RETIREMENT SYSTEM

2009 ANNUAL REPORT

TVA

C O N T E N T S

FINANCIAL HIGHLIGHTS AND STATISTICS

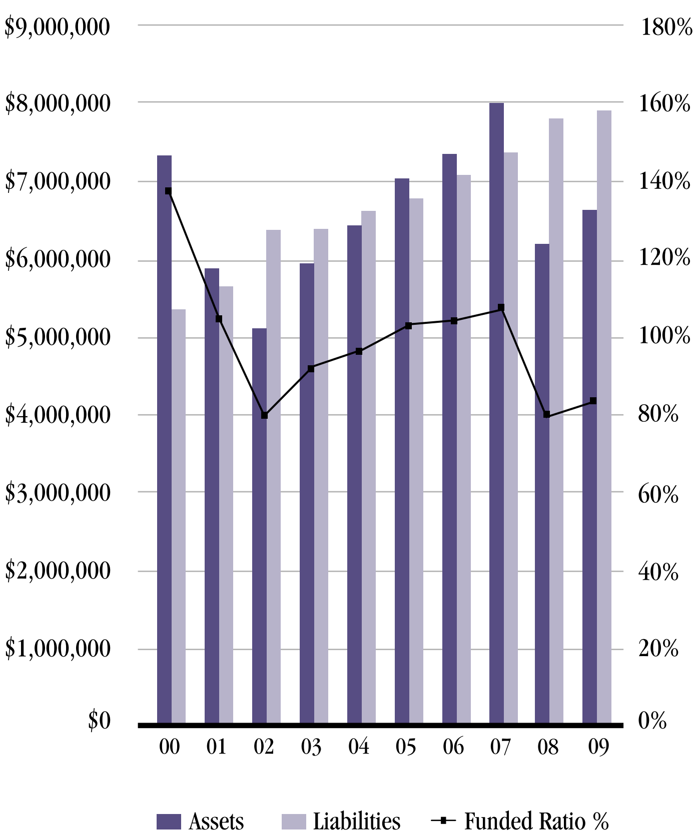
(Dollars in thousands)	**2009**	2008	Change	% Change
Net Assets Available for Benefits				
TVA Retirement System (Fixed Benefit Fund and Variable Fund)	**$ 6,762,283**	$ 6,346,014	$ 416,269	6.6
TVA Savings & Deferral Retirement Plan [401(k) Plan]	**1,256,360**	1,215,275	41,085	3.4
Total	**$ 8,018,643**	$ 7,561,289	$ 457,354	6.0
Net Assets Available for Benefits (Fixed Benefit Fund)	**$ 6,625,375**	$ 6,189,549	$ 435,826	7.0
Accumulated Benefit Obligation (Fixed Benefit Fund)	**$ 7,890,000**	$ 7,795,300	$ 94,700	1.2
Contributions				
Employer (all funds)	**$ 1,023,767**	$ 182,935	$ 840,832	459.6
Employee (all funds)	**$ 98,559**	$ 109,496	$ (10,937)	-10.0
Benefits Paid (all funds)	**$ 646,212**	$ 646,280	$ (68)	0.0
Number of Active Members	**12,084**	11,454	630	5.5
Number of Retirees	**23,847**	23,652	195	0.8

This summary is intended for informational purposes only.

FIXED BENEFIT FUND

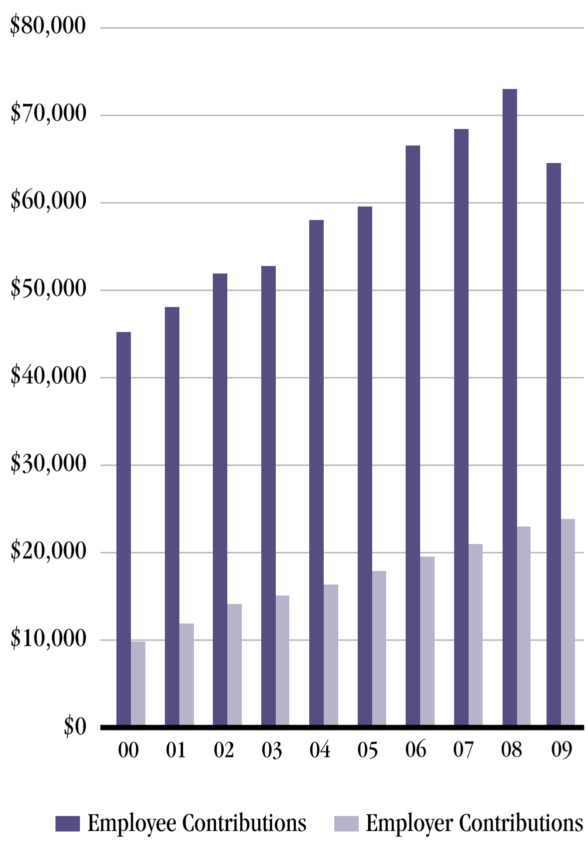
Market Value of Assets and Liabilities, and Funded Ratio

(in thousands)



401(K) PLAN CONTRIBUTIONS

(in thousands)



TO RETIREMENT SYSTEM MEMBERS

The TVA Retirement System (System) Board of Directors is pleased to present the 2009 Annual Report for the year ended September 30, 2009. For the year the net assets of the Fixed Benefit Fund totaled $6.6 billion with an investment return of 0 percent for the year. The System's liabilities totaled $7.9 billion resulting in a funding ratio of 84 percent.

The 2009 year end financial figures above are quite an improvement from the dark days of March when the System hit an estimated low funding ratio of 60% during the economic and financial market turmoil that gripped the U.S. and the world. The Board spent numerous hours in meetings with its actuary, investment consultant and staff evaluating the situation. The Board's main objective throughout the process was to ensure that the System remain financially sound.

The funding improvement in the System during the second half of fiscal year 2009 is attributable to a combination of things:

- TVA made a contribution to the System on September 24, 2009, of $1 billion for fiscal year 2010 through fiscal year 2013.

- The System's assets appreciated by $1.2 billion, attributable to market performance between March 31, 2009, and September 30, 2009, representing a 26 percent recovery from its March lows.

- Amendments to the System Rules were approved by the System Board, including temporary changes to future cost-of-living adjustments (COLA), an increase in the age at which new retirees are eligible to receive the COLA, and a reduction in the interest crediting rate for the System's fixed fund investment account.

This Board remains committed to continuously reviewing our short-term and long-term strategies to ensure that our assets are protected and positioned for future growth.

Also during 2009:

- Leonard Muzyn was reelected by the System's active members to serve as a Board director for a three-year term ending October 31, 2012.

- The TVARS Board approved a 6 percent interest credit for the Cash Balance Benefit Structure participants for calendar year 2010.

As we reflect on 2009, it is meaningful to remember that the TVA Retirement System provided approximately $570 million in benefits to 22,700 retirees during the year ended September 30, 2009.

I (Frank Alford) have had the privilege of serving as the seventh director on this Board since April of 2007. October 31 marks the end of my term on the TVA Retirement System Board. It has been a pleasure serving the TVA Retirement System members, employees and retirees. Thank you for your continued trust and confidence placed in the Board over the years.

Frank E. Alford
Chairman, Board of Directors
TVA Retirement System

Les Bays
Vice Chairman, Board of Directors
TVA Retirement System

BOARD OF DIRECTORS

ELECTED BY MEMBERS

Leslie P. Bays
Elected June 13, 2008

Leonard J. Muzyn
Elected November 1, 2003

Anthony L. Troyani, Jr.
Elected November 1, 2008

APPOINTED BY TVA

Janet C. Herrin
Appointed May 16, 2005

John M. Hoskins
Appointed July 28, 2003

Phillip L. Reynolds
Appointed December 1, 2005

SELECTED BY OTHER DIRECTORS

Frank E. Alford
Selected April 13, 2007

Leslie P. Bays

Leonard J. Muzyn

Anthony L. Troyani, Jr.

Janet C. Herrin

John M. Hoskins

Phillip L. Reynolds

Frank E. Alford

STANDING COMMITTEES

AUDIT
Frank E. Alford, Chair
John M. Hoskins
Leonard J. Muzyn

ELECTION
Anthony L. Troyani, Jr., Chair
Leslie P. Bays
Janet C. Herrin

INVESTMENT
Leonard J. Muzyn, Chair
Phillip L. Reynolds, Vice Chair
Frank E. Alford
Leslie P. Bays
Janet C. Herrin
John M. Hoskins
Anthony L. Troyani, Jr.

RETIREMENT
Janet C. Herrin, Chair
Leslie P. Bays
Phillip L. Reynolds

BOARD OFFICERS

Frank E. Alford
Chairman

Leslie P. Bays
Vice Chairman

Tammy W. Wilson
Executive Secretary

Patrick D. Brackett
Assistant Secretary and
Assistant Treasurer

Pamela K. Ramsey
Treasurer

Judy Stephens
Assistant Treasurer

Robert G. McCall
Assistant Treasurer

Sally R. Weber
Assistant Treasurer

PROFESSIONAL ADVISORS

ACTUARY
Mercer Human Resource Consulting, Atlanta

AUDITORS
Crowe Horwath LLP, Oak Brook, Illinois
E.H. Johnson & Company, P.C., Knoxville

INVESTMENT CONSULTANT
Wilshire Associates Incorporated, Pittsburgh

LEGAL COUNSEL
Nicholas P. Goschy, Assistant General Counsel, TVA, Knoxville
W. Colby Carter, Attorney, TVA, Knoxville

MASTER TRUSTEE
The Bank of New York Mellon, Pittsburgh

TRUSTEE – 401(k) PLAN
Fidelity Management Trust Company, Boston

MEDICAL ADVISOR
Anne S. Roberts, M.D., Knoxville

MEDICAL BOARD
Maurice S. Rawlings, M.D., Chairman, Chattanooga
Deborah D. Barton, M.D., Chattanooga
Robert W. Myers, M.D., Chattanooga

INVESTMENT MANAGERS

FIXED BENEFIT FUND
Abbott Capital Management LP
Adams Street Partners, LLC
Alliance Capital Management LP
AQR Capital Management, LLC
Barclays Global Investors, N.A.
BlackRock Financial Management Inc.
Bridgewater Associates, Inc.
ClariVest Asset Management, LLC
HarbourVest Partners, LLC
Hancock Natural Resource Group, Inc.
J.P. Morgan Investment Management, Inc.
MacKay Shields, LLC
Mellon Capital Management
Neuberger Berman, LLC
Oaktree Capital Management, LP
Pacific Investment Management Company
The Prudential Insurance Company of America
Standish Mellon Asset Management, LLC
Stone Harbor Investment Partners, LP
Taplin, Canida & Habacht
TCW Asset Management Company
Vedanta Capital, LLC
Wellington Management Company, LLP
Western Asset Management Company
Wilshire Associates Incorporated
WRH Partners, LLC

VARIABLE FUND
Fidelity Investments
Mellon Capital Management

Established in 1939, the TVA Retirement System (System) is a defined benefit plan (Plan) covering most full-time and part-time annual employees. The System is a separate legal entity from TVA and is administered by an independent, seven-member Board of Directors. Three of the directors are appointed by TVA, and three are elected by and from the membership. A seventh director is selected by the other six. The System Board also has responsibility for administration of a defined contribution plan, the TVA Savings and Deferral Retirement Plan [401(k) Plan].

TVA contributes to the System such amounts as are necessary on an actuarial basis to provide the System with assets sufficient to meet TVA-financed benefit obligations to be paid to members. While members are not required to make contributions to the System, members are eligible to make voluntary contributions to the System's Fixed and/or Variable Funds unless they have transferred their funds to the 401(k) Plan after May 1, 2005. Members can also contribute to the 401(k) Plan, and TVA makes matching contributions to that plan.

RETIREMENT BENEFITS

A member's retirement benefit consists of a pension benefit derived from TVA's contributions and earnings on Plan assets. A member's retirement benefit may also include an annuity and/or a lump-sum benefit derived from the member's contributions to the Fixed and/or Variable Funds and the 401(k) Plan. The pension plus the annuity, if applicable, compose the System's retirement allowance. In addition, the System provides a supplemental benefit to eligible retirees that may be used to help with the cost of medical insurance.

ORIGINAL BENEFIT STRUCTURE

The pension from the Original Benefit Structure is based on the member's years (to the nearest month) of creditable service, highest average base pay during any three consecutive years of creditable service, and a pension factor, less a Social Security offset.

Creditable service is the length of time spent as a member of the System. It also includes any annual leave forfeited after January 1, 1980, and, at the member's election, the total balance of any unused sick leave. Leave is counted hour for hour for the first 1,000 hours and 2 hours for each hour in excess of 1,000 hours (2,080 hours equates to one year of creditable service). Forfeited annual leave and unused sick leave may be used in determining both the eligibility for retirement and the amount of the benefit. Creditable service may also include previous periods of membership in the System, certain military service, and some periods of leave without pay.

Members with at least five years of creditable service who are at least attained age 55 are always eligible to receive an immediate benefit. Vested members less than attained age 55 may also receive an immediate benefit unless they are terminated for cause. Members who are at least actual age 45 at retirement and whose age plus creditable service equals 80 or more receive the maximum pension factor of 1.3. Vested members who are at least attained age 60 at the time they begin to receive their pension also receive the maximum pension factor even if their age plus creditable service does not equal 80.

CASH BALANCE BENEFIT STRUCTURE

The System implemented the Cash Balance Benefit Structure for employees who became members on or after January 1, 1996, with no prior System membership. Employees rehired by TVA after a break in service of 180 or more consecutive days and who were participants in the Original Benefit Structure when they were last employed are given an opportunity to participate in the Cash Balance Benefit Structure when they are rehired or at the time they become eligible for System membership.

The Cash Balance Benefit Structure provides a TVA-funded pension benefit based on the balance of the cash balance account established for each member and a conversion factor based on the member's age (to the nearest month). This cash balance account receives pay credits each pay period equal to 6 percent of compensation, as well as interest credits each month at the rate established by the Board each January 1. The interest rate is determined by calculating the percentage change of the 12-month average of the Consumer Price Index (CPI) for the period ending the previous October 31 over the preceding 12-month period, plus 3 percent. The System has established a minimum annual interest rate of 6 percent and a maximum annual interest rate of 10 percent for interest credits. The annual interest rate was 7.45 percent for calendar year 2009 and 6 percent for calendar year 2008. Cash balance service is the length of time spent as a member of the System. It does not include credit for unused sick leave, forfeited annual leave, or pre-TVA employment military service. Cash balance service may include previous periods of membership in the System and some periods of leave without pay. Members with at least five years of cash balance service who are at least age 55 are always eligible to receive an immediate benefit upon termination. Vested members who are less than age 55 may also receive an immediate benefit unless they are terminated for cause.

SUPPLEMENTAL BENEFIT

If upon retirement a member meets the eligibility criteria, the member will receive a supplemental benefit regardless of the member's benefit structure. This benefit is provided to eligible retirees and eligible surviving spouses to assist with the cost of their medical insurance, although it is not required to be used to pay for medical insurance.

LEVEL INCOME PLAN

The Level Income Plan (LIP) is an optional plan intended to provide retirees with approximately the same amount of monthly retirement income before and after Social Security benefits are payable, assuming the retiree begins receiving Social Security benefits at age 62. To be eligible for the optional LIP at retirement, a member must be eligible for a future Social Security benefit and be younger than age 62.

Regardless of the member's benefit structure, members may choose the optional LIP at retirement to temporarily increase their TVA pension benefit until age 62 when they are first eligible to begin receiving Social Security benefits. Then at age 62, the TVA pension benefit is permanently reduced for life. The reduction begins the month after the retiree turns age 62, regardless of whether the retiree chooses to begin receiving Social Security benefits at that time. The exact date Social Security benefits begin is based on a schedule set by the Social Security Administration which may differ by several weeks from the date the TVA LIP reduction begins.

The LIP increase and reduction amounts are set at retirement based on an estimate of the member's age 62 Social Security benefit and actual age at retirement. The estimate is based on the assumption that the member does not work after retirement and does not make additional contributions to Social Security. If the member does work and receives a higher Social Security benefit at age 62 as a result, the higher Social Security benefit does not affect the amount of the reduction in the TVA pension benefit when the retiree turns age 62.

Any cost-of-living adjustments and survivor benefits are calculated using the retiree's base pension amount, without any LIP increase or reduction.

FIXED AND VARIABLE FUNDS AND 401(K) PLAN

During Employment

The Fixed and Variable Funds provide two after-tax investment options to members. These funds are available to members unless they have transferred their funds to the 401(k) Plan after May 1, 2005. The Fixed Fund earns a specified rate of interest set by the System's Board of Directors. The Variable Fund is invested in the Fidelity Spartan 500 Index Advantage Fund. Employees participating in the Variable Fund purchase shares in the Fidelity Spartan 500 Index Advantage Fund, which is invested in the stocks of companies included in the S&P 500 Composite Stock Price Index.

Members are also permitted to transfer their contributions between the Fixed Fund and the Variable Fund once per calendar month and may, at any time during employment, transfer their entire balance to the 401(k) Plan. Members who transfer their funds to the 401(k) Plan after May 1, 2005, are no longer eligible to contribute to the Fixed and Variable Funds. Prior to retirement, those who first became members before January 1, 1996, may transfer all or any portion of their after-tax balance(s) in the 401(k) Plan to the System to receive monthly payments.

In addition, members may elect to participate in the 401(k) Plan on a before-tax, after-tax, and/or Roth basis. TVA provides 401(k) Plan employer matching contributions for participating members. The amount of this match for Cash Balance Benefit Structure participants is 75 cents on every dollar contributed up to a maximum of 4.5 percent of fiscal year-to-date earnable compensation. The amount of this match for Original Benefit Structure participants is 25 cents on every dollar contributed up to a maximum of 1.5 percent of fiscal year-to-date earnable compensation. Members are vested in the TVA matching contributions after three years of actual System service. During employment, members are also permitted to roll over funds from certain other retirement plans and IRAs into the 401(k) Plan.

Investment options available through the 401(k) Plan have varying degrees of risk and potential return.

For calendar year 2009, contributions to the Fixed Fund, Variable Fund, and 401(k) Plan, including TVA matching contributions, could not exceed the lesser of $49,000 or 100 percent of calendar year-to-date compensation. Additionally, before-tax and/or designated Roth contributions could not exceed the annually published IRS maximum ($16,500 for 2009). Employees who were age 50 or older were allowed to make additional before-tax and/or designated Roth contributions, allowing them to "catch up" on their retirement savings. For 2009, the catch-up amount was $5,500 over and above contribution limits and could not begin until the before-tax and/or designated Roth contribution limit was reached. These IRS limits may increase annually according to the IRS cost-of-living adjustment rules. Contributions to the Fixed Fund and/or the Variable Fund are limited by the Rules and Regulations of the Retirement System (Rules) to the lesser of $10,000 per calendar year or 100 percent of calendar year-to-date compensation.

After Retirement

Those who first became members before January 1, 1996, may receive a monthly annuity payment from the Fixed Fund, the Variable Fund, or both. Annuity payments from the Fixed Fund are based on a specified rate of interest set by the System's Board of Directors. Members who elect to receive an annuity payment from the Variable Fund will have their shares in the Fidelity Spartan U.S. Equity Index Fund redeemed and the proceeds used to purchase units in the Variable Fund. The monthly annuity payments will vary based on the value of these units. The investment strategy of the Variable Fund is the same as the Fidelity Spartan U.S. Equity Index Fund. Retired members may elect to transfer their entire fund balance(s) between the Fixed Fund and the Variable Fund once every 12 months.

Those who first became members on or after January 1, 1996, must withdraw or roll over their total balance from the Fixed and/or Variable Funds when their employment ends.

SOCIAL SECURITY

A retired member may be eligible to receive Social Security benefits at age 62, or earlier for disability. The Social Security Administration determines eligibility for Social Security benefits.

SURVIVOR OPTIONS

At Retirement

A member decides whether to take the maximum monthly retirement allowance during the member's lifetime, with nothing payable after death, or to take a reduced amount and provide benefits for a survivor.

Each of the various survivor options is the actuarial equivalent of the maximum retirement allowance. Married members who first become members of the System after January 1, 1990, must designate their spouse as beneficiary to receive a survivor benefit as specified by the Rules governing the defined benefit plan, or receive their spouse's written consent to select a different survivor option at retirement.

After Retirement

Retirees who marry or remarry after commencement of their retirement allowance may elect to designate their new spouse for either a 50 percent or 100 percent survivor benefit. Retirees have 90 days from the date of such marriage or remarriage to elect this second survivor benefit. This election and actuarial reduction to the retirement benefit would be effective the first day of the month following the first anniversary of the marriage or remarriage. Previous survivor benefit elections remain in effect for any designated beneficiary whose life expectancy has been used as a factor in determining the amount of the retiree's benefit.

DISABILITY BENEFITS

A vested member may be retired on disability retirement if it is determined that the member cannot continue to work in the member's present position because of a physical or mental disability that is likely to be permanent and there is no other TVA position available for which the member is qualified and can perform with the member's medical restrictions.

DEATH BENEFITS

During Employment

The designated beneficiary or the estate of a member who dies during employment will receive the member's accumulated contributions, if applicable, and a benefit funded by TVA's contributions.

After Retirement

Upon the death of a member after retirement, the benefits payable (if any) depend upon the survivor option selected.

COST-OF-LIVING ADJUSTMENTS

Eligible retirees may receive cost-of-living adjustments on the pension benefit portion of the monthly retirement (exclusive of level income plan) as determined in accordance with the System's Rules and Regulations. The cost-of-living adjustment was 4.45 percent in calendar year 2009 and 2.53 percent for calendar year 2008.

The supplemental benefit may also receive cost-of-living adjustments until it reaches the maximum as specified in the Rules.

ADMINISTRATIVE EXPENSES

The System's Fixed Benefit Fund assets are used to pay for all eligible administrative expenses.

DOMESTIC RELATIONS ORDER

The System honors a Domestic Relations Order (DRO) that assigns a portion of the member's benefits to a former spouse if the DRO complies with the System's DRO procedures. DROs otherwise in compliance with those procedures are only effective if they are the result of a marriage that was terminated by a final order of divorce or annulment dated on or after January 1, 2003.

The DRO procedures allow a lump-sum distribution to a former spouse from a member's existing Fixed Fund, Variable Fund, and/or 401(k) Plan accounts. A DRO can also provide a recurring monthly benefit to a former spouse which begins upon the member's retirement and receipt of monthly retirement benefits. The payments continue only until the death of the retiree or former spouse. Survivor benefits are determined solely in accordance with System Rules and the member's beneficiary designations, and they cannot be affected in any way by a DRO.

TAX STATUS

The Internal Revenue Service (IRS) determined and informed the System in March 2003 that the Plan and the 401(k) Plan are designed in accordance with the applicable sections of the Internal Revenue Code (IRC). The Plan and the 401(k) Plan have been amended subsequent to the receipt of the latest IRS determination letter. However, the Plan administrator and the Plan's tax counsel believe that the Plan and the 401(k) Plan are currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in these financial statements. In accordance with the IRS review cycle, the System submitted an application for an updated determination letter to the IRS during fiscal year 2009 which is still under review by the IRS.

As plans maintained for employees of an agency of the federal government, the Plan and the 401(k) Plan are governmental plans within the meaning of Section 3(32) of the Employee Retirement Income Security Act (ERISA). For the most part, governmental plans are excluded from ERISA, which governs private employer pension plans. The Plan and the 401(k) Plan are also governmental plans within the meaning of Section 414(d) of the IRC and, as a result, are exempt from the requirements of the IRC that parallel those contained in ERISA.

PLAN TERMINATION

In the event the Plan is terminated, the net assets of the Plan will be allocated generally to provide benefits in the following order: (1) Fixed and Variable Fund benefits based upon members' contributions, (2) nonforfeitable benefits based upon TVA's contributions (defined benefit portion of the Plan), and (3) to the extent feasible, cost-of-living increases thereto. The Plan benefits are not guaranteed by the Pension Benefit Guaranty Corporation.

This summary is intended to help members understand the System and its benefits under the Plan and the 401(k) Plan. The rules governing these plans, not this summary, are used to determine the benefits to which a member is entitled. For additional information about your Retirement System benefits, please contact the Retirement System at the location or numbers listed at the end of this report.

CERTIFICATION OF FINANCIAL STATEMENTS

Tammy W. Wilson and Patrick D. Brackett individually certify that:

1. I have reviewed the Financial Statements of the Tennessee Valley Authority Retirement System.

2. Based on my knowledge, the information in the Financial Statements does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by the Financial Statements.

3. Based on my knowledge, the Financial Statements and other financial information included in the Annual Report fairly present in all material respects the financial condition, results of operations and cash flows of the Tennessee Valley Authority Retirement System as of, and for, the periods presented in the Financial Statements.

4. The other officer of the Tennessee Valley Authority Retirement System listed below and I are responsible for establishing and maintaining disclosure controls and procedures for the Tennessee Valley Authority Retirement System and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Tennessee Valley Authority Retirement System is made known to us by others, particularly during the period in which these Financial Statements are being prepared;

    b) evaluated the effectiveness of the Tennessee Valley Authority Retirement System's disclosure controls and procedures as of a date within 90 days prior to the date of the Financial Statements; and

5. I and the other officer of the Tennessee Valley Authority Retirement System listed below have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Tennessee Valley Authority Retirement System's auditors:

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the Tennessee Valley Authority Retirement System's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Tennessee Valley Authority Retirement System's internal control over financial reporting.

Date: April 23, 2010

Tammy W. Wilson
Executive Secretary

Patrick D. Brackett
Assistant Secretary

Crowe Horwath

Crowe Horwath LLP
Independent Member Crowe Horwath International

REPORT OF INDEPENDENT AUDITORS

Participants and Administrator of
Tennessee Valley Authority Retirement System
Knoxville, Tennessee

We have audited the accompanying statements of net assets available for benefits of the Tennessee Valley Authority Retirement System as of September 30, 2009 and 2008, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Plan as of September 30, 2009 and 2008, and the changes in its financial status for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Crowe Horwath LLP

Crowe Horwath LLP

Oak Brook, Illinois
April 23, 2010

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

September 30, 2009 and 2008

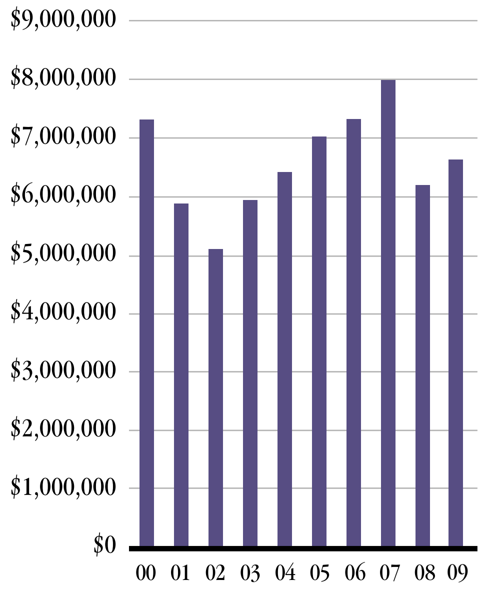
(Dollars in thousands)	**2009**	2008
Assets		
Investments at fair value		
Commingled funds	**$ 1,910,265**	$ 2,143,680
Corporate bonds	**1,874,488**	2,074,347
Cash equivalents	**1,048,545**	506,210
Equity securities	**1,047,640**	1,256,932
Limited partnerships	**474,203**	392,167
Government bonds	**422,814**	221,552
Securities lending commingled funds	**115,659**	341,378
Treasury bills, U.S. Government notes and securities held as futures and other derivative collateral	**53,951**	94,872
Fair value of derivatives assets	**23,675**	31,279
Total investments	**6,971,240**	7,062,417
Receivables		
Foreign currency forward receivable	**478,325**	1,321,541
Due from broker	**153,648**	209,082
Interest and dividends	**24,465**	31,757
Other	**956**	808
Total Receivables	**657,394**	1,563,188
Total assets	**$ 7,628,634**	$ 8,625,605
Liabilities		
Due to broker	**255,920**	449,958
Fair value of derivative liabilities	**6,372**	41,746
Investment fees payable	**6,227**	10,860
Disbursements payable	**3,331**	17,184
Other	**2,484**	6,167
Reverse repurchase agreement payable	**–**	95,358
Total payable	**274,334**	621,273
Foreign currency forward payable	**476,358**	1,316,940
Liabilities to brokers for security lending (see Notes 4 and 16)	**115,659**	341,378
Total liabilities	**866,351**	2,279,591
Net Assets Available for Benefits	**$ 6,762,283**	$ 6,346,014

The accompanying notes are an integral part of the financial statements.

FIXED BENEFIT FUND

Net Assets Available For Benefits

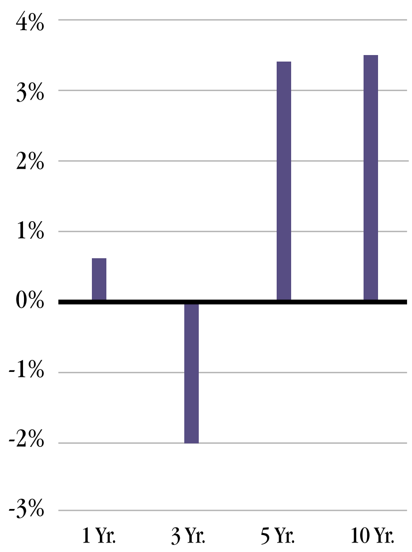
(in thousands)



This chart is unaudited and intended for informational purposes only.

FIXED BENEFIT FUND

Annualized Rate of Return



This chart is unaudited and intended for informational purposes only.

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Fiscal Years Ended September 30, 2009 and 2008

(Dollars in thousands)	**2009**	2008
Investment Income (Loss)		
Net depreciation in fair value of stocks, bonds, and other investments	**$ (125,981)**	$ (1,441,744)
Net depreciation in fair value of derivative investments	**(37,872)**	(247,831)
Net depreciation in fair value of investments	**(163,853)**	(1,689,575)
Interest	**101,342**	142,402
Dividends	**54,973**	70,015
	(7,538)	(1,477,158)
Less Investment Expenses	**24,485**	42,585
	(32,023)	(1,519,743)
Contributions		
TVA	**1,000,125**	160,146
Members	**34,259**	36,468
Transfers from 401(k) Plan	**9,156**	11,158
	1,043,540	207,772
Total increase (decrease)	**1,011,517**	(1,311,971)
Benefits, Transfers, and Expenses		
Retirement benefits - Fixed Benefit Fund	**567,541**	520,118
Transfers to 401(k) Plan	**13,436**	17,701
Retirement benefits - Variable Fund	**8,482**	13,566
Administrative expenses	**5,789**	4,805
Total benefits, transfers, and expenses	**595,248**	556,190
Net increase (decrease)	**416,269**	(1,868,161)
Net Assets Available for Benefits		
Beginning of year	**6,346,014**	8,214,175
End of year	**$ 6,762,283**	$ 6,346,014

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1
GENERAL PLAN DESCRIPTION

The TVA Retirement System (System) is a defined benefit plan (Plan) covering most full-time and part-time annual employees. The System is administered by an independent, seven-member Board of Directors that also administers a defined contribution plan, the TVA Savings and Deferral Retirement Plan [401(k) Plan]. The System provides retirement, disability and death benefits. There are two benefit structures within the Plan: the Original Benefit Structure and the Cash Balance Benefit Structure. New members hired on or after January 1, 1996, with no prior System membership, must participate in the Cash Balance Benefit Structure. Employees who were members of the System as of December 31, 1995, were given the opportunity to either participate in the Cash Balance Benefit Structure or to remain in the Original Benefit Structure.

There are two investment funds within the Plan: the Fixed Benefit Fund and the Variable Fund. TVA contributes to the Fixed Benefit Fund such amounts as are necessary on an actuarial basis to provide the System with assets sufficient to meet TVA-financed benefit obligations to be paid to members. Members have a choice of making contributions to the Fixed Fund within the Fixed Benefit Fund, the Variable Fund, or both, unless these funds were transferred to the 401(k) Plan on or after May 1, 2005. Members who have elected to make this transfer on or after May 1, 2005, are not eligible to make contributions to the Fixed Fund or the Variable Fund.

TVA's contributions are deposited in the Fixed Benefit Fund. Members' contributions in the Fixed Fund for those who first became members before January 1, 1996, were credited an annual rate of interest of 7.5 percent for calendar year 2009 and 8 percent for calendar year 2008. Members' contributions in the Fixed Fund for those who first became members on or after January 1, 1996, or for members who transferred their Fixed and/or Variable Fund balance to the 401(k) Plan prior to May 1, 2005, were credited an annual rate of interest of 7.25 percent for calendar years 2009 and 2008. Effective January 1, 2010, the Plan was amended to pay the lesser of 6 percent interest rate or the actuarial assumed rate of return less 0.5 percent, to employees in the Fixed Fund regardless of when they first became a TVARS member. Members' contributions to the Variable Fund are invested in an S&P 500 Stock Index Fund.

For participants in the Cash Balance Benefit Structure, TVA provided matching contributions of 75 cents on every dollar contributed to the 401(k) Plan on a before- and/or after-tax basis, with maximum matching contributions of 4.5 percent of fiscal year-to-date earnable compensation. Participants in the Original Benefit Structure received employer matching contributions of 25 cents on every dollar contributed to the 401(k) Plan on a before- and/or after-tax basis, with maximum matching contributions of 1.5 percent of fiscal year-to-date earnable compensation.

Benefits are provided in the form of a pension funded by TVA contributions and, if eligible, an annuity derived from the members' contributions. The Fixed Benefit Fund contains assets for funding of both the pension and fixed annuity with the net assets available for benefits being allocated between members' and TVA's contributions (see note on Net Assets Available for Benefits). The Variable Fund is discussed in Note 21.

A more detailed description of contributions, benefits, vesting and funding is available from the TVA Retirement System.

Note 2
SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

Adoption of New Accounting Standards

In September 2006, the Financial Accounting Standards Board (FASB) issued guidance that defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This guidance also establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of restriction on the sale or use of an asset. This guidance is effective for financial statements issued for fiscal years beginning after November 15, 2007. In October 2008, the FASB issued additional guidance that clarified the application of the previous guidance issued in September 2006 for investments where there is not a market that is active. The impact of adoption of this guidance was not material to the Plan's net assets available for benefits.

In April 2009, the FASB issued guidance that emphasizes that even if there has been a significant decrease in the volume and level of activity, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants. The guidance provides a number of factors to consider when evaluating whether there has been a significant decrease in the volume and level of activity for an asset or liability in relation to normal market activity. In addition, when transactions or quoted prices are not considered orderly, adjustments to those prices based on the weight of available information may be needed to determine the appropriate fair value. The guidance also requires increased disclosures. This guidance is effective for annual reporting periods ending after June 15, 2009, and was applied prospectively. The impact of adoption of this guidance was not material to the Plan's Net Assets Available for Benefits.

Custody Relationships

The Bank of New York Mellon (BNY Mellon) serves as the Master Trustee (Trustee) of the Plan and accounts for the entire portfolio. The Plan has certain commingled fund investments where the investment advisor has contracted the custodial services to a financial institution other than BNY Mellon. These other custodians provide accounting information to the Trustee and are detailed as follows:

	Percent of Net Assets Available for Benefits	
Custodian	**FY 2009**	**FY 2008**
State Street Bank	13.9%	15.5%
PNC Bank	2.5%	2.9%

The holdings for private equity funds are investments in general partnerships and not held at a custody bank. The private equity funds comprise 5.7 percent of the Net Assets Available for Benefits in fiscal year 2009 and 6.2 percent in fiscal year 2008. The holdings for the private real estate funds are investments in commercial real estate and also are not held at a custody bank. The private real estate funds comprise 1.2 percent of the Net Assets Available for Benefits in fiscal year 2009 and 1.6 percent in fiscal year 2008.

Investment Valuation and Income Recognition

The Plan's investments and derivative instruments are reported at fair value. Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Fair value is viewed as the price that would be received by the Plan for an asset or paid by the Plan to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date in the Plan's principal or most advantageous market for the asset or the liability. There is a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The hierarchy places the highest priority on unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurements) and gives the lowest priority to unobservable inputs (Level 3 measurements). The three levels of inputs within the fair value hierarchy are defined as follows:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets in active markets that the Plan has the ability to access at the measurement date.

Level 2 Inputs: Significant observable inputs other than Level 1 such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data such as matrix pricing, yield curves and indices.

Level 3 Inputs: Significant unobservable inputs that reflect the Plan's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following descriptions of the valuation methods and assumptions used by the Plan to estimate the fair value of investments apply to investments held directly by the Plan. Third-party pricing vendors provide valuations for investments held by the Plans in most instances.

Vendor-provided prices for the Plan's investments are subjected to automated tolerance checks by the Trustee to identify and avoid, where possible, the use of inaccurate prices. Any questionable prices identified are reported to the vendor which provided the price. If the prices are validated, the primary pricing source is used. If not, a secondary source price that has passed the applicable tolerance check is used (or queried with the vendor if it is out of tolerance), resulting in either the use of a secondary price, where validated, or the last reported default price, as in the case of a missing price. For monthly valued accounts, where secondary price sources are available, an automated inter-source tolerance report identifies prices with an intervendor pricing variance of over 2 percent at an asset class level. For daily valued accounts, each security is assigned, where possible, an indicative major market index, against which daily price movements are automatically compared. Tolerance thresholds are established by asset class. Prices found to be outside of the applicable tolerance threshold are reported and queried with vendors as described above.

Equities: Investment securities, including common stock and mutual funds, listed on either a national or foreign securities exchange or traded in the over-the-counter National Market System are generally valued each business day at the official closing price (typically the last reported sale price) on the exchange on which the security is primarily traded. If there are no current day sales, the securities are valued at their last quoted bid price. Since equities are priced by an exchange in an active market, they are classified as Level 1.

Corporate debt securities: Corporate bonds are valued based upon recent bid prices or the average of recent bid and asked prices when available (Level 2 inputs) and, if not available, they are valued through matrix pricing models developed by sources considered by management to be reliable. Matrix pricing, which is a mathematical technique commonly used to price debt securities that are not actively traded, values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

Certain corporate debt securities associated with companies subject to bankruptcy or mergers have been classified as Level 3 due to an inactive trading market.

Residential mortgage-backed securities: Residential mortgage-backed securities consist of collateralized mortgage obligations (CMOs) and U.S. pass-through security pools related to government-sponsored enterprises (GSEs). CMO pricing is typically based on either a volatility-driven, multidimensional single cash flow stream model or an option-adjusted spread model. These models incorporate available market data such as trade information, dealer quotes, market color, spreads, bids and offers. Pricing for GSE securities, including the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, and the Government National Mortgage Association, is typically based on quotes from the To Be Announced (TBA) market, which is highly liquid with multiple electronic platforms that facilitate the execution of trading between investors and broker/dealers. Prices from the TBA market are then compared against other live data feeds as well as input obtained directly from the dealer community. A tolerance check, adjusted dynamically in response to market conditions, is applied to check for consistency across the trading platforms and dealer quotes. If discrepancies are identified, the data is reviewed to resolve the differences and determine an appropriate evaluation. Residential mortgage-backed securities are considered to be priced using Level 2 inputs because of the nature of their market-data-based pricing models.

U.S. Treasury and agency securities: For U.S. Treasury securities, fair values reflect the closing price reported in the active market in which the security is traded (Level 1 inputs). Agency securities are typically priced using evaluated pricing applications and models incorporating U.S. Treasury yield curves. Agency securities are classified as Level 2 because of the nature of their market-data-based pricing models.

Debt securities issued by foreign governments: These include foreign government bonds and foreign government inflation linked securities. They are typically priced based on proprietary discounted cash flow models, incorporating option-adjusted spread features as appropriate. Debt securities issued by foreign governments are classified as Level 2 because of the nature of their market-data-based pricing models.

Asset-backed securities: Asset-backed securities are typically priced based on a single cash-flow stream model, which incorporates available market data such as such as trade information, dealer quotes, market color, spreads, bids and offers. Because of the market-data-based nature of such pricing models, asset-backed securities are classified as Level 2.

Debt securities issued by state and local governments: Debt securities issued by state and local governments are typically priced using market-data-based pricing models, and are therefore classified as Level 2. These pricing models incorporate market data such as quotes, trading levels, spread relationships and yield curves, as applicable.

Commercial mortgage-backed securities: Commercial mortgage-backed securities are typically priced based on a single cash flow stream model which incorporates available market data such as trade information, dealer quotes, market color, spreads, bids, and offers. Because of the market-data-based nature of such pricing models, commercial mortgage-backed securities are classified as Level 2.

Private equity funds: Private equity limited partnerships and other similar alternative investments are reported at fair value, which is derived by independent appraisals or investment management judgment. The inputs used by the General Partners in estimating the fair value of the limited partnerships include the original transaction prices, recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investments or comparable issuers, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. These investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discounts estimated by the General Partners in the absence of market information. Due to the lack of observable inputs, the determination of the fair value by the General Partners may differ materially from the value ultimately realized by the Partnership.

The private equity managers recognize realized gains or losses when they receive income or dispose of an investment. The net realized capital gains or losses, which include management fees and fund expenses, are allocated to the partners in proportion to their commitments. The private equity values are prepared by the fund managers and classified as Level 3.

Private real estate funds: The Plan invests in commingled funds that invest in a wide variety of real estate opportunities and timberland investments. The valuation methodologies for these investments are as follows:

The Plan is invested in a limited partnership formed for the purpose of providing investors with enhanced risk-adjusted total returns through long-biased opportunistic investments principally in mortgage and/or real estate-related fixed income instruments and related securities. This fund is invested primarily in mortgage-backed securities and asset-backed securities. Due to the market-data-based nature of the pricing models used for these types of securities, as described above, they are classified as Level 2.

The Plan is invested in a private real estate investment trust formed to make direct or indirect investments in commercial timberland properties. Pricing for these types of investments is based on comprehensive appraisals that are conducted shortly after initial purchase of properties and at three-year intervals thereafter. All appraisals are conducted by third-party timberland appraisal firms. Appraisals are based on either a sales comparison analysis or a discounted cash flow analysis. Due to the inherent uncertainty of the valuation methodology, these investments are classified as Level 3.

The Plan is invested in certain private real estate commingled funds that consist primarily of real estate investments, either directly owned or through partnership interests, and mortgage and other loans on income-producing real estate. Fair value estimates are based upon property appraisal reports prepared by independent real estate appraisers within a reasonable amount of time following acquisition of the real estate and no less frequently than annually thereafter. The appraisals are based on one or a combination of three methodologies: cost of reproduction analysis, discounted cash flow analysis and sales comparison analysis. In general, the input values used in the appraisal process are unobservable, therefore these funds are classified as Level 3.

Derivatives: The Plan invests in a variety of derivative instruments. The valuation methodologies for these instruments are as follows:

Futures: The Plan enters into equity futures, foreign currency futures and interest rate futures. The futures contracts are listed on either a national or foreign securities exchange and generally valued each business day at the official closing price (typically the last reported sales price) on the exchange on which the security is primarily traded. The pricing is performed by third-party vendors. Since futures are priced by an exchange in an active market, they are classified as Level 1. A detailed summary of futures contracts is provided in Note 11.

Net due to broker on futures: These transactions represent cash reconciliations of margin balances that are classified as Level 2.

Options: The Plan enters into interest rate options, foreign currency options and fixed income options. Options that are listed on either a national or foreign securities exchange are generally valued each business day at the official closing price (typically the last reported sales price) on the exchange on which the security is primarily traded. These options are classified as Level 1 and include both written and purchased options on Treasury note futures and Eurodollar futures.

Options traded over the counter and not in exchanges are priced by third-party vendors and are classified as Level 2. This includes both written and purchased options on interest rate swaps. A detailed summary of options is provided in Note 11.

Swaps: The Plan enters into various types of swaps. Credit default swaps are priced at market using models that consider cash flows, credit curves, recovery rates and other factors. The pricing is performed by third-party vendors. Interest rate swap contracts are priced at market using forward rates derived from the swap curve, and the pricing is also performed by third-party vendors. Other swaps such as currency swaps and total return swaps are priced by third-party vendors using market inputs such as spot rates and yield curves. All swaps are classified as Level 2. A detailed summary of swaps is provided in Notes 12 through 14.

Foreign currency forwards: The Plan enters into foreign currency forwards. All commitments are marked to market daily at the applicable translation rates, and any resulting unrealized gains or losses are recorded. Foreign currency forwards are priced by third-party vendors and are classified as Level 2. A detailed summary of foreign currency forwards is provided in Note 15.

Commingled Funds: The Plan invests in commingled funds which include collective trusts, unit investment trusts, and similar investment funds that predominantly hold debt and/or equity securities as underlying assets. The Plan's ownership consists of a pro rata share and not a direct ownership of an underlying investment. These commingled funds are valued at their closing net asset values (or unit value) per share as reported by the managers of the commingled funds and as supported by the unit prices of actual purchases and sale transactions occurring as of or close to the financial statement date (Level 2 inputs).

Cash collateral held under securities lending arrangements: Fair value has been determined to approximate the deposit account balances held in cash collateral pools (Level 2 inputs), as no discounts for credit quality or liquidity were determined to be applicable.

Cash equivalents: Cash equivalents are highly liquid securities with a maturity of less than three months. These consist primarily of U.S. Treasury securities, residential mortgage-backed securities, commercial paper, corporate bonds, asset-backed securities and certificates of deposit. The Plan also holds a cash fund with a dollar-weighted average maturity of three months or less. U.S. Treasury securities are priced based on Level 1 inputs as described above. The other types of cash equivalent securities, as described above, are priced using models that incorporate market-based inputs and are therefore classified as Level 2.

The valuation methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments and derivative instruments measured at fair value on a recurring basis are summarized on the following page.

INVESTMENTS AT FAIR VALUE

Investments and derivative instruments measured at fair value on a recurring basis at September 30, 2009, are summarized below:

		Fair Value Measurements at September 30, 2009 Using		
(dollars in thousands)	**Total**	**Quoted Prices in Active Markets for Identical Assets Level 1**	**Significant Other Observable Inputs Level 2**	**Significant Unobservable Inputs Level 3**
Equity Securities				
Financial services	**$ 183,262**	$ 183,262		
Information technology	**159,811**	159,811		
Consumer discretionary	**159,586**	159,586		
Industrials	**158,555**	158,555		
Energy	**101,252**	101,252		
Health care	**100,447**	100,447		
S&P 500 Index Fund	**61,107**	61,107		
Materials	**39,428**	39,428		
Utilities	**37,033**	37,033		
Consumer staples	**26,788**	26,788		
Other	**12,313**	12,313		
Telecommunication services	**8,058**	8,058		
Debt Securities				
Corporate debt securities	**1,134,116**		$ 1,134,097	$ 19
Residential mortgage-backed securities	**612,562**		612,562	
Debt securities issued by U.S. Treasury and other U.S. government agencies	**242,630**	236,829	5,801	
Debt securities issued by foreign governments	**171,167**		171,167	
Asset-backed securities	**121,367**		121,367	
Debt securities issued by state/local governments	**9,017**		9,017	
Commercial mortgage-backed securities	**6,443**		6,443	
Commingled Funds				
Equity	**1,195,462**		1,195,462	
Debt	**413,789**		413,789	
Blended	**301,014**		301,014	
Cash equivalents	**1,048,545**	4,998	1,043,547	
Private equity funds	**383,529**			383,529
Securities lending commingled funds	**115,659**		115,659	
Private real estate funds	**90,674**		16,516	74,158
Treasury bills, U.S. Government notes and securities held as futures and other derivative collateral	**53,951**	18,062	35,889	
Derivatives				
Foreign currency forward receivable	**478,325**		478,325	
Futures	**18,221**	18,221		
Interest rate swaps	**5,202**		5,202	
Purchased options	**252**	45	207	
Total Assets at Fair Value	**$ 7,449,565**	$ 1,325,795	$ 5,666,064	$ 457,706
Liabilities				
Derivatives				
Foreign currency forward payable	**$ 476,358**		476,358	
Credit default swaps	**4,720**		4,720	
Written option obligations	**1,574**	$ 448	1,126	
Equity index swaps	**78**		78	
Total Liabilities at Fair Value	**$ 482,730**	$ 448	$ 482,282	

The table below presents a reconciliation of Plan investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended September 30, 2009, including the reporting classifications for the applicable gains and losses included in the Statements of Changes in Net Assets Available for Benefits.

SUMMARY OF FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) TRANSACTIONS

The table below presents a reconciliation of Plan investments measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the year ended September 30, 2009.

(Dollars in thousands)	**Fair Value Measurements Using Significant Unobservable Inputs (Level 3)**
Beginning balance, October 1, 2008	$ 501,368
Net realized/unrealized depreciation	(64,649)
Purchases, sales, issuances and settlements (net)	20,987
Ending balance, September 30, 2009	$ 457,706

Included in the Plan's 2009 Statement of Changes in Net Assets Available for Benefits is $32.9 million of unrealized depreciation pertaining to Level 3 investments that are still held by the Plan as of September 30, 2009.

In June 2009, the Board adopted the following asset allocation policy:

- 60 percent equities, of which 22½ percent may be international (non-United States) equities (measured as a percentage of the total fund), and 15 percent may be alternative investments (measured as a percentage of the total fund), including private equity, distressed debt, timberland and private real estate, but not to include holding title to real property
- 40 percent fixed income, of which 15 percent may be investment grade corporate credit (measured as a percentage of the total fund) and 9 percent may be high yield (measured as a percentage of the total fund)

The Board adopted the revised asset allocation policy with a permissible 3 percent deviation, either plus or minus, from these target allocations. The Board also approved a transition plan to the revised asset allocation policy and the executive secretary's authority to take action, as appropriate, to rebalance the System's assets consistent with the revised asset allocation policy over a flexible period of time.

The asset allocation policy in effect from fiscal year 2008 to June 2009 was as follows:

- 65 percent equities, of which 25 percent may be international equities (as measured as a percentage of the total fund), 5 percent may be private equity or other similar alternative investments (as measured as a percentage of the total fund), and 5 percent may be private real estate (as measured as a percentage of the total fund), but not to include holding title to real property
- 35 percent fixed income, of which 15 percent may be alternative fixed income strategies (as measured as a percentage of the total fund) and 5 percent may be high yield (as measured as a percentage of the total fund).

The asset allocation policy included a permissible 3 percent deviation, either plus or minus, from these target allocations.

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, liquidity and credit risks. Due to the level of risk associated with certain investment securities and the sensitivity of certain fair value estimates to changes in valuation, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statements of Net Assets Available for Benefits and participants' individual account balances.

Plan contributions are made and the actuarial present value of accumulated plan benefits is reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption processes, it is at least reasonably possible that changes in these estimates and assumptions in the near term could materially affect the amounts reported and disclosed in the financial statements.

Tax Status

The Internal Revenue Service (IRS) determined and informed the System in March 2003 that the Plan is designed in accordance with the applicable sections of the Internal Revenue Code (IRC). The Plan has been amended subsequent to the receipt of the latest IRS determination letter. However, the Plan administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in these financial statements. In accordance with the IRS review cycle, the System submitted an application for an updated determination letter to the IRS during fiscal year 2009 which is still under review by the IRS.

