The C Fund offers the opportunity to earn a potentially high investment return over the long term from a broadly diversified portfolio of stocks of large and medium-sized U.S. companies.

The objective of the C Fund is to match the performance of the Standard and Poor's 500 (S&P 500) Index, a broad market index made up of stocks of 500 large to medium-sized U.S. companies.

There is a risk of loss if the S&P 500 Index declines in response to changes in overall economic conditions (market risk).

Earnings consist of gains (or losses) in the prices of stocks, and dividend income.

### S&P 500 Top Ten Holdings

as of December 31, 2007

<table>
<thead>
<tr>
<th>Company</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exxon Mobil Corp.</td>
<td></td>
</tr>
<tr>
<td>General Electric</td>
<td></td>
</tr>
<tr>
<td>Microsoft Corp.</td>
<td></td>
</tr>
<tr>
<td>AT&amp;T, Inc.</td>
<td></td>
</tr>
<tr>
<td>Procter &amp; Gamble</td>
<td></td>
</tr>
<tr>
<td>Chevron Corp.</td>
<td></td>
</tr>
<tr>
<td>Johnson &amp; Johnson</td>
<td></td>
</tr>
<tr>
<td>Bank of America Corp.</td>
<td></td>
</tr>
<tr>
<td>Apple, Inc.</td>
<td></td>
</tr>
<tr>
<td>Cisco Systems, Inc.</td>
<td></td>
</tr>
</tbody>
</table>

*1988 return shown is a partial year return.
C Fund Facts

By law, the C Fund must be invested in a portfolio designed to replicate the performance of an index of stocks representing the U.S. stock market. The Federal Retirement Thrift Investment Board has chosen as its benchmark the Standard and Poor's 500 (S&P 500) Index, which tracks the performance of major U.S. companies and industries.

The S&P 500 Index is an index of 500 large to medium-sized U.S. companies that are traded in the U.S. stock markets. The index was designed by Standard & Poor's Corporation (S&P) to provide a representative measure of U.S. stock market performance. The companies in the index represent 130 sub-industries classified into the 10 major industry groups shown in the chart. (As of December 31, 2007, thirteen of the common stocks included in the index were Real Estate Investment Trusts (REITs), accounting for 1.01% of the index's market value.) The stocks in the S&P 500 Index represent 75% of the market value of the U.S. stock markets.

The S&P 500 is considered a “big company” index. As of December 31, 2007, the largest 100 companies in the S&P 500 represented approximately 66% of the index's market value. The S&P 500 Index includes 424 securities traded on the New York Stock Exchange and 76 securities that are traded on NASDAQ. The market value of the largest company in the index is approximately $512 billion; the market value of the smallest company is approximately $708 million.

The S&P 500 Index is weighted by float-adjusted market capitalization, in which a company’s market value and its weighting in the index are calculated using the number of shares that are freely traded, rather than all outstanding shares. Shares that are not freely traded, such as the holdings of controlling shareholders and their families, company management, and other companies, are excluded from the calculation. A company’s weighting in the index is the float-adjusted market value of the company (that is, the share price multiplied by the number of freely traded shares outstanding) as a percentage of the combined float-adjusted market value of all companies in the index.

Barclays Equity Index Fund—The C Fund is invested in the Barclays Equity Index Fund. The C Fund holds all the stocks included in the S&P 500 Index in virtually the same weights that they have in the index. The performance of the Equity Index Fund is evaluated on the basis of how closely its returns match those of the S&P 500 Index. A portion of Equity Index Fund assets is reserved to meet the needs of daily client activity. This liquidity reserve is invested in S&P 500 Index futures contracts.

The C Fund invests in the Barclays Equity Index Fund by purchasing shares of the Barclays Equity Index Fund “E,” which, in turn, holds shares of the Barclays Equity Index Master Fund along with a liquidity pool. As of December 31, 2007, C Fund holdings constituted $79.4 billion of the Equity Index Master Fund, which itself held $124.7 billion of securities.

Note: Participants’ interfund transfer (IFT) requests redistribute their existing account balances among the TSP funds. For each calendar month, the first two IFTs can redistribute money among any or all of the TSP funds. After that, for the remainder of the month, IFTs can only move money into the G Fund. (For participants with both civilian and uniformed services accounts, this rule applies to each account separately.)