b>2,375.4</b>	<b>1,973.4</b>
Long-term debt	3,422.3	3,416.8	3,420.2	3,398.6
Pension liability	896.4	1,076.3	521.1	533.0
Postretirement benefit	222.3	227.3	220.5	287.4
Deferred income taxes	-	-	181.8	174.5
Other noncurrent liabilities	324.1	375.1	363.0	470.9
<b>Total liabilities</b>	<b>7,153.7</b>	<b>7,219.5</b>	<b>7,082.0</b>	<b>6,837.8</b>
<b>Shareholders' equity</b>				
Common stock	303.7	303.7	303.7	303.7
Additional paid-in capital	2,832.0	2,888.7	2,785.7	2,907.0
Retained earnings	399.8	342.4	717.9	670.2
Accumulated other comprehensive income	(839.0)	(863.3)	(474.1)	(490.4)
Treasury stock, at cost	(1,565.2)	(1,628.8)	(1,528.9)	(1,166.2)
<b>Total shareholders' equity</b>	<b>1,131.3</b>	<b>1,042.7</b>	<b>1,804.3</b>	<b>2,224.3</b>
Noncontrolling interests	18.9	19.5	19.6	21.1
<b>Total liabilities and shareholders equity</b>	<b>8,303.9</b>	<b>8,281.7</b>	<b>8,905.9</b>	<b>9,083.2</b>
Current ratio: Current assets/Current liabilities	1.4	1.4	1.3	1.6
Leverage: Total liabilities/Total assets	86.1%	87.2%	79.5%	75.3%
Debt to sholder equity: Total liabilities/Sholder equity	6.3	6.9	3.9	3.1

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

	Nine Months Ended 09/30/12 Unaudited	12/31/11 Unaudited	Nine Months Ended 09/30/11 Unaudited	12/31/10 Audited
<b>Cash flows from operating activities</b>				
Net earnings/(loss)	198.1	(121.1)	205.5	217.1
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Impairment charges	19.6	532.0	43.0	92.5
Depreciation & amortization	364.9	549.9	420.0	539.2
Provision for doubtful accounts receivable	7.3	18.8	11.3	22.8
Share-based compensation	18.6	28.3	22.5	28.6
Deferred taxes	8.4	(123.0)	(38.3)	(34.6)
Changes in uncertain tax positions	(18.9)	(107.8)	(97.8)	-
Gain on sale of investments and other assets-net	1.0	(16.0)	(12.3)	(0.4)
Net pension and postretirement benefits (income) expense	(35.9)	-	50.6	-
Loss on debt extinguishment	12.1	69.9	69.9	(1.8)
Gain on pension curtailment	-	(38.7)	-	-
Loss related to Venezuela currency devaluation	-	-	-	8.9
Other	31.2	27.3	21.6	-
Reversal of tax reserves	-	-	-	47.5
Changes in operating assets and liabilities of continuing operations - net of acquisitions:				
Accounts receivable - net	(167.5)	38.3	(147.1)	(152.1)
Inventories	(31.3)	43.1	(18.0)	31.0
Prepaid expenses	(8.4)	(1.8)	(13.6)	8.2
Accounts payable	12.3	135.4	91.6	17.7
Income taxes payable and receivable	26.3	9.5	(0.7)	15.0
Accrued liabilities and other	(125.8)	(97.8)	(91.5)	(44.9)
Pension and postretirement benefits contributions	(142.6)	-	(44.9)	-
Net cash provided by operating activities of continuing operations	169.4	946.3	471.8	794.7
<b>Net cash inflow/(outflow) from operating activities</b>	<b>169.4</b>	<b>946.3</b>	<b>471.8</b>	<b>794.7</b>
<b>Cash flows from investing activities</b>				
Capital expenditures	(159.9)	(250.9)	(193.8)	(229.4)
Acquisition of business, net of cash acquired	(89.4)	(142.4)	(113.4)	(439.8)
Proceeds from sale of investments and other assets	42.1	27.2	9.5	26.1
Purchases of other investments	(2.5)	(7.0)	(7.0)	(31.7)
Transfers from restricted cash	(0.1)	(2.3)	0.2	0.3
Net Cash used for Investing Activities of continuing operations	(209.8)	(375.4)	(304.5)	(674.5)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(209.8)</b>	<b>(375.4)</b>	<b>(304.5)</b>	<b>(674.5)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issuance of long-term debt	450.0	600.0	600.0	400.0
Net change in short-term debt	0.2	10.7	6.3	(3.8)
Payments of current maturities and long-term debt	(623.6)	(495.1)	(494.5)	(355.2)
Payments of credit facility borrowings	-	(55.0)	-	-
Proceeds from credit facility borrowings	279.0	-	225.0	120.0
Proceeds from termination of interest rate swaps	11.0	-	-	-
Debt issuance costs	(7.5)	(10.0)	(10.0)	-
Issuance of common stock	4.9	7.1	7.1	(12.2)
Acquisition of common stock	-	(500.0)	(500.0)	9.2
Dividends paid	(140.2)	(205.2)	(156.5)	-
Distribution to noncontrolling interests	(1.2)	(3.5)	(3.2)	(214.4)
Net cash provided by (used for) financing activities of continuing operations	(27.4)	(651.0)	(325.8)	(56.4)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(27.4)</b>	<b>(651.0)</b>	<b>(325.8)</b>	<b>(56.4)</b>
Effect of exchange rate on cash flows and cash equivalents	11.0	10.7	7.5	(0.1)
<b>Net increase/decrease in cash and cash equivalents</b>	<b>(56.8)</b>	<b>(69.4)</b>	<b>(151.0)</b>	<b>63.7</b>
<b>Cash and equivalents at beginning of period</b>	<b>449.7</b>	<b>519.1</b>	<b>519.1</b>	<b>499.2</b>
<b>Cash and equivalents at end of period</b>	<b>392.9</b>	<b>449.7</b>	<b>368.1</b>	<b>562.9</b>

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

	Nine Months Ended	Nine Months Ended	12/31/10 Audited
	09/30/12 Unaudited	12/31/11 Unaudited	09/30/11 Unaudited
Net cash inflow/(outflow) from operating activities	169.4	946.3	471.8
Net cash inflow/(outflow) from investing activities	(209.8)	(375.4)	(304.5)
Net cash inflow/(outflow) from financing activities	(27.4)	(651.0)	(325.8)
Change in cash and cash equivalents	(56.8)	(69.4)	(151.0)
	11.0	10.7	7.5
Effect of exchange rate charges on cash	449.7	519.1	519.1
Cash and cash equivalents - beginning of the period	392.9	449.7	368.1
Cash and cash equivalents - end of the period			562.9

## **MetLife**

**General Information:** Metropolitan Life Insurance Company (MetLife) has been the annuity provider to the Thrift Savings Plan since 1987. The contract is competitively bid every five years. The current contract was extended until August 2013, and is in the process of being re-bid.

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

**Current Financial Condition:** As of September 30, 2012, MetLife reported Total Revenues of \$50.8 billion for the first nine months of the year, which is down 5 percent from the same period in 2011.

- **Income Statement:** As of September 30, 2012, the Company reported Net Income of \$1.1 billion, down 79 percent from the \$5.2 million gain reported same time 2011. The company attributes this change to predominantly a \$4.8 billion unfavorable change in net derivative gains (losses) primarily driven by changes in interest rates, equity market movements, decreased volatility and the impact of a nonperformance risk adjustment. In addition, the current period includes a \$1.9 billion non-cash charge for goodwill impairment.
- **Balance Sheet:** As of September 30, 2012, Total Assets of \$846.2 billion were reported, an increase of 8 percent from \$785.2 billion reported same period 2011. Total Liabilities were \$781.7 billion, also an increase of 8 percent from \$724.4 billion for the same time 2011.
- **Cash Flow:** The Company's short-term liquidity position, defined as cash and cash equivalents, was \$16.95 billion on September 30, 2012, an increase of 69 percent from the \$10.05 billion in cash and cash equivalents same time last year.
- **Leverage:** As of September 30, 2012, Total Liabilities were 92 percent of Total Assets, unchanged from the same period 2011.

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

**Company Ratings:** In May 2012 MetLife ratings improved to stable, from negative. These ratings affirmations came on the back of solid performance exhibited by the company in managing its diversified investment portfolio and enterprise risk to generate high quality earnings, and simultaneously securing its competitive advantage in the market. For instance, Standard & Poor's Ratings Services believes that MetLife is well positioned financially and its effort to sustain excess capital enables the company to attain more flexibility in the operational process. Insurer financial strength ratings have not changed since the last report. As of January 7, 2013, they are as follows:

<b><i>Rating Agency</i></b>	<b><i>Rating</i></b>	<b><i>Descriptor</i></b>
<b>A.M. Best Company</b>	<b>A+</b>	Superior
<b>Fitch Ratings</b>	<b>AA-</b>	Very Strong
<b>Moody's Investor Services</b>	<b>Aa3</b>	Excellent
<b>Standard &amp; Poor's</b>	<b>AA-</b>	Very Strong

**Dun & Bradstreet Credit Score Class:** As of January 7, 2013, the credit score was 1 (lowest risk) unchanged from the prior quarter.

**Stock Performance:** The MetLife closing share price on January 4, 2013 was \$35.95, up from its 52-week low of \$27.60.

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

**Significant Events:**

- **January 14, 2013** – MetLife completed the sale of MetLife Bank, N.A.'s deposit business to GE Capital Retail Bank, FSB. Approximately \$6.4 billion in bank



deposits have been transferred to GE Capital Retail Bank. This move allows MetLife, the largest life insurer, to exit from a bank holding company structure. As a bank holding company MetLife was subject to oversight by the Federal Reserve, which had blocked MetLife from raising dividends or buying back shares due to a failed stress test.

- December 12, 2012 – MetLife, Inc. announced that the Comptroller of the Currency had issued a conditional approval of GE Capital's acquisition of approximately \$6.5 billion in bank deposits from MetLife Bank, N.A. After closing, MetLife will work with the FDIC and the Federal Reserve to take the necessary administrative steps to deregister as a bank holding company.
- November 15, 2012 - The National Traders Association has given MetLife a graded opinion of Market Perform.
- November 2, 2012 - Zack's Investment Research analysis of MetLife shows that the company's capital position remains one of the sturdiest in the industry and is cushioned by fundamental growth. Analysts conclude that the ALICO acquisition should continue to inflate the company's growth, while the divestment of banking operations should enhance its operating leverage.

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

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

	Nine Months Ended	12/31/11 Audited	Nine Months Ended 09/30/11 Unaudited	12/31/10 Audited
<b>Revenues</b>				
Premiums	27,386	36,361	27,190	27,394
Universal life and investment-type product policy fees	6,306	7,806	5,856	6,037
Net investment income	16,436	19,606	14,658	17,615
Other revenues	1,445	2,532	1,878	2,328
Net investment gains (losses)	(152)	(867)	(309)	(392)
Net derivative gains (losses)	(604)	4,824	4,233	(265)
<b>Total revenues</b>	<b>50,817</b>	<b>70,262</b>	<b>53,506</b>	<b>52,717</b>
<b>Expenses</b>				
Policyholder benefits and claims	26,958	35,457	28,376	29,545
Interest credited to policyholder account balances	5,681	5,603	4,104	4,925
Policyholder dividends	1,050	1,446	1,130	1,486
Goodwill impairment	1,868	-	-	-
Other expenses	13,341	3,902	13,987	12,803
<b>Total expenses</b>	<b>48,898</b>	<b>46,408</b>	<b>45,597</b>	<b>48,759</b>
Income (loss) from continuing operations before provision for income taxes	1,919	10,026	7,909	3,958
Provision for income tax expense (benefit)	710	3,075	2,481	1,181
<b>Income from continuing operations</b>	<b>1,209</b>	<b>6,951</b>	<b>5,428</b>	<b>2,777</b>
Income (loss) from discontinued operations, net of income taxes	17	20	(1)	9
Net income/(loss)	1,226	6,971	5,427	2,786
Less: Net income (loss) attributable to noncontrolling interests	29	(10)	(6)	(4)
Income before cumulative effect of a change in accounting, net of income taxes	1,197	6,981	5,433	2,790
Less: Preferred Stock Dividends & redemption premium	91	268	237	122
<b>Net income/(loss)</b>	<b>1,106</b>	<b>6,713</b>	<b>5,196</b>	<b>2,668</b>

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

	09/30/12	12/31/11	09/30/11	12/31/10
	Unaudited	Audited	Unaudited	Audited
<b>Assets</b>				
Investments:				
Fixed maturity securities available for sale	378,005	350,271	353,927	324,797
Equity securities	2,803	3,023	3,118	3,602
Trading and other securities available for sale	15,995	18,268	15,998	18,589
Mortgage loans	59,170	72,083	62,949	62,297
Policy loans	11,949	11,892	11,932	11,761
Real estate and real estate joint ventures held for investment	8,749	8,563	8,197	8,030
Other limited partnership interests	6,730	6,378	6,538	6,416
Short term investments	14,678	17,310	15,913	8,394
Other invested assets	23,477	23,581	23,138	15,430
Total investments	521,566	511,379	504,410	460,306
Cash and cash equivalents	16,950	10,461	10,001	12,957
Accrued investment income	4,716	4,344	4,793	4,328
Premiums, reinsurance and other receivables	22,839	22,481	23,137	19,799
Deferred policy acquisition costs	24,604	24,619	27,623	27,092
Current income taxes recoverable	-	-	-	-
Goodwill	10,024	11,935	12,006	11,781
Assets of subsidiaries held for sale	-	-	3,421	3,331
Separate account assets	237,373	203,023	191,499	183,138
Other assets	8,123	7,984	8,340	8,174
Total assets	846,285	796,226	785,230	730,906
<b>Liabilities and stockholders' equity</b>				
Liabilities				
Future policy benefits	191,068	184,275	182,736	170,912
Policyholder account balances	226,882	217,700	217,764	210,757
Other policy-related balances	15,836	15,599	15,451	15,750
Policyholder dividends payable	817	774	871	830
Policyholder dividend obligation	3,909	2,919	2,782	876
Payables for collateral under securities loaned and other transactions	38,493	33,716	34,933	27,272
Bank deposits	6,515	10,507	10,885	10,316
Short term debt	100	686	451	308
Long term debt	19,621	23,692	24,753	27,588
Collateral financing arrangements	4,196	4,647	5,297	5,297
Junior subordinated debt securities	3,192	3,192	3,192	3,191
Current income tax payable	451	193	385	297
Deferred income tax liability	9,275	6,395	7,214	1,856
Other liabilities	24,007	30,914	23,121	20,366
Liabilities of subsidiaries held for sale	-	-	3,221	3,043
Separate account liabilities	237,373	203,023	191,499	183,138
Total liabilities	781,735	736,232	724,355	681,793
Redeemable noncontrolling interest in partially owned consolidated subsidiaries	152	105	130	117
<b>Stockholders' equity</b>				
Preferred stock	1	1	1	1
Common stock	11	11	11	10
Additional paid in capital	26,964	26,782	26,744	26,423
Retained earnings	25,920	24,814	26,951	21,363
Treasury stock, at cost	(172)	(172)	(172)	(172)
Accumulated other comprehensive income (loss)	11,325	6,083	6,813	1,000
Total stockholders' equity	64,049	57,519	60,348	48,625
Noncontrolling interests	349	370	397	371
Total Equity	64,398	57,889	60,745	48,996
Total liabilities and equity	846,285	796,226	785,230	730,906

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

	Nine Months Ended 09/30/12 Unaudited	12/31/11 Audited	Nine Months Ended 09/30/11 Unaudited	12/31/10 Audited
<b>Cash flows from operating activities</b>				
<b>Net cash inflow/(outflow) from operating activities</b>	<b>15,288</b>	<b>10,290</b>	<b>8,034</b>	<b>7,996</b>
<b>Cash flows from investing activities</b>				
Sales, maturities and repayments of:				
Fixed maturity securities	78,298	104,302	81,818	88,529
Equity securities	1,011	2,008	1,342	1,371
Mortgage loans	8,698	13,486	8,784	6,381
Real estate and real estate joint ventures	669	1,296	856	322
Other limited partnership interests	690	1,121	852	522
Purchases of:				
Fixed maturity securities	(91,998)	(116,939)	(95,660)	(100,713)
Equity securities	(499)	(1,481)	(869)	(949)
Mortgage loans	(7,585)	(14,694)	(12,248)	(8,987)
Real estate and real estate joint ventures	(595)	(1,534)	(608)	(786)
Other limited partnership interests	(1,017)	(1,147)	(849)	(1,008)
Cash received in connection with freestanding derivatives	1,560	2,815	2,841	1,814
Cash paid in connection with freestanding derivatives	(2,534)	(3,478)	(3,102)	(2,548)
Net change in securitized reverse residential mortgage loans	(1,198)	-	-	-
Sales of businesses, net of cash received	-	126	-	-
Sale of interest in joint ventures	-	265	265	-
Disposal of subsidiary	-	4	-	-
Proceeds/(payments) from sales of businesses, net of cash disposed	-	(163)	-	(3,021)
Net change in policy loans	(116)	(66)	(84)	(225)
Net change in short term investments	2,825	(7,949)	(6,508)	3,033
Net change in other invested assets	(208)	(36)	(169)	137
Other, net	(74)	(169)	(104)	(186)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(14,075)</b>	<b>(22,235)</b>	<b>(23,343)</b>	<b>(18,314)</b>
<b>Cash Flows from financing activities</b>				
Policy holder account balance:				
Deposits	69,438	91,846	69,911	74,296
Withdrawals	(64,718)	(87,625)	(67,001)	(68,739)
Net change in payables for collateral under securities loaned and other transactions	4,777	8,444	7,661	3,076
Net change in bank deposits	(4,052)	96	298	(32)
Net change in short term debt	(586)	380	145	(606)
Long term debt issued	750	1,346	1,346	5,090
Long term debt repaid	(1,106)	(2,042)	(1,192)	(1,061)
Collateral financing arrangements repaid	(349)	(502)	-	-
Cash received in connection with collateral financing arrangements	-	100	100	-
Cash paid in connection with collateral financing arrangements	(44)	(63)	-	-
Debt and equity issuance costs	(7)	(1)	(1)	(14)
Net change in liability for securitized reverse residential mortgage loans	1,198	-	-	-
Common stock issued, net of issuance costs	-	2,950	2,950	3,529
Stock options exercised	89	88	77	52
Redemption on convertible preferred stock	-	(2,805)	(2,805)	-
Preferred stock redemption premium	-	(148)	(148)	-
Dividends on preferred stock	(91)	(122)	(91)	(122)
Dividends on common stock	-	(787)	-	(784)
Other, net	(47)	125	(68)	(304)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>5,252</b>	<b>9,382</b>	<b>11,182</b>	<b>13,381</b>
Effect of change in foreign currency exchange rates on cash balances	24	(22)	133	(129)
Change in cash and cash equivalents	6,489	(2,585)	(2,994)	2,834
Cash and cash equivalents, beginning of period	10,461	10,461	13,046	12,957
<b>Cash and cash equivalents, end of period</b>	<b>16,950</b>	<b>7,876</b>	<b>10,052</b>	<b>15,891</b>

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

	Nine Months Ended		Nine Months Ended	
	09/30/12		09/30/11	
	Unaudited		Unaudited	
	12/31/11		12/31/10	
	Audited		Audited	
Net cash inflow/(outflow) from operating activities	15,288	10,290	9,034	7,996
Net cash inflow/(outflow) from investing activities	(14,075)	(22,235)	(23,343)	(18,314)
Net cash inflow/(outflow) from financing activities	5,252	9,382	11,182	13,381
Change in cash and cash equivalents	6,489	(2,585)	(2,994)	2,934
Cash and cash equivalents - beginning of the period	10,461	10,461	13,046	12,957
Cash and cash equivalents - end of the period	16,950	7,876	10,052	15,891

## **The Active Network, Inc.**

**General Information:** The Active Network, Inc. has managed the Maryland TSP call center since March 2009.

Active Network provides technology to organizations throughout the world that run activities or manage facilities. The Company services over 50,000 global business customers and over 80 million transactions annually to include helping organizations get participants. The Company's application services are used by event organizers, parks and recreation department administrators, and sports league administrators to provide online registration, transaction processing, and data management. The Company markets its services in North America, Europe, China, and Australia/New Zealand, managing online entry, software needs and websites for over 1,000 events, tournaments, golf courses and facilities in these regions. About 99 percent of its sales are in the United States and Canada. Revenues consist of fees received for registration services, software licensing, software maintenance, subscription revenues related to hosting arrangements, and marketing services.

**Assessment:** The Active Network, Inc. was founded in 1998 and has shown a pattern of rapid growth through acquisition. These acquisitions have strengthened The Active Network's presence in such business segments as sports marketing, online registration, data management, and tee time reservations. We will continue to monitor The Active Network's financial data to ensure they remain able to fulfill the terms of the call center contract.

**Current Financial Condition:** Results from The Active Network's unaudited financial statements for the nine month period ended September 30, 2012, are reported below.

- **Income Statement:** The Active Network reported Total Revenues of \$325 million as of September 30, 2012, an increase of 24 percent over the same period in 2011, when revenues were \$261 million. The Company reported an operations net loss of \$28.7 million for the period, compared to a net loss of \$6.8 million reported for same period in 2011.
- **Balance Sheet:** As of September 30, 2012, Total Assets were \$567 million, a 7 percent increase from \$532 million same time 2011. Total Liabilities of \$226 million were reported on September 30, 2012, an increase of 13 percent from \$201 million reported for the same period in 2011.

- **Cash Flow:** The Company's short-term liquidity position, defined as cash and cash equivalents, was reported as \$78.5 million for the nine month period ending September 30, 2012 and \$139 million as of September 30, 2011, which reflected a 44 percent decrease.
- **Current Ratio:** The Current Ratio (Current Assets/Current Liabilities) was 0.8 as of September 30, 2012, compared to 1.2 reported for the same period in 2011.
- **Leverage:** As of September 30, 2012, Total Liabilities were 40 percent of Total Assets, compared to 38 percent as of the end of the third quarter in 2011.

**Dun & Bradstreet Credit Score Class:** As of January 4, 2013, the Dun & Bradstreet was not reporting a credit score for The Active Network, Inc.

**Stock Performance:** The Active Network's closing share price on January 3, 2013, was \$5.24. The 52 week high was \$17.74, reached on March 13, 2012, and the 52 week low was \$4.65, on December 6, 2012.

**SAS 70 Report:** Not available.

**Significant Events:**

- November 19, 2012 – Active Network and LeftLaneSports.com announced the launch of ACTIVE GearUp™, a private sales website offering exclusive deals on products from top endurance and outdoor brands. The new website will be the largest private sales website in the sporting goods industry based on membership.
- November 19, 2012 – The Motley Fool named Active Network one of "Five Stocks Under \$10 Worth Buying". Their analysts believe that despite the disappointing earnings report posted October 31<sup>st</sup>, and other analysts' unfavorable guidance regarding the stock, that the company is "early in its growth prospects." The Motley Fool cites Active Network's targeted growth of 12% to 14% in 2012 and again in 2013 as positive signs for the company.
- November 13, 2012 - Professional Convention Management Association (the Leading Organization for Meeting and Event Professionals) has selected ACTIVE

Network to Power its Global Event Portfolio. The expanded partnership will leverage ACTIVE's event technology to help PCMA to manage events and deepen attendee engagement.

- November 6, 2012 - Ryan & Maniskas, LLP, announced they were beginning an investigation of The Active Network, Inc, looking into potential securities law violations by certain officers of The Active Network, Inc. The investigation focuses on allegations that certain statements issued by the Active regarding the company's business, operations and financial condition were false and misleading.

**Risk Mitigation:** If The Active Network were unable to operate the Frostburg, Maryland call center, the Serco Services Inc. (formerly Si International) call center in Clintwood, Virginia could handle all calls pending establishment of a new call center.



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

	Nine Months Ended		Nine Months Ended		
	9/30/2012	12/31/2011	9/30/2011	12/31/2010	
	Unaudited	Audited	Unaudited	Audited	
<b>Net Revenue:</b>					
Technology revenue	288,445	290,480	225,002	237,688	
Marketing services revenue	36,776	46,910	36,343	41,912	
<b>Total Net Revenue</b>	<b>325,221</b>	<b>337,390</b>	<b>261,345</b>	<b>279,600</b>	
<b>Cost of net revenue:</b>					
Cost of Technology revenue	142,038	144,962	109,986	115,148	
Cost of Marketing services revenue	5,257	5,952	4,241	6,203	
<b>Total cost of net revenue</b>	<b>147,295</b>	<b>150,914</b>	<b>114,227</b>	<b>121,351</b>	
<b>Gross Profit</b>	<b>177,926</b>	<b>186,476</b>	<b>147,118</b>	<b>158,249</b>	
<b>Operating Expenses:</b>					
Sales and marketing	73,462	70,251	52,970	59,106	
Research and development	62,954	66,753	50,181	61,107	
General and administrative	49,309	51,126	34,633	42,404	
Amortization of intangibles	16,780	14,962	11,090	16,147	
<b>Total operating expenses</b>	<b>202,505</b>	<b>203,092</b>	<b>148,874</b>	<b>178,764</b>	
<b>Income / (Loss) From Operations</b>	<b>(24,579)</b>	<b>(16,616)</b>	<b>(1,756)</b>	<b>(20,515)</b>	
Interest income (Loss)	73	119	91	150	
Interest expense	(480)	(2,890)	(2,799)	(5,438)	
Other (expense) income, net	1,363	(14)	109	455	
Loss before income taxes	(23,623)	(19,401)	(4,355)	(25,348)	
Income tax provision	5,062	(4,074)	2,490	1,924	
<b>Net loss</b>	<b>(28,685)</b>	<b>(15,327)</b>	<b>(6,845)</b>	<b>(27,272)</b>	
Accretion of redeemable convertible preferred stock	-	(11,810)	(11,810)	(28,157)	
<b>Net loss attributable to common stockholders</b>	<b>(28,685)</b>	<b>(27,137)</b>	<b>(18,655)</b>	<b>(55,429)</b>	

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

	Nine Months Ended 9/30/2012 Unaudited	12/31/2011 Audited	Nine Months Ended 9/30/2011 Unaudited	12/31/2010 Audited
<b>Assets:</b>				
Cash and cash equivalents	78,499	108,699	139,023	31,441
Restricted cash	875	1,502	5,000	5,000
Accounts Receivable, Net	73,806	66,469	61,192	34,096
Inventories	3,493	1,662	1,102	-
Prepaid Expenses & Other Current Assets	8,653	6,179	4,914	4,181
<b>Total Current Assets</b>	<b>165,326</b>	<b>184,511</b>	<b>211,231</b>	<b>74,718</b>
Property & Equipment, Net	35,042	33,830	28,936	28,181
Software Development Costs, Net	50,464	45,093	43,620	37,013
Goodwill	244,108	243,320	213,357	207,113
Intangible Assets, Net	69,648	90,340	32,429	41,208
Other LT Assets	2,310	2,133	-	-
Deposits and other assets	-	-	2,040	2,315
<b>Total Assets</b>	<b>566,898</b>	<b>599,227</b>	<b>531,613</b>	<b>390,548</b>
<b>Current Liabilities:</b>				
Accounts payable	8,063	8,516	4,503	5,372
Registration fees payable	72,657	72,405	76,172	40,667
Accrued expenses	43,766	41,106	36,103	32,172
Deferred Revenue	68,965	54,919	52,672	34,013
Current portion of debt	-	5,000	-	16,866
Capital lease obligations, current portion	1,723	3,317	2,906	1,983
Other current liabilities	4,017	42,613	2,576	1,630
<b>Total Current Liabilities</b>	<b>199,191</b>	<b>227,876</b>	<b>174,832</b>	<b>132,703</b>
Debt, net of current portion	-	-	-	27,537
Capital lease obligations, net of current portion	1,028	1,652	649	1,663
Other long-term Liabilities	6,149	6,147	5,644	4,353
Deferred Tax liability	20,047	16,913	19,556	17,960
<b>Total Liabilities</b>	<b>226,415</b>	<b>252,588</b>	<b>200,781</b>	<b>184,216</b>
Convertible Preferred Stock	-	-	-	21,187
Redeemable Convertible Preferred Stock	-	-	-	371,126
<b>Total Preferred Stock</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>392,313</b>
Common stock	62	58	55	9
Treasury stock	(11,959)	(11,959)	(11,959)	(11,959)
Additional paid-in capital	646,954	625,875	602,194	65,224
Accumulated other comprehensive income	9,369	7,923	7,318	8,866
Accumulated deficit	(303,943)	(275,258)	(266,776)	(248,121)
<b>Total Stockholders Equity (deficit)</b>	<b>340,483</b>	<b>346,639</b>	<b>330,832</b>	<b>(185,981)</b>
<b>Total Liabilities &amp; Equity</b>	<b>566,898</b>	<b>599,227</b>	<b>531,613</b>	<b>390,548</b>
Current Ratio: Current Assets/Current Liabilities	0.8	81.0%	1.2	56.3%
Leverage: Total Liabilities/Total Assets	39.9%	42.2%	37.8%	47.2%

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

	Nine Months Ended 9/30/2012 Unaudited	12/31/2011 Audited	Nine Months Ended 9/30/2011 Unaudited	12/31/2010 Audited
<b>Cash flows from operation activities</b>				
Net Income (loss)	(28,685)	(15,327)	(6,845)	(27,272)
Adjustments to reconcile net income (loss) to net cash from operating activities:				
Depreciation and amortization	45,127	44,857	32,654	40,287
Stock-based compensation expense	11,992	7,795	4,782	5,348
Allowance for doubtful accounts	(410)	880	258	1,191
Deferred tax liability	3,046	(5,016)	1,824	1,239
Amortization of acquisition-related costs	(898)	-	(607)	-
Gain on contingent consideration	(1,123)	-	-	-
Accretion of discount on debt	-	191	191	1,055
Gain on bargain purchase in business combination	-	-	-	(21)
Loss on extinguishment of debt	-	538	538	-
Loss on disposition of assets	-	-	-	46
<b>Change in operating assets and liabilities - net of effect of acquisitions</b>				
Restricted cash	627	4,190	-	-
Accounts receivable	(6,757)	(12,962)	(27,223)	(8,028)
Inventories	(1,831)	(1,662)	(1,102)	-
Prepaid expenses and other assets	(2,692)	1,071	(396)	(262)
Other assets	-	-	-	-
Accounts payable	(1,290)	267	(636)	2,945
Registration fees payable	252	31,738	35,505	10,509
Accrued expenses	4,706	1,166	3,561	5,486
Deferred revenue	13,914	6,400	18,089	8,800
Deferred rent	-	2,199	-	772
Other liabilities	1,170	-	3,146	-
Income taxes payable	-	(622)	-	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>37,148</b>	<b>65,703</b>	<b>63,739</b>	<b>42,095</b>
<b>Cash flows from investing activities:</b>				
Purchases of property and equipment	(12,665)	(12,514)	(8,991)	(14,767)
Software development costs	(17,194)	(18,651)	(13,898)	(15,651)
Cash (paid) received from acquisitions, net of cash acquired	(38,037)	(35,144)	(4,082)	(125)
Payment of contingent consideration	-	(625)	(625)	(2,182)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(67,896)</b>	<b>(66,934)</b>	<b>(27,596)</b>	<b>(32,725)</b>
<b>Cash flows from financing activities:</b>				
Proceeds from issuance of common stock	9,247	5,200	3,072	2,584
Payments on capital lease obligations	(3,552)	(2,595)	(2,207)	(1,898)
Proceeds from debt	5,000	5,000	-	3,000
Repayment of long-term obligations	(10,000)	(41,628)	(41,628)	(8,035)
Repurchase of unvested common stock	-	(13)	(13)	-
Deferred cost of initial public offering	-	112,566	-	-
Net Proceeds from Initial public offering	-	-	112,566	-
<b>Net cash inflow/(outflow) from financing activities</b>	<b>695</b>	<b>78,530</b>	<b>71,790</b>	<b>(4,349)</b>
Effect of exchange rates on cash	(147)	(41)	(351)	39
Change in cash and cash equivalents	(30,200)	77,258	107,582	5,060
Cash and cash equivalents - beginning of period	108,699	31,441	31,441	26,381
<b>Cash and cash equivalents - end of period</b>	<b>78,499</b>	<b>108,699</b>	<b>139,023</b>	<b>31,441</b>

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

	Nine Months Ended	9/30/2012	12/31/2011	9/30/2011	12/31/2010
	Unaudited	Audited	Unaudited	Audited	
Net cash inflow/(outflow) from operating activities	37,148	65,703	63,739	42,085	
Net cash inflow/(outflow) from investing activities	(67,896)	(66,934)	(27,596)	(32,725)	
Net cash inflow/(outflow) from financing activities	695	78,530	71,790	(4,349)	
Change in cash and cash equivalents	(30,200)	77,258	107,582	5,060	
Effect of exchange rate changes on cash	(147)	(41)	(351)	39	
Cash and cash equivalents - beginning of the period	108,699	31,441	31,441	26,381	
Cash and cash equivalents - end of the period	78,499	108,699	139,023	31,441	

## **SunGard**

**General Information:** SunGard owns and maintains the suite of Omni software products which form the core of the TSP record keeping system. It also operates as a key subcontractor to Serco, providing the modification software products and their integration with other applications. SunGard is a multinational company based in Wayne, Pennsylvania, which provides software and services to education, financial services, and public sector organizations. SunGard also provides disaster recovery services, managed IT services, information availability consulting services and business continuity management software. The company has more than 25,000 customers in more than 70 countries.

**Assessment:** SunGard was ranked at 480<sup>th</sup> in the U.S. Fortune 500 list in the year 2012. SunGard provides software and processing for financial services, higher education and the public sector. The Company has reported Net Losses for several years but has continued to improve results. There is no indication at this time that it will be unable to meet its direct contractual obligations to the TSP or its subcontractor obligations to Serco.

### **Current Financial Condition:**

- **Income Statement:** For the nine months ending September 30, 2012, SunGard reported Net Revenues of \$3.13 billion, down from the \$3.28 billion reported in the same period of 2011. The Company reported a Net Loss of \$135 million (including a \$385 million non-cash write-down of goodwill in the Availability Services business), an improvement from the Net Loss of \$243 million reported for the same period in 2011.
- **Balance Sheet:** As of September 30, 2012, \$10.05 billion of Total Assets were reported, down 19 percent from the \$12.43 billion reported for the same period of 2011. Total Liabilities of \$8.7 billion were reported, down 20 percent from the \$10.9 billion reported for the first three quarters of 2011.
- **Cash Flow:** As of September 30, 2012, the Company reported cash and cash equivalents of \$752 million, an increase of \$3 million from the \$749 million reported for the same period in 2011.
- **Leverage:** As of September 30, 2012, Total Liabilities were 86 percent of Total Assets, an improvement from 88 percent reported for the same period in 2011.

- **Current Ratio:** As of September 30, 2012, the Current Ratio (Current Assets/Current Liabilities) was 1.1, down from 1.6 for the same period in 2011.

**Dun & Bradstreet Credit Score Class:** As of December 30, 2012, the credit score was 1 (low risk).

**Stock Performance:** SunGard is a privately held company but because of obligations in connection with bond debt, it is a registrant with the Securities and Exchange Commission (SEC).

**SAS 70/SSAE 16 Report:** Not available.

**Significant Events:**

- December 27, 2012 — SunGard has placed as a top vendor (for market presence, trading and capital markets vertical sector, and liquidity risk) in Risk magazine's annual Risk Technology Rankings. This is the seventh year that SunGard has achieved a top-five rank for this award. SunGard was awarded first place with its Ambit Asset and Liability Management (ALM) solution.
- December 10, 2012 – SunGard won “Best New Product from a Technology Firm – Connectivity” in the 2012 FOW International awards for the extension of its Valdi solution and the SunGard Global Network into China.
- November 20, 2012 – SL Private Equity Fund Administration Services (SLPE) has selected SunGard's Investran to help offer a higher level of administration and reporting, including timely and detailed information covering all investments, performance and risk exposure, for its global network of clients. Investran is an award winning solution for private equity and alternative investment firms that helps automate front-, middle-, and back-office processes and supports the entire investment lifecycle. Investran will help SLPE analyze, manage and disseminate large amounts of qualitative and quantitative data.
- November 19, 2012 – SunGard's iWorks Prophet actuarial risk modeling solution has been named a best-in-class in all four categories in CEB TowerGroup's “Actuarial Systems Product Rankings”, published in October 2012. iWorks Prophet received the award for actuarial tools, risk mitigation tools, enterprise experience and enterprise operations.

- November 13, 2012 – SunGard was named a “Top 20 Companies of the Decade” by Collection Advisor for its Predictive Metrics Consumer Debt Collection Scoring Solution. The distinction recognizes SunGard’s AvantGard Predictive Metrics, which is a statistical modeling solution that helps collection agencies and debt buyers prioritize collections for improved debt recovery while also helping to assess consumer portfolio risk.

**Risk Mitigation:** We believe the risk of losing product support and maintenance and professional services from SunGard is low. Should SunGard sell to or merge with another vendor, the critical product suite would most likely be part of the transition, and support and maintenance would continue. Professional services staff would most likely transfer to the gaining organization as well. In the latter case, however, the low risk is further mitigated as there are existing non-SunGard organizations from which we could obtain equivalent professional services.

**SunGard\***  
**Income Statement**  
**(in \$ millions)**

	Nine Months Ending 09/30/12	12/31/11 Audited	Nine Months Ending 09/30/11	12/31/10 Audited
<b>Revenue:</b>				
Services	\$2,916	4,114	\$3,016	4,075
License and resale fees	168	289	193	295
Total products and services	3,084	4,403	3,209	4,370
Reimbursed expenses	47	96	77	120
Total	3,131	4,499	3,286	4,490
<b>Costs and expenses:</b>				
Cost of sales and direct operating	1,321	1,891	1,416	1,937
Sales, marketing and administration	768	1,095	842	1,042
Product development	273	422	302	372
Depreciation and amortization	211	272	204	278
Amortization of acquisition-related intangible assets	295	438	332	451
Goodwill impairment charge and merger costs	385	48	0	205
Total operating expenses	3,253	4,166	3,096	4,285
<b>Operating income (loss)</b>	(122)	333	190	205
Interest income	1	3	3	2
Interest expense and amortization of deferred financing fees	(325)	(524)	(396)	(638)
Loss of extinguishment of debt	(51)	(3)	(2)	(58)
Other income (expense)	2	-	-	7
Income (loss) from continuing operations before income taxes	(495)	(191)	(205)	(482)
Benefit from (provision for) income taxes	44	116	57	68
Income (loss) from continuing operations	(451)	(75)	(148)	(414)
Income (loss) from discontinued operations, net of tax	316	(76)	(95)	(156)
<b>Net income (loss)</b>	(135)	(151)	(243)	(570)
Income attributable to noncontrolling interests	(186)	(225)	(166)	(191)
<b>Net income (loss) attributable to SunGard Capital Corp.</b>	(321)	(376)	(409)	(761)

\*SunGard Capital Corporation



**SunGard\***  
**Balance Sheet**  
(In \$ millions)

**Unaudited**  
**09/30/12      12/31/11      09/30/11      12/31/10**

**Assets**

**Current:**

Cash and cash equivalents	752	867	746	771
Trade receivables, less allowance for doubtful accounts	678	794	689	833
Earned but unbilled receivables	126	140	154	135
Prepaid expenses and other current assets	136	117	163	166
Clearing broker assets	21	213	220	230
Deferred income taxes	-	-	8	7
Assets related to discontinued operations	-	1,350	1,321	1,339
<b>Total current assets</b>	<b>1,713</b>	<b>3,481</b>	<b>3,301</b>	<b>3,481</b>

Property, plant and equipment, less accumulated depreciation	882	893	877	892
Software products, less accumulated amortization	430	554	586	723
Customer base, less accumulated amortization	1,414	1,574	1,639	1,806
Other Intangible assets, less accumulated amortization	112	144	156	187
Trade name, less accumulated amortization	1,019	1,019	1,020	1,023
Goodwill	4,503	4,885	4,853	4,856
Long term assets of discontinued operations	-	-	-	-
<b>Total long term assets</b>	<b>8,340</b>	<b>9,069</b>	<b>9,131</b>	<b>9,487</b>
<b>Total assets</b>	<b>10,053</b>	<b>12,550</b>	<b>12,432</b>	<b>12,968</b>

**Liabilities and shareholders' equity**

**Current:**

Short-term and current portion of long-term debt	9	10	11	9
Accounts payable	29	59	40	63
Accrued compensation and benefits	268	291	293	284
Accrued interest expense	69	92	103	103
Accrued income taxes	85	24	-	-
Other accrued expenses	294	313	347	405
Clearing broker liabilities	7	179	178	210
Deferred revenue	790	862	817	887
Deferred income taxes	-	76	-	-
Liabilities related to discontinued operations	-	246	254	243
<b>Total current liabilities</b>	<b>1,551</b>	<b>2,152</b>	<b>2,043</b>	<b>2,204</b>

Long-term debt	8102	7,819	7,840	8,046
Deferred income taxes	1042	1,123	1,040	1,114
Long-term liabilities of discontinued operations	-	-	-	-
<b>Total long term liabilities</b>	<b>7,144</b>	<b>8,942</b>	<b>8,880</b>	<b>9,160</b>
<b>Total liabilities</b>	<b>8,695</b>	<b>11,094</b>	<b>10,923</b>	<b>11,364</b>

Commitments and contingencies	-	-	-	-
Noncontrolling interest in preferred stock of SCCII subject to a put option	29	28	31	54
Class L & A common stock subject to a put option	51	53	61	98
	80	81	92	152

**Shareholders' equity**

Capital in excess of par value	2,781	2,768	2,753	2,703
Treasury stock, at cost	(44)	(39)	(36)	(34)
Accumulated deficit	(3,667)	(3,346)	(3,246)	(2,970)
Accumulated other comprehensive income (loss)	(19)	(46)	(28)	(29)
<b>Total SunGard Capital Corp. stockholders' equity (deficit)</b>	<b>(949)</b>	<b>(663)</b>	<b>(557)</b>	<b>(330)</b>
Noncontrolling interests in preferred stock of SCCII	2,227	2,038	1,974	1,782
<b>Total equity</b>	<b>1,278</b>	<b>1,375</b>	<b>1,417</b>	<b>1,452</b>
<b>Total liabilities and shareholders equity</b>	<b>10,053</b>	<b>12,550</b>	<b>12,432</b>	<b>12,968</b>

**SunGard\***  
**Statement of Cash Flows**  
(In \$ millions)

	09/30/12 Unaudited	12/31/11 Audited	09/30/11 Unaudited	12/31/10 Audited
<b>Cash flows from operating activities</b>				
Net loss	(135)	(151)	(243)	(570)
Income (loss) from discontinued operations	316	(76)	(95)	(156)
Income (loss) from continuing operations	(451)	(75)	(148)	(414)
<b>Reconciliation of Income (loss) from continuing operations to cash flow from (used in) operations:</b>				
Depreciation and amortization	506	710	536	729
Goodwill impairment charge	385	48	-	205
Deferred income tax provision (benefit)	(29)	(157)	(83)	(83)
Stock compensation expense	29	33	23	29
Amortization of deferred financing costs and debt discount	26	40	29	43
Loss on extinguishment of debt	51	3	2	58
Other noncash items	(1)	2	1	3
Accounts receivable and other current assets	137	73	136	22
Accounts payable and accrued expenses	(99)	(35)	(29)	29
Accrued Income Tax	(70)	-	(11)	-
Clearing broker assets and liabilities, net	20	(14)	(22)	18
Deferred revenue	(78)	(26)	(72)	(36)
Cash flow from (used in) continuing operations	426	602	362	603
Cash flow from (used in) discontinued operations	(340)	76	65	118
Cash flow from (used in) operations	86	678	427	721
<b>Cash flows from investing activities</b>				
Cash paid for acquired businesses, net of cash acquired	(10)	(35)	(35)	(82)
Cash paid for property and equipment and software	(173)	(276)	(183)	(298)
Other investing activities	3	(4)	(2)	4
Cash flow provided by (used in) continuing operations	(180)	(315)	(220)	(376)
Cash flow provided by (used in) discontinued operations	1,758	(11)	(7)	116
Cash flow provided by (used in) investment activities	1,578	(326)	(227)	(260)
<b>Cash flows from financing activities</b>				
Cash received from issuance of common stock	-	3	1	1
Cash received from issuance of preferred stock	-	3	1	-
Cash received from borrowings, net of fees	(17)	1	1	1,633
Cash used to repay debt	(1,727)	(239)	(218)	(1,924)
Premium to retire debt	(27)	-	-	(41)
Cash used to purchase treasury stock	(9)	(9)	(3)	(12)
Other financing activities	(10)	(12)	(9)	(1)
Cash flow provided by (used in) continuing operations	(1,790)	(253)	(227)	(344)
Cash flow provided by (used in) discontinued operations	-	-	-	-
Cash flow provided by (used in) financing activities	(1,790)	(253)	(227)	(344)
<b>Effect of exchange rate changes on cash</b>	5	(4)	(2)	(3)
<b>Increase/decrease in cash and cash equivalents</b>	(121)	95	(29)	114
Cash and equivalents at beginning of year includes cash of discontinued operations:	873	778	778	664
Cash and equivalents at end of year includes cash of discontinued operations:	752	873	749	778

\*SunGard Capital Corporation

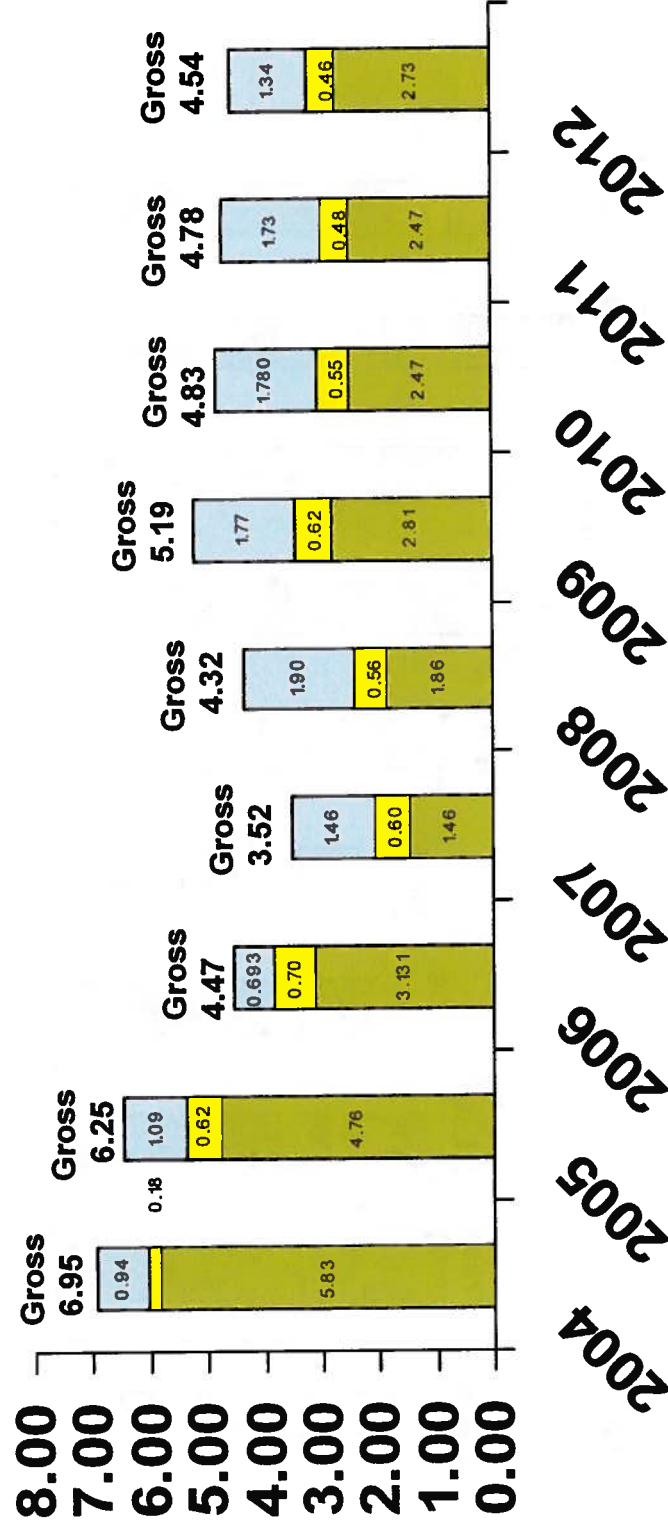
**SunGard\***  
**Statement of Cash Flows**  
**(in \$ millions)**

	9/30/2012	12/31/11	09/30/11	12/31/10
	Unaudited	Audited	Unaudited	Audited
Net cash inflow/(outflow) from operating activities	86	678	427	721
Net cash inflow/(outflow) from investing activities	1,578	(326)	(227)	(260)
Net cash inflow/(outflow) from financing activities	(1,790)	(253)	(227)	(344)
Change in cash and cash equivalents	(121)	95	(29)	114
Effect of exchange rate charges on cash	5	(4)	(2)	(3)
Cash and cash equivalents - beginning of the period	873	778	778	664
Cash and cash equivalents - end of the period	752	873	749	778

\*SunGard Capital Corporation

# Gross and Net Expenses

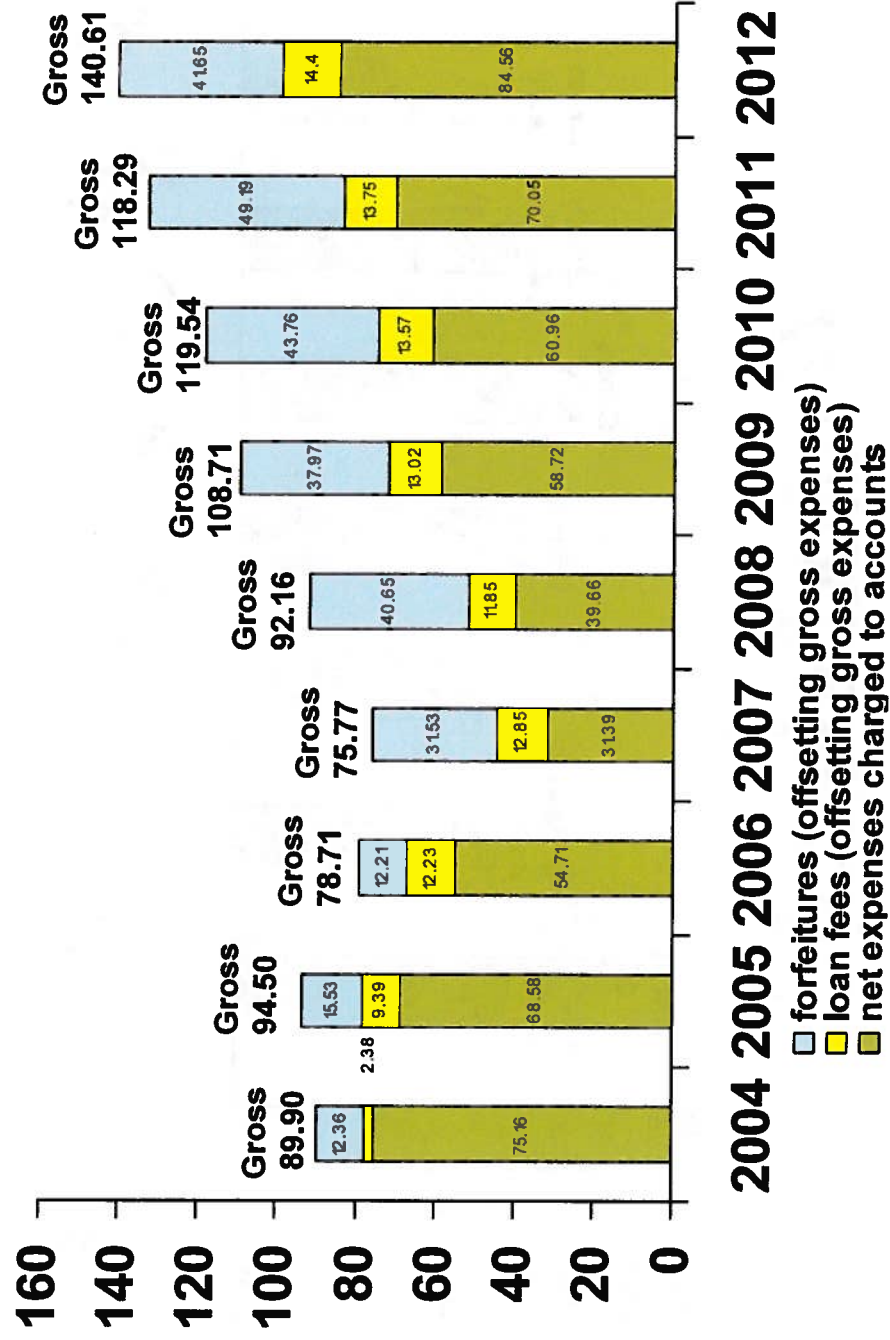
# Expenses (basis points)



- forfeitures (offsetting gross expenses)
- loan fees (offsetting gross expenses)
- net expenses charged to accounts

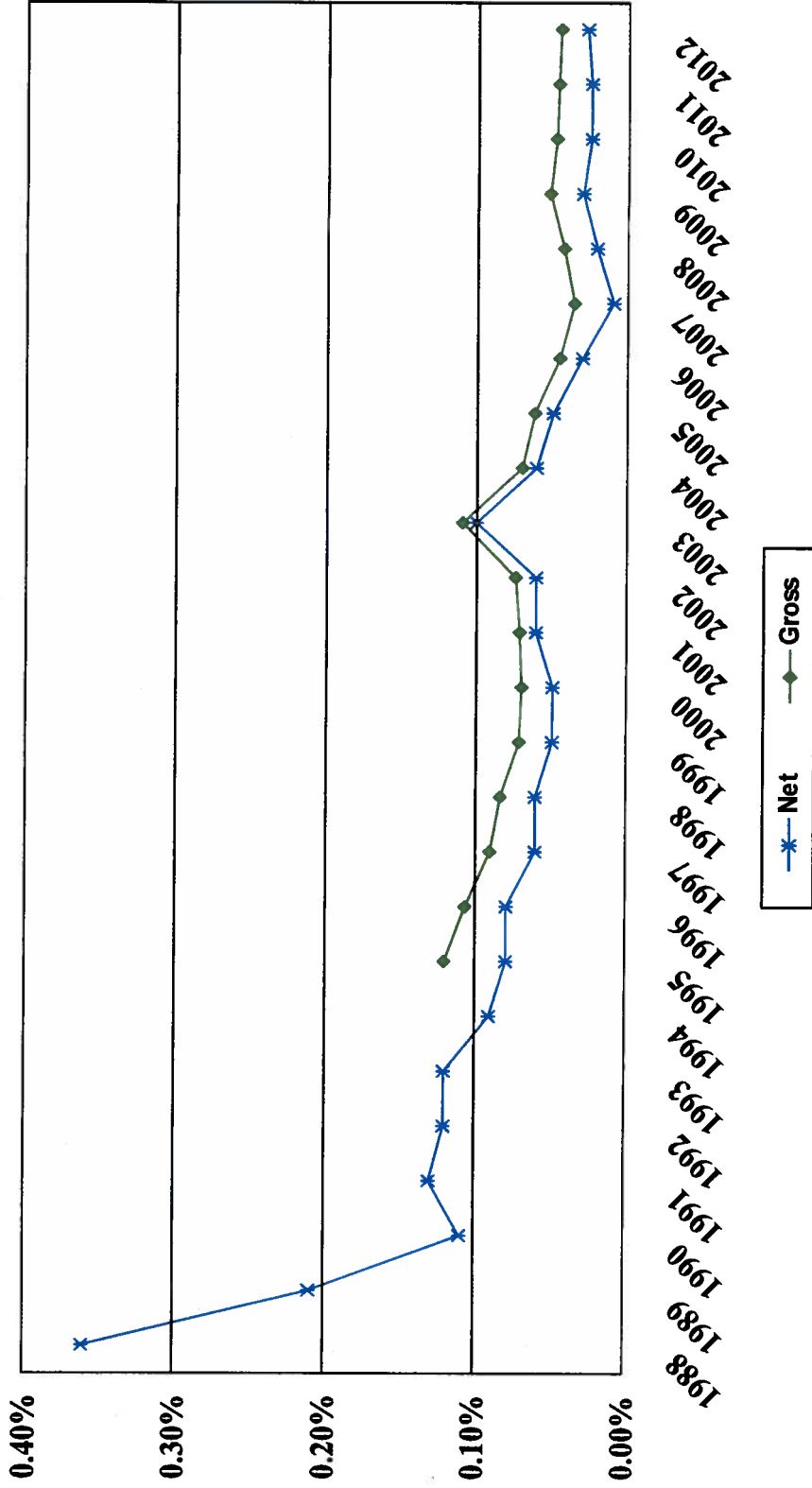
Expense ratios may also be expressed in basis points. One basis point is 1/100th of one percent, or .01%. Therefore, the 2012 net expense ratio of .0273% is "2.73 basis points." Expressed either way, this means that net expenses charged to each TSP account in 2012 were less than 30 cents per \$1,000 of investment.

# Expenses (\$ millions)





# TSP Expense Ratios 1988-2012



The gross expense ratio is the annual amount of accrued TSP administrative expenses expressed as a percentage of average assets. The TSP net expense ratio is the annual amount of those administrative expenses charged to participant accounts, after offsets for forfeitures and loan fees. Both represent a blended ratio for all TSP funds.