As plans maintained for employees of an agency of the Federal government, the Plan is a governmental plan within the meaning of Section 3(32) of ERISA. For the most part, governmental plans are excluded from ERISA, which governs private employer pension plans. The Plan is also a governmental plan within the meaning of Section 414(d) of the IRC and, as a result, is exempt from the requirements of the IRC that parallel those contained in ERISA.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date(s) of the financial statements and the reported amounts of revenues and expenses during the reporting period(s). Management also uses estimates in determining the actuarial present value of accumulated Plan benefits and the changes in actuarial present value of accumulated Plan benefits. Actual results could differ materially from those estimates.

Reclassification

Certain amounts included in the prior year financial statements have been reclassified to conform with the current year's presentation.

Note 3
DERIVATIVE FINANCIAL INSTRUMENTS

The Plan is party to derivative financial instruments, including futures contracts, in its normal course of business. Interest rate futures, options, and swaps are utilized for managing duration and yield curve risk, and not for speculative purposes. Credit default swaps are utilized to obtain credit default protection or as a substitute for the bond, but not to employ leverage. Forward currency contracts may be utilized to hedge risks associated with short-term exchange rate fluctuations or implement active management decisions via the currency markets. Equity futures and options and total return swaps are used in the implementation of various active management strategies. Derivatives are not used to effectively leverage the portfolio. Net exposures resulting from derivatives transactions must be covered by holdings within the portfolio. Under the derivative policy, investment managers may not use derivative financial instruments to fundamentally change the risk/return profile of their portfolios relative to their benchmarks. Additionally, these managers cannot invest in asset classes that are inconsistent with the benchmarks of their strategies. Derivative strategies are comparable to strategies employed by the managers in their individual portfolios. To some extent they expose the Plan to market and credit risk.

The Plan has counter-party exposure in the derivative instruments of currency forwards, options and swaps. Such contracts and agreements have been executed with creditworthy counter parties. As such, the Plan considers the risk of nonperformance to be remote. The credit risks associated with these instruments are controlled through the evaluation and continual monitoring of the creditworthiness of the counter parties. The Plan also reviews the credit ratings of counter parties on a regular basis. In the event that a counter party fails to meet the terms of a contract or agreement, the Plan's exposure should be limited to the currency rate differential or contract differential. A summary of derivatives is presented in Notes 11 through 15.

Note 4
SECURITIES LENDING

The Plan may lend portfolio securities to qualified institutions. Loans are secured by collateral at least equal to 100 percent (105 percent for international securities) of the fair value of the securities loaned. The Plan generally receives cash as collateral for securities lending, but it may also receive investment grade securities or interest in tri-party accounts containing investment grade securities. The cash collateral received for securities lending is recorded both as an asset and a liability in the Statement of Net Assets Available for Benefits. Cash received is invested in commingled funds of various short-term investments where the maximum weighted average maturity of the fund is 90 days and organized and managed by Mellon Global Securities Services (MGSS), which is limited to investment activities incidental to, or in support of, the securities lending program organized and managed by MGSS. The Plan does not have the right to sell or re-pledge securities or interest in triparty accounts received as collateral. The Plan receives a portion of the income earned on the collateral and also continues to earn income on the loaned securities. Any gain or loss in the market price of the securities loaned that may occur during the term of the loan will be for the account of the Plan. The lending agent provides the Plan with indemnification against losses due to borrower default. The Plan bears the risk of loss only with respect to the investment of any cash collateral.

In fiscal year 2009, the Board moved to discontinue the Securities Lending program as collateral securities matures. Cash collateral maturing in less than a year comprises 88 percent of the portfolio and maturities over a year comprise 12 percent. A summary of securities currently out on loan and the related collateral is provided in Note 16.

Note 5
PRIVATE EQUITY INVESTMENTS

The Board's asset allocation policy was amended in June 2009, to allow that 15 percent may be alternative investments (as measured as a percentage of the total fund) including private equity, distressed debt, timberland, and private real estate, but not to include holding title to real property. From fiscal year 2008 until the policy change, the asset allocation policy within the 65 percent equities allocation allowed that 5 percent could be private equity or other similar alternative investments, and 5 percent could be private real estate, but not to include holding title to real property.

In fiscal year 2009, the private equity investments were 22 funds valued at $383.5 million with commitments of $665 million and 20.5 million in Euro dollars ($30 million USD). In fiscal year 2008, the private equity investments were 22 funds valued at $392.2 million with commitments of $665 million and 20.5 million in Euro dollars ($28.8 million USD). Please see Note 6 on Commitments and Contingencies. Gains and losses from the foreign currency exchange are reflected in the Statements of Changes in Net Assets Available for Benefits.

Note 6
COMMITMENTS AND CONTINGENCIES

The Plan has made commitments to various limited partnerships and private real estate funds. As of September 30, 2009, the commitments consisted of $725 million and 20.5 million Euros ($30 million USD) with net capital outlays of approximately $468.3 million and 11.1 million Euros ($16.3 million USD). The remaining amount to be funded on capital commitments was approximately $256.7 million and 9.4 million Euros ($13.7 million USD). As of September 30, 2008, the commitments consisted of $725 million and 20.5 million Euros ($28.8 million USD) with net capital outlays of approximately $410.2 million and 9.2 million Euros ($13 million USD). The remaining amount to be funded on capital commitments was approximately $314.8 million and 11.3 million Euros ($15.8 million USD). The investment partnerships request capital outlays as business opportunities arise.

Note 7
MEMBER CONTRIBUTIONS

Eligible members may voluntarily contribute to either the Fixed Fund, the Variable Fund, or both. Federal income tax is deferred on earnings until annuity payments start or withdrawals are made. Members are also permitted to transfer their contributions between the Fixed Fund and the Variable Fund once per calendar month and may, at any time during employment, transfer their entire balance to the 401(k) Plan. Members who transfer their balance to the 401(k) Plan on or after May 1, 2005, are no longer eligible to contribute to the Fixed Fund or the Variable Fund. Upon retirement, those who first became members before January 1, 1996, may transfer all or any portion of their after-tax balance in the 401(k) Plan to the Fixed Fund and/or Variable Fund to receive monthly payments.

Note 8
EMPLOYER CONTRIBUTIONS

TVA made a $1 billion contribution to the System in September 2009. As disclosed below and in Note 9, there will be no further contributions required by TVA until fiscal year 2014. The $1 billion contribution is to be used to fund the vested benefits of the System. In fiscal year 2008, TVA contributed $160 million, with $75 million designated for fiscal year 2008 and $85 million for fiscal year 2009.

The funding method for the Plan is established solely under the System's Rules and Regulations (Rules). The minimum required funding method calls for TVA's rate of contribution in a fiscal year to be not less than the sum of the normal contribution (the long-term annual weighted average cost of benefits excluding cost-of-living adjustments), the accrued liability contribution (an amortized portion of the Plan's deficit or surplus based on the value of benefits excluding cost-of-living adjustments), and a cost-of-living contribution (an amount to fund cost-of-living adjustments paid during the year).

Under the Rules, TVA may utilize a portion of a reserve account, which consists of contributions made by TVA for past years in excess of the minimum required under the Rules, to offset the cost-of-living contribution component of the minimum required funding method. In addition, TVA's contribution rate for a fiscal year may be reduced or eliminated, upon the System Board's recommendation, if the market value of the Plan's assets exceeds the present value of accrued Plan benefits on the Plan's last valuation date.

In consideration of a contribution of $1 billion by TVA to the System, the minimum required funding method for determining TVA contributions, as described above, is suspended for a four-year period from fiscal year 2010 through fiscal year 2013.

Note 9
AMENDMENTS TO THE RULES AND REGULATIONS

The following amendments to the System Rules were made in August 2009 in exchange for TVA's contribution of

$1 billion to the System for fiscal year 2010 to fund the vested benefits of the System and as a contribution through fiscal year 2013:

- Change in the eligibility for cost-of-living adjustments (COLAs) from age 55 to actual age 60 for those retiring on or after January 1, 2010.

- Change in the COLA calculation for retirees over the next four years from the change in CPI over the previous year, capped at 5 percent, to the following:

  – For CY 2010, the COLA will be 0 percent
  – For CY 2011, the COLA will be the change in CPI capped at 3 percent
  – For CY 2012, the COLA will be 0 percent
  – For CY 2013, the COLA will be the change in CPI capped at 2.5 percent

- Change in the interest crediting rate on members' contributions to the System's Fixed Fund from 7.25 percent to the lesser of 6 percent or the actuarial rate of return minus 0.5 percent for all members effective January 1, 2010.

- Addition of a provision for the System Board to select one or more investment professionals or financial experts as nonvoting members of and advisors to the Board's Investment Committee. As of September 30, 2009, the Board is searching for these members.

- In consideration of a contribution of $1 billion by TVA to the System for fiscal year 2010, the minimum required funding method for determining TVA contributions, as described in Note 8, is suspended for a four-year period from fiscal year 2010 through fiscal year 2013.

During fiscal year 2008, the System Board adopted a new mortality table, changing from the 1983 Group Annuity Mortality Table to the Combined Healthy RP-2000 Mortality Table. The Accumulated Benefit Obligation at September 30, 2008, reflected this change in mortality tables. The impact upon new retiree pension and annuity calculations was implemented for retirements on or after April 1, 2009.

Wages and salaries, in determining pension benefits at retirement, now include certain lump-sum payments made in lieu of base wage or salary increases for fiscal years 1998 through 2009. Wages and salaries now include lump-sum payments for certain TVA performance incentive plans beginning in fiscal year 2000.

Note 10
ACTUARIAL ASSUMPTIONS

Accumulated benefits are those future periodic payments, including single-sum payments, that are attributable under the Plan to the service members have rendered and contributions members have made. Accumulated benefits include benefits expected to be paid to (1) retired or terminated members or to their beneficiaries, (2) beneficiaries of members who have died, and (3) current members or their beneficiaries.

Pension benefits under the Plan's Original Benefit Structure are based on members' years (to the nearest month) of creditable service, highest average base pay during any three consecutive years of creditable service, and a pension factor, less a Social Security offset. Calculations of the accumulated pension benefits for active employees are based on their average compensation during the last three years ending on the valuation date.

Pension benefits under the Plan's Cash Balance Benefit Structure are based on pay credits and interest credits that accumulate over the members' cash balance service. Pay credits accumulate at a rate equal to 6 percent of members' compensation, and interest is credited each month at the rate established by the Board each January 1. The interest rate is determined by calculating the percentage change of the 12-month average of the Consumer Price Index for the period ending the previous October 31 over the preceding 12-month period, plus 3 percent. The System has established a minimum annual interest rate of 6 percent and a maximum annual interest rate of 10 percent for interest credits. The interest rate was 7.45 percent for calendar year 2009 and 6 percent for calendar year 2008.

Benefits payable under all circumstances – retirement, death, disability and termination of employment – are included to the extent they are deemed attributable to members' service rendered to the valuation date.

The actuarial present value of accumulated benefits is determined by the System's Actuary, Mercer Human Resource Consulting, and is the amount that results from applying actuarial assumptions to adjust the accumulated benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawals or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of September 30, 2009 and 2008, were:

A. Life expectancy of participants – the Combined Healthy RP-2000 Mortality table for 2009 and 2008
B. Interest rate – 7.75 percent annually for 2009 and 2008
C. Retiree cost-of-living increases – 2.5 percent annually for 2009 and 2008
D. Annual rates of retirements – the assumptions for fiscal years 2009 and 2008 were:

Attained Age	Annual Rates of Retirement
45-50	2%
51-54	3%
55	5%
56	6%
57	7%
58	8%
59-60	10%
61	25%
62	35%
63-64	25%
65	100%

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated benefits.

The Board amended the Plan's COLA provisions and Fixed Fund rate policy as described in Note 9. These changes reduced the fiscal year 2009 Accumulated Benefit Obligation by $297.3 million.

ACCUMULATED BENEFITS

The estimated actuarial present value of accumulated benefits for the System payable from the Fixed Benefit Fund is as follows:

September 30, 2009 and 2008

(Dollars in thousands)	**2009**	2008
Vested benefits		
Participants currently receiving benefits	**$ 5,610,900**	$ 5,222,400
Active participants	**2,147,400**	2,421,000
Deferred benefit participants	**92,600**	114,500
Total	**7,850,900**	7,757,900
Nonvested benefits	**39,100**	37,400
Total estimated actuarial present value of accumulated benefits payable from the Fixed Benefit Fund	**$ 7,890,000**	$ 7,795,300

The calculations presented in this section are solely for purposes of fulfilling Plan accounting and reporting requirements in accordance with the *Plan Accounting – Defined Benefit Plans* topic of the FASB codification.

The changes in the estimated actuarial present value of accumulated benefits for the System payable from the Fixed Benefit Fund are as follows:

Fiscal Years Ended September 30, 2009 and 2008

(Dollars in thousands)	**2009**	2008
Actuarial present value of accumulated benefits payable from the Fixed Benefit Fund at beginning of year	**$ 7,795,300**	$ 7,367,300
Increase during the year attributable to:		
Additional benefits accumulated and actuarial gains and losses	**381,700**	353,400
Interest due to decrease in the discount period	**582,000**	550,600
Benefits paid to participants	**(571,700)**	(525,800)
Change in COLA provisions and Fixed Fund interest rate decrease	**(297,300)**	–
Change in mortality table assumptions	**–**	49,800
Actuarial present value of accumulated benefits payable from the Fixed Benefit Fund at end of year	**$ 7,890,000**	$ 7,795,300

Note 11
FUTURES AND OPTIONS CONTRACTS

The following summarizes the futures and options contracts of the Fixed Benefit Fund at September 30, 2009 and 2008.

(Dollars in thousands)	2009		2008	
	Contracts Long (Short)	Unrealized Appreciation/ (Depreciation)	Contracts Long (Short)	Unrealized Appreciation/ (Depreciation)
Futures Contracts				
Equity Futures				
Russell 2000 Index Futures	**2,318**	**$ 2,321**	1,682	$ 6,515
S & P 500 Index Futures	**3,102**	**11,516**	3,751	21,363
International Index Futures	**218**	**414**	174	80
Commodity Futures	**61**	**122**	31	(32)
Subtotal Equity Futures	**5,699**	**14,373**	5,638	27,926
Foreign Currency Futures				
90 Day Eurodollar Futures	**1,344**	**2,111**	3,468	(2,647)
90 Day Sterling London Interbank Offer Rate Futures	**45**	**100**	431	29
90 Day Australian Bank Bill Futures	**125**	**(171)**	(258)	(111)
90 Day Bank Acceptance Futures	**55**	**12**	(14)	12
90 Day Euro Yen Futures	**(24)**	**(2)**	307	27
90 Day Euro Interbank Offer Rate Futures	**190**	**169**	276	(207)
Other Foreign Currency Futures	**169**	**554**		
Subtotal Foreign Currency Futures	**1,904**	**2,773**	4,210	(2,897)
Interest Rate Futures				
U.S. Treasury Notes Futures - 2 year	**171**	**203**	271	(330)
U.S. Treasury Notes Futures - 5 year	**286**	**386**	955	(1,147)
U.S. Treasury Notes Futures - 10 year	**104**	**492**	(1,309)	2,706
U.S. Treasury Long Bonds Futures	**(111)**	**(238)**	(29)	77
International Bond Futures	**299**	**232**	89	(22)
Subtotal Interest Rate Futures	**749**	**1,075**	(23)	1,284
Total Futures Contracts	**8,352**	**$18,221**	9,825	$26,313
Option Contracts				
Written Options				
Foreign Currency Options				
90 Day Eurodollar Futures Options	**(411)**	**$ (7)**	(468)	$ (65)
90 Day Sterling London Interbank Offer Rate Futures	**-**	**-**	(106)	(12)
Euro 1 Year Futures Option	**-**	**-**	(65)	(25)
Subtotal Foreign Currency Options	**(411)**	**(7)**	(639)	(102)
Interest Rate Options				
Interest Rate Swap Options	**(93)**	**249**	(2,188)	712
U.S. Treasury Notes Options - 10 year	**(198)**	**(71)**	(209)	(104)
U.S. Treasury Notes Options - 5 year	**-**	**-**	(676)	(36)
Subtotal Interest Rate Options	**(291)**	**178**	(3,073)	572
Total Written Options	**(702)**	**$ 171**	(3,712)	$ 470
Purchased Options				
Foreign Currency Options				
Euro 1 Year Futures Option	**-**	**$ -**	64	$ 4
90 Day Eurodollar Futures Options	**17**	**(1)**	-	-
Subtotal Foreign Currency Options	**17**	**(1)**	64	4
Interest Rate Options				
Interest Rate Swap Options	**5**	**73**	4,338	(1,648)
U.S. Treasury Notes Options - 10 year	**51**	**(30)**	2	-
Subtotal Interest Rate Options	**56**	**43**	4,340	(1,648)
Fixed Income Securities Options				
Federal National Mortgage Association Securities	**-**	**-**	390	-
Total Purchased Options	**73**	**$ 42**	4,794	$ (1,644)

Note 12
INTEREST RATE SWAP CONTRACTS

The following summarizes the interest rate swap contracts of the Fixed Benefit Fund at September 30, 2009 and 2008.

(Dollars in thousands) — **2009**

Counter Parties	Notional Amount	Pay/ Receive	Floating Rate Index		Fixed Rate	Maturity Date	Unrealized Appreciation (Depreciation)
Interest Rate Swaps							
Bank of America	$ 7,600	Pay	3 Month LIBOR	Receive	3.00%	2010	$ 3
	1,600	Pay	3 Month LIBOR	Receive	3.00%	2011	9
Barclays Global Investors	1,023	Receive	France CPI Index	Pay	2.10%	2010	42
	15,200	Pay	3 Month LIBOR	Receive	3.45%	2011	627
BNP Paribas	1,462	Pay	France CPI Index	Receive	2.09%	2010	59
	1,023	Pay	6 Month EURIBOR	Receive	4.50%	2014	94
Credit Suisse	1,600	Pay	3 Month LIBOR	Receive	3.00%	2010	13
	16,500	Receive	3 Month LIBOR	Pay	2.75%	2014	(94)
	4,638	Pay	6 Month BP LIBOR	Receive	5.00%	2014	407
Deutsche Bank	265	Pay	3 Month Australian Rate Index	Receive	4.50%	2011	(3)
	3,838	Pay	6 Month BP LIBOR	Receive	5.00%	2014	305
Goldman Sachs	898	Pay	Brazilian Interbank Deposit Rate	Receive	10.84%	2012	(21)
	160	Pay	6 Month BP LIBOR	Receive	5.00%	2013	12
	320	Pay	6 Month BP LIBOR	Receive	5.25%	2014	29
Greenwich Capital Markets	1,090	Receive	3 Month LIBOR	Pay	4.34%	2018	(84)
HSBC Bank	960	Pay	6 Month BP LIBOR	Receive	5.00%	2013	74
JP Morgan	10,300	Pay	3 Month LIBOR	Receive	3.45%	2011	425
	1,255	Receive	3 Month LIBOR	Pay	4.80%	2018	(142)
Merrill Lynch	2,400	Pay	3 Month LIBOR	Receive	3.45%	2011	99
Morgan Stanley	16,000	Pay	3 Month LIBOR	Receive	3.00%	2010	5
	70,100	Pay	3 Month LIBOR	Receive	3.00%	2011	150
	600	Pay	3 Month LIBOR	Receive	3.45%	2011	25
Royal Bank of Scotland	19,500	Pay	3 Month LIBOR	Receive	3.45%	2011	436
	2,300	Pay	3 Month LIBOR	Receive	3.00%	2011	(16)
	11,500	Pay	3 Month LIBOR	Receive	3.60%	2011	398
	5,100	Pay	3 Month LIBOR	Receive	3.00%	2011	31
	160	Pay	6 Month BP LIBOR	Receive	5.10%	2013	13
	800	Pay	6 Month BP LIBOR	Receive	5.25%	2014	73
	3,998	Pay	6 Month BP LIBOR	Receive	5.00%	2014	349
	300	Pay	3 Month LIBOR	Receive	4.00%	2014	10
	4,200	Receive	3 Month LIBOR	Pay	3.64%	2019	(73)
	2,100	Pay	3 Month LIBOR	Receive	4.10%	2039	62
UBS	618	Pay	3 Month Australian Rate Index	Receive	4.50%	2011	(6)
	2,824	Pay	6 Month Australian Rate Index	Receive	6.00%	2012	(1)
Totals	$ 212,232						$ 3,310

(Dollars in thousands) — **2008**

Counter Parties	Notional Amount	Pay/ Receive	Floating Rate Index		Fixed Rate	Maturity Date	Unrealized Appreciation (Depreciation)
Bank of America	$ 49,900	Receive	3 Month LIBOR	Pay	4.00%	2010	$ 185
	5,400	Receive	3 Month LIBOR	Pay	5.00%	2028	(201)
	13,100	Receive	3 Month LIBOR	Pay	5.00%	2038	(700)
Barclays Global Investors	3,921	Pay	6 Month LIBOR	Receive	6.00%	2008	(1)
	2,317	Pay	6 Month LIBOR	Receive	5.00%	2009	(21)
	983	Pay	France CPI Index	Receive	2.10%	2010	(1)
	1,600	Pay	3 Month LIBOR	Receive	4.00%	2010	(8)
	12,080	Pay	6 Month EURIBOR	Receive	4.28% to 4.44%	2010	(79)
	1,792	Pay	3 Month LIBOR	Receive	4.40%	2012	33
	2,388	Receive	6 Month EURIBOR	Pay	4.47%	2018	43
	713	Receive	6 Month LIBOR	Pay	4.00%	2036	55
Bear Stearns	3,600	Pay	3 Month LIBOR	Receive	3.93%	2013	(14)
	1,255	Receive	3 Month LIBOR	Pay	4.80%	2018	(31)
BNP Paribas	1,405	Pay	France CPI Index	Receive	2.09%	2010	(2)
	983	Pay	6 Month EURIBOR	Receive	4.50%	2014	6
Citibank	7,900	Receive	3 Month LIBOR	Pay	5.00%	2038	(474)
Credit Suisse	720	Pay	3 Month LIBOR	Receive	4.65%	2008	0
	2,317	Pay	6 Month BP LIBOR	Receive	6.00%	2008	(1)
	4,400	Pay	3 Month LIBOR	Receive	3.00%	2010	(31)
	5,169	Pay	6 Month BP LIBOR	Receive	5.00%	2014	27
	2,400	Receive	3 Month LIBOR	Pay	4.97%	2020	(16)

Note 12

INTEREST RATE SWAP CONTRACTS (*continued*)

The following summarizes the interest rate swap contracts of the Fixed Benefit Fund at September 30, 2008.

(Dollars in thousands)			**2008**				
Counter Parties	**Notional Amount**	**Pay/ Receive**	**Floating Rate Index**		**Fixed Rate**	**Maturity Date**	**Unrealized Appreciation (Depreciation)**
Interest Rate Swaps							
Deutsche Bank	$ 12,390	Pay	3 Month LIBOR	Receive	4.00% to 4.31%	2010	$ 24
	702	Pay	6 Month EURIBOR	Receive	4.46%	2010	(3)
	7,140	Pay	3 Month LIBOR	Receive	4.70%	2010	174
	8,568	Pay	6 Month EURIBOR	Receive	4.25%	2010	(61)
	3,921	Pay	6 Month BP LIBOR	Receive	5.00%	2014	–
	1,826	Receive	6 Month EURIBOR	Pay	4.44%	2018	37
Goldman Sachs	18,612	Pay	3 Month LIBOR	Receive	5.55% to 5.58%	2008	25
	18,000	Pay	AAA 10 CMBS Index minus .75%			2008	(1,355)
		Receive	AAA 10 CMBS Index				
	891	Pay	6 Month BP LIBOR	Receive	6.00%	2009	(2)
	2,300	Pay	3 Month LIBOR	Receive	4.36%	2009	7
	6,300	Pay	3 Month LIBOR	Receive	5.04% to 5.71%	2011	284
	281	Pay	France CPI Index	Receive	1.96%	2012	(8)
	178	Pay	6 Month BP LIBOR	Receive	5.00%	2013	(1)
	357	Pay	6 Month BP LIBOR	Receive	5.25%	2014	3
	13,160	Pay	3 Month LIBOR	Receive	4.00%	2014	(152)
	4,900	Receive	3 Month LIBOR	Pay	4.25%	2016	11
	100	Receive	3 Month LIBOR	Pay	5.00%	2018	1
	9,660	Pay	3 Month LIBOR	Receive	4.25%	2019	(91)
	200	Receive	3 Month LIBOR	Pay	5.00%	2028	4
Greenwich Capital Markets	4,300	Pay	3 Month LIBOR	Receive	3.00%	2010	(30)
HSBC Bank	1,070	Pay	6 Month BP LIBOR	Receive	5.00%	2013	(6)
	713	Receive	6 Month BP LIBOR	Pay	4.00%	2036	55
JP Morgan	3,500	Pay	AAA 10 CMBS Index minus .75%			2008	(266)
		Receive	AAA 10 CMBS Index				
	844	Pay	1 Month EURIBOR			2008	(74)
		Receive	MSCI Austria Price Return Index				
	1,938	Pay	1 Month EURIBOR			2008	(187)
		Receive	MSCI Belgium Price Return Index				
	4,240	Pay	1 Month CIBOR			2008	(12)
		Receive	MSCI Denmark Price Return Index				
	93	Pay	1 Month NIBOR			2008	(1)
		Receive	MSCI Norway Price Return Index				
	382	Pay	1 Month EURIBOR			2008	(7)
		Receive	MSCI Portugal Price Return Index				
	562	Pay	France CPI Index	Receive	1.94%	2012	(15)
	4,020	Pay	3 Month LIBOR	Receive	4.25%	2019	(42)
Merrill Lynch	4,892	Receive	Swiss Market Index			2008	(3)
	3,387	Pay	6 Month BP LIBOR	Receive	4.50%	2009	(36)
	700	Receive	France CPI Index	Pay	5.00%	2009	–
	4,600	Pay	3 Month LIBOR	Receive	4.00%	2010	14
	800	Receive	3 Month LIBOR	Pay	5.00%	2023	(12)
	535	Receive	6 Month BP LIBOR	Pay	4.00%	2035	7
	800	Receive	3 Month LIBOR	Pay	5.00%	2038	(52)
Morgan Stanley	4,200	Pay	3 Month LIBOR	Receive	4.00%	2010	54
	400	Receive	3 Month LIBOR	Pay	5.00%	2028	(10)
	7,200	Receive	3 Month LIBOR	Pay	5.00%	2038	(444)
Royal Bank of Scotland	2,852	Receive	6 Month BP LIBOR	Pay	6.00%	2009	(7)
	10,000	Pay	3 Month LIBOR	Receive	4.00%	2010	88
	141	Pay	France CPI Index	Receive	1.95%	2012	(4)
	178	Pay	6 Month BP LIBOR	Receive	5.10%	2013	–
	5,347	Pay	6 Month BP LIBOR	Receive	5.00% to 5.25%	2014	29
	600	Receive	3 Month LIBOR	Pay	5.00%	2028	(26)
	1,604	Receive	6 Month BP LIBOR	Pay	4.00% to 5.50%	2036	82
	3,300	Receive	3 Month LIBOR	Pay	5.00%	2038	(89)
UBS	947	Pay	3 Month Australian Rate Index	Receive	7.00% to 7.50%	2010	9
	2,367	Pay	6 Month Australian Rate Index	Receive	7.50%	2011	55
Wachovia	10,000	Pay	AAA 10 CMBS Index minus .75%			2008	(758)
		Receive	AAA 10 CMBS Index				
Totals	$ 320,341						$ (4,022)

Note 13
CREDIT DEFAULT SWAP CONTRACTS

The following summarizes the credit default swap contracts of the Fixed Benefit Fund at September 30, 2009.

(Dollars and notionals in thousands)	2009				
Counter Parties	**Notional Amount**	**BUY/SELL Protection**	**Fixed Rate**	**Maturity Date**	**Unrealized Appreciation (Depreciation)**
Credit Default Swaps					
Barclays Global Investors	$ 1,700	SELL	0.62%	2011	$ (23)
	14,609	SELL	0.64% to 1.4%	2012	(1)
	4,222	BUY	1.50% to 1.55%	2013	(58)
	8,401	SELL	1.55% to 1.67%	2013	33
	4,597	SELL	0.80%	2017	(183)
Citibank	400	SELL	5.00%	2010	–
	300	SELL	5.00%	2013	3
	2,400	SELL	1.63%	2016	(482)
Credit Suisse	1,420	SELL	2.95% to 4.00%	2009	5
	100	SELL	2.32%	2010	(1)
	3,093	BUY	1.50% to 3.50%	2013	(97)
	2,194	SELL	3.50% to 5.00%	2013	(28)
	202	BUY	1.31% to 2.20%	2034	182
	582	BUY	1.28% to 2.18%	2035	575
	15	SELL	2.05% to 2.08%	2035	14
	78	BUY	1.36% to 2.18%	2036	79
	5,270	SELL	0.18%	2045	(1,132)
Deutsche Bank	875	SELL	0.71%	2012	13
	3,600	SELL	0.88% to 1.52%	2013	(60)
	94	BUY	5.00%	2014	(5)
	100	SELL	2.93%	2015	(24)
	100	SELL	2.21%	2016	(13)
	60	SELL	4.28%	2017	(5)
	1,727	SELL	0.18%	2045	(340)
Goldman Sachs	200	SELL	5.00%	2010	–
	9,750	SELL	1.12% to 6.05%	2012	(807)
	6,187	SELL	3.50%	2013	(70)
	2,643	BUY	1.50% to 3.50%	2013	(51)
	800	BUY	1.00%	2014	(4)
	300	BUY	2.08%	2016	(75)
	1,857	SELL	0.55% to 3.70%	2017	(76)
	594	BUY	3.80%	2045	668
Greenwich Capital Markets	3,200	SELL	2.08% to 4.75%	2010	(18)
	40	SELL	1.20% to 4.50%	2011	(3)
	17,965	SELL	0.35% to 7.20%	2012	(1,359)
	261	BUY	5.00%	2013	(37)
	100	SELL	1.55%	2016	(25)
	60	BUY	2.50%	2035	88
JP Morgan	168	SELL	4.00%	2009	–
	1,453	SELL	1.05% to 5.45%	2010	(7)
	9,138	SELL	0.35% to 2.75%	2012	(388)
	3,009	BUY	1.55% to 3.50%	2013	74
	70	SELL	3.95%	2017	(7)
Merrill Lynch	200	SELL	5.00%	2009	70
	50	SELL	2.30%	2010	(1)
	1,930	SELL	0.82% to 2.30%	2012	(325)
	230	BUY	2.30%	2012	(48)
	100	SELL	2.80%	2017	(10)
	100	BUY	2.60%	2017	(11)
Morgan Stanley	8,460	SELL	0.96%	2012	(293)
	400	SELL	5.65%	2013	7
	600	SELL	5.00%	2014	(197)
Totals	$ 126,004				$ (4,453)

Note 13

CREDIT DEFAULT SWAP CONTRACTS (*continued*)

The following summarizes the credit default swap contracts of the Fixed Benefit Fund at September 30, 2008.

(Dollars and notionals in thousands) **2008**

Counter Parties	Notional Amount	BUY/SELL Protection	Fixed Rate	Maturity Date	Unrealized Appreciation (Depreciation)
Bank of America	$ 100	SELL	4.50%	2012	$ (52)
Barclays Global Investors	1,800	SELL	0.37%	2009	(8)
	2,000	SELL	0.62% to 4.16%	2011	(326)
	140	BUY	3.60%	2012	47
	18,720	SELL	0.64% to 3.10%	2012	(808)
	2,900	BUY	1.55% to 3.50%	2013	42
	6,000	SELL	1.67% to 3.50%	2013	(40)
	2,430	BUY	0.80%	2017	(137)
	2,280	SELL	0.80%	2017	(125)
Bear Stearns	191	SELL	4.00%	2009	3
	1,453	SELL	1.05% to 5.45%	2010	(122)
	200	BUY	3.65%	2012	67
	16,024	SELL	0.35% to 3.75%	2012	(1,771)
	70	SELL	3.95%	2017	(30)
	300	SELL	0.76%	2038	(148)
Citibank	2,400	SELL	1.63%	2016	–
Citigroup Global Markets	500	SELL	2.14%	2012	(47)
Credit Suisse	2,277	SELL	0.30% to 4.00%	2009	(5)
	200	SELL	1.40% to 2.32%	2010	1
	3,100	BUY	3.50%	2013	17
	6,700	SELL	.89% to 3.50%	2013	(61)
	258	BUY	1.31% to 2.20%	2034	203
	859	BUY	1.28% to 2.18%	2035	599
	88	BUY	1.36% to 2.18%	2036	85
	1,000	SELL	0.76%	2038	(495)
	5,654	SELL	0.18%	2045	(473)
Deutsche Bank	1,000	SELL	0.72%	2008	(5)
	200	SELL	2.30% to 2.32%	2010	2
	900	SELL	0.71%	2012	6
	8,100	BUY	1.55% to 5.00%	2013	97
	7,500	SELL	.88% to 1.52%	2013	(180)
	100	SELL	2.93%	2015	(46)
	200	SELL	2.20% to 2.21%	2016	(30)
	60	SELL	4.28%	2017	(26)
	1,851	SELL	0.18%	2045	(131)
	1,100	SELL	0.11%	2046	(343)
Goldman Sachs	25,862	BUY	0.60%	2012	1,126
	32,983	SELL	.75% to 6.05%	2012	(3,211)
	11,250	BUY	.66% to 3.50%	2013	52
	9,440	SELL	1.55% to 3.50%	2013	(163)
	300	SELL	2.97%	2016	(13)
	2,580	SELL	.55% to 3.80%	2017	(175)
	793	SELL	3.80%	2036	685
	598	BUY	3.80%	2045	464
	1,000	BUY	0.60%	2049	478
	4,500	SELL	0.10%	2052	11
Greenwich Capital Markets	4,300	SELL	2.08% to 4.75%	2010	(293)
	20	BUY	4.50%	2011	(10)
	20	SELL	1.20%	2011	(11)
	43,281	SELL	.35% to 7.20%	2012	(7,198)
	200	SELL	8.60%	2013	(93)
	4,100	SELL	1.55% to 3.00%	2016	(219)
	950	SELL	3.51%	2017	(81)
	100	SELL	2.50%	2035	80
	100	SELL	4.50%	2045	41
HSBC Bank	600	SELL	.97% to 1.25%	2008	(2)

Note 13
CREDIT DEFAULT SWAP CONTRACTS (*continued*)

The following summarizes the credit default swap contracts of the Fixed Benefit Fund at September 30, 2008.

(Dollars and notionals in thousands) — 2008

Counter Parties	Notional Amount	BUY/SELL Protection	Fixed Rate	Maturity Date	Unrealized Appreciation (Depreciation)
JP Morgan	$ 2,250	SELL	1.40%	2012	$ (89)
	5,760	BUY	1.55% to 3.50%	2013	124
	465	SELL	5.00%	2013	(11)
	1,000	SELL	0.11%	2046	–
	1,000	BUY	0.62%	2049	537
Lehman Brothers	400	SELL	0.75%	2012	(38)
Merrill Lynch	50	BUY	2.30%	2010	–
	2,160	SELL	.82% to 2.30%	2012	(207)
	300	SELL	2.60% to 3.90%	2017	(31)
Morgan Stanley	900	SELL	0.31%	2009	(3)
	400	SELL	0.96%	2012	–
	2,200	BUY	1.55%	2013	36
	600	SELL	5.65%	2013	(183)
	100	SELL	0.08%	2049	(10)
Royal Bank of Scotland	600	SELL	3.02%	2013	(11)
Totals	$ 259,817				$ (12,658)

Note 14
TOTAL RETURN SWAP CONTRACTS

The following summarizes the interest rate swap contracts of the Fixed Benefit Fund at September 30, 2009 and 2008.

(Dollars in thousands)

Counter Parties	Notional Amount	Pay	Receive	Maturity Date	Unrealized Appreciation/ (Depreciation)
			2009		
JP Morgan	**$ 69**	**Swiss Market Index Future Swap**	**Swiss Market Index**	**December 2009**	**$ (78)**
			2008		
Bear Stearns	$ 4,641	3 Month LIBOR minus 3%	31,000 Shares MSCI Emerging Market Index Fund	October 2008	$ (1,353)
	13,592	3 Month LIBOR minus .11%	S&P Total Return Index	December 2008	–
JP Morgan	61,057	3 Month LIBOR minus .27%	13,972 Units MSCI EAFE Index	January 2009	(11,324)
	10,002	3 Month LIBOR minus 1.4%	106,038 Shares MSCI Emerging Market Index Fund	March 2009	(830)
Merrill Lynch	573	3 Month LIBOR minus .11%	S&P Total Return Index	December 2008	–
Totals	$ 89,865				$ (13,507)

Note 15
FORWARD FOREIGN CURRENCY CONTRACTS

The following summarizes the forward foreign currency contracts of the Fixed Benefit Fund at September 30, 2009 and 2008.

(Dollars in thousands)	**2009**			2008		
	Settlement Date	**USD Contract Amount**	**Unrealized Appreciation (Depreciation)**	**Settlement Date**	**USD Contract Amount**	**Unrealized Appreciation (Depreciation)**
Currency Purchased						
Argentina Peso				December 2008	$ 99	$ 1
Australian Dollar	**October 2009**	**$ 51**	**$ (1)**	December 2008	27,536	1,413
	December 2009	**397**	**(19)**			
Brazil Real	**October 2009**	**2,434**	**(54)**	October 2008	9,572	324
				November 2008	491	2
				December 2008	62	3
British Pound Sterling	**October 2009**	**2,191**	**76**	October 2008	2,541	38
	December 2009	**67,436**	**2,220**	November 2008	3,454	56
				December 2008	80,551	1,720
Canadian Dollar	**November 2009**	**1,073**	**(3)**	November 2008	1,141	54
	December 2009	**40,709**	**(716)**	December 2008	72,943	(566)
Chinese Yuan Renminbi	**March 2010**	**194**	**–**	March 2009	8,063	111
Czech Koruna				December 2008	2,406	68
Danish Krone	**December 2009**	**415**	**(9)**	December 2008	1,821	2
Euro Monetary Unit	**October 2009**	**5,817**	**(102)**	October 2008	6,616	231
	November 2009	**8,218**	**(123)**	November 2008	9,297	950
	December 2009	**144,908**	**(2,830)**	December 2008	145,927	3,897
Hong Kong Dollar	**December 2009**	**191**	**–**	October 2008	104	–
				December 2008	143	–
				March 2009	1,592	(3)
Hungarian Forint				December 2008	702	20
Indian Rupee				December 2008	5,026	6
Indonesian Rupian				December 2008	2,160	(20)
Japanese Yen	**October 2009**	**418**	**(3)**	October 2008	4,666	(15)
	December 2009	**2,425**	**(56)**	December 2008	55,643	(694)
Malaysian Ringgit				December 2008	1,295	(9)
Mexican New Peso				December 2008	4,023	102
New Taiwan Dollar				December 2008	3,030	11
New Turkish Lira				December 2008	2,221	68
New Zealand Dollar	**December 2009**	**3,703**	**(236)**	December 2008	23,305	434
Norwegian Krone	**December 2009**	**545**	**(10)**	December 2008	45,900	1,469
Philippines Peso	**December 2009**	**82**	**(2)**	December 2008	889	(4)
Polish Zloty				December 2008	3,615	170
Russian Ruble (New)				November 2008	30	3
				December 2008	12,965	135
				May 2009	29	2
Singapore Dollar	**December 2009**	**70**	**(1)**	October 2008	8	–
				November 2008	9	–
				December 2008	6,311	1
South African Rand	**October 2009**	**123**	**3**	December 2008	1,992	32
South Korean Won	**December 2009**	**72**	**(4)**	October 2008	44	–
				December 2008	4,433	209
Swedish Krona	**December 2009**	**16,445**	**(224)**	December 2008	70,352	3,880
Swiss Franc	**December 2009**	**2,312**	**(78)**	October 2008	829	15
				December 2008	95,888	(963)
US Dollar	**October 2009**	**2,401**	**–**	October 2008	20,962	–
	November 2009	**10,319**	**–**	November 2008	2,272	–
	December 2009	**146,999**	**–**	December 2008	541,670	–
	January 2010	**62**	**–**	February 2009	19	–
	February 2010	**860**	**–**	March 2009	44,422	–
	March 2010	**12,770**	**–**	April 2009	18	–
	August 2010	**546**	**–**	May 2009	30	–
				June 2009	57	–
				September 2009	919	–
Totals		**$ 474,186**	**$ (2,172)**		**$ 1,330,093**	**$ 13,153**

Note 15

FORWARD FOREIGN CURRENCY CONTRACTS (*continued*)

The following summarizes the forward foreign currency contracts of the Fixed Benefit Fund at September 30, 2009 and 2008.

(Dollars in thousands)	2009			2008		
	Settlement Date	**USD Contract Amount**	**Unrealized Appreciation (Depreciation)**	**Settlement Date**	**USD Contract Amount**	**Unrealized Appreciation (Depreciation)**
Currency Sold						
Argentina Peso	**December 2009**	**$ 81**	**$ –**	December 2008	$ 1,125	$ (50)
Australian Dollar	**October 2009**	**223**	**1**	December 2008	25,707	(683)
	December 2009	**41,612**	**1,434**			
Brazil Real	**October 2009**	**2,129**	**137**	October 2008	10,047	(799)
	November 2009	**622**	**3**	November 2008	420	(19)
	February 2010	**860**	**44**	December 2008	61	(3)
				June 2009	57	(3)
British Pound Sterling	**December 2009**	**3,659**	**(82)**	October 2008	683	(27)
				December 2008	80,524	1,198
Canadian Dollar	**October 2009**	**49**	**–**	October 2008	5,846	(153)
	November 2009	**1,044**	**31**	December 2008	64,382	(122)
	December 2009	**1,814**	**14**			
Chinese Yuan Renminbi	**December 2009**	**12,341**	**(92)**	November 2008	162	(2)
	March 2010	**12,770**	**(68)**	March 2009	40,631	(2,523)
	August 2010	**546**	**(5)**	September 2009	919	(13)
Czech Koruna	**December 2009**	**690**	**19**	December 2008	318	(14)
Danish Krone	**December 2009**	**181**	**4**	October 2008	181	(3)
				December 2008	270	2
Euro Monetary Unit	**November 2009**	**8,137**	**205**	October 2008	2,295	(86)
	December 2009	**5,797**	**82**	December 2008	135,577	(651)
Hong Kong Dollar	**December 2009**	**638**	**–**	December 2008	412	2
				March 2009	3,791	(2)
Hungarian Forint	**December 2009**	**545**	**11**			
Indian Rupee	**December 2009**	**326**	**4**	December 2008	5,943	(348)
Indonesian Rupian	**December 2009**	**229**	**5**	December 2008	1,438	(24)
	January 2010	**62**	**(1)**			
Japanese Yen	**December 2009**	**25,644**	**1,079**	October 2008	1,508	(1)
				November 2008	1,515	–
				December 2008	44,967	924
Malaysian Ringgit	**November 2009**	**51**	**1**	November 2008	52	(3)
	December 2009	**859**	**16**	December 2008	1,930	(20)
Mexican New Peso	**November 2009**	**124**	**(1)**	December 2008	6,696	(395)
	December 2009	**617**	**(1)**			
New Taiwan Dollar	**November 2009**	**52**	**1**	December 2008	2,358	(51)
	December 2009	**818**	**19**			
New Turkish Lira	**December 2009**	**542**	**3**	December 2008	762	(11)
New Zealand Dollar	**December 2009**	**6,462**	**255**	December 2008	29,341	9
Norwegian Krone	**December 2009**	**8,804**	**222**	December 2008	40,897	(1,045)
Philippines Peso	**December 2009**	**673**	**18**	November 2008	34	(2)
				December 2008	780	(15)
				February 2009	19	–
Polish Zloty	**December 2009**	**1,206**	**(12)**	December 2008	972	(44)
Russian Ruble (New)	**December 2009**	**2,747**	**104**	November 2008	29	(1)
				December 2008	8,536	(413)
				May 2009	30	(3)
Singapore Dollar	**November 2009**	**114**	**1**	November 2008	60	(1)
	December 2009	**1,860**	**36**	December 2008	6,081	(72)
South African Rand	**December 2009**	**130**	**–**	December 2008	620	(26)
South Korean Won	**November 2009**	**174**	**5**	December 2008	2,537	(288)
	December 2009	**1,717**	**72**			
Swedish Krona	**December 2009**	**3,738**	**56**	October 2008	379	(8)
				December 2008	71,150	(2,325)
Swiss Franc	**December 2009**	**33,280**	**519**	October 2008	22	(1)
				December 2008	28,799	(174)
US Dollar	**October 2009**	**11,034**	**–**	October 2008	24,118	–
	November 2009	**9,291**	**–**	November 2008	14,422	–
	December 2009	**269,700**	**–**	December 2008	650,725	–
	March 2010	**194**	**–**	March 2009	9,655	–
				May 2009	29	–
UAE Dirham				April 2009	18	–
Totals		**$ 474,186**	**$ 4,139**		**$ 1,329,830**	**$ (8,289)**

Note 16
SECURITIES LENDING

As of September 30, 2009 and 2008, the Plan loaned securities having a fair value of approximately $114.4 million and $360.5 million, respectively, and received $118.2 million and $374.9 million, respectively, of collateral in the form of cash, interests in triparty accounts and securities for the loans. The following tables summarize the securities loaned and the related collateral:

(Dollars in thousands)	Fair Value	Total	Collateral	Fair Value of Collateral		
September 30, 2009	**Securities On Loan**	**Collateral**	**Percent**	**Cash**	**Tri-Party**	**Securities**
U.S. Government	**$ 18,750**	**$ 19,136**	**102.1%**	**$ 19,136**	**$ –**	**$ –**
Common stocks - domestic	**39,205**	**40,531**	**103.4%**	**40,531**	**–**	**–**
Corporate Bonds	**29,206**	**29,928**	**102.5%**	**29,923**	**–**	**5**
Common stocks - international	**27,252**	**28,565**	**104.8%**	**26,069**	**2,075**	**421**
Total	**$ 114,413**	**$ 118,160**	**103.3%**	**$ 115,659**	**$ 2,075**	**$ 426**
September 30, 2008						
U.S. Government	$ 129,123	$ 131,038	101.5%	$ 107,091	$ 1,321	$ 22,626
Common stocks - domestic	106,140	113,051	106.5%	111,782	–	1,269
Corporate bonds	50,823	52,627	103.5%	51,813	–	814
U.S. Government agency	27,773	28,144	101.3%	28,144	–	–
Common stocks - international	46,608	50,001	107.3%	42,548	6,431	1,022
Total	$ 360,467	$ 374,861	104.0%	$ 341,378	$ 7,752	$ 25,731

Note 17
NET DEPRECIATION OF INVESTMENTS

During 2009 and 2008, the Plan's investments (including investments bought, sold, and held during the year) appreciated (depreciated) in value as follows:

September 30, 2009 and 2008

(Dollars in thousands)	**2009**	2008
Equity securities	**$ (67,377)**	$ (407,510)
Derivatives	**(38,279)**	(247,831)
Commingled funds	**(20,636)**	(531,435)
Corporate bonds	**65,622**	(266,915)
Other	**(103,183)**	(235,884)
Net depreciation	**$ (163,853)**	$ (1,689,575)

INVESTMENT HOLDINGS OF 5 PERCENT OR MORE

During 2009 and 2008, the Plan's investments representing 5 percent or more of the Net Assets Available for Benefits were as follows:

September 30, 2009 and 2008

(Dollars in thousands)	**2009**	2008
Federal National Mortgage Association Discount Note	**$ 562,892**	$ –
Barclays Global Investors, All Country World Index excluding the U.S. Active International Equity Fund	**515,893**	541,765
Bank of New York Mellon EB Daily Valued Large Capital Fund	**351,201**	485,103
Bank of New York Mellon Proprietary Fund	**344,616**	473,087
Total	**$1,774,602**	$ 1,499,955

Note 18
INVESTMENT EXPENSES AND RELATED PARTY TRANSACTIONS

The Plan paid investment managers $24.5 million in fiscal year 2009 and $42.6 million in fiscal year 2008 for fees related to the management of plan investments. The decline in investment managers' fees was primarily due to market performance. In the Statements of Changes in Net Assets Available for Benefits, the investment expenses are netted against the investment income.

BNY Mellon is the Trustee of the Plan, and therefore plan investments that are managed by BNY Mellon and its subsidiaries and affiliates qualify as related party transactions. The investment management fees paid to BNY Mellon were $2.5 million in fiscal year 2009 and $3.5 million in fiscal year 2008.

Barclays Global Investors is an agent of BNY Mellon, Trustee of the Plan, and therefore Plan investments with Barclays Global Investors qualify as related party transactions. The investment management fees paid to Barclays Global Investors were $2.2 million in fiscal year 2009 and $4.2 million in fiscal year 2008.

Note 19
ADMINISTRATIVE EXPENSES AND RELATED PARTY TRANSACTIONS

The Plan incurred administrative expenses of $5.8 million in fiscal year 2009 and $4.8 million in fiscal year 2008. The administrative expenses include the System staff operations, actuarial services, and investment consulting services.

The System staff are TVA employees, and the System utilizes other TVA resources in the administration of the Plan. The System reimburses TVA for all expenses incurred on behalf of the Plan. The System paid TVA $4.3 million in fiscal year 2009 and $3.7 million in fiscal year 2008.

Note 20
TERMINATION

The Plan document indicates the Plan can be terminated at any time. In the event the Plan is terminated, the net assets of the Plan will be allocated generally to provide benefits in the following order: (1) Fixed and Variable Fund benefits based upon members' contributions, (2) nonforfeitable benefits based upon TVA's contributions (defined benefit portion of the Plan), and (3) to the extent feasible, cost-of-living increases thereto. The Plan benefits are not guaranteed by the Pension Benefit Guaranty Corporation.

Note 21
VARIABLE FUND

The Variable Fund is an investment option for eligible members of the Plan. The Employee Account was transferred to the Fidelity Spartan 500 Index Advantage Fund held by Fidelity Investments on August 1, 2006. The Employee Account had been previously invested in the Dreyfus Basic S&P 500 Stock Index Fund. Members' contributions purchase shares at the net asset value of the fund on the date of contribution. If members, upon retirement or termination from employment, elect to withdraw the balance in their accounts, the shares in the mutual fund will be redeemed and the proceeds will be paid. Eligible retired members who elect to receive a monthly annuity benefit redeem shares in the Fidelity Spartan 500 Index Advantage Fund, and the proceeds are used to purchase units in the Retiree Account. This account is invested in a commingled trust fund with the underlying investment in stocks included in the S&P 500 Stock Index. The value of the members' units fluctuates with the value of the net assets in the Retiree Account. The value of the retiree units is also updated annually by an actuarial valuation.

Members can transfer their Variable Fund balance to the Fixed Benefit Fund at various times to provide the member with the ability to choose a fixed benefit structure. The Variable Fund benefits are paid entirely from the Variable Fund assets, and the Fixed Benefit Fund assets are not legally available to the Variable Fund. The Variable Fund assets are restricted entirely to the Variable Fund benefits and are not legally available for the funding of Fixed Fund annuity benefits or pension benefits.

Key financial data of the Variable Fund at September 30, 2009 and 2008, are as follows:

(Dollars in thousands)	**2009**	2008
Assets		
Commingled funds	**$ 75,770**	$ 90,490
S&P 500 Stock Index Fund	**61,107**	68,237
Total investments at fair value	**136,877**	158,727
Net receivable from the Fixed Benefit Fund	**31**	–
Total assets	**136,908**	158,727
Liabilities		
Net payable to the Fixed Benefit Fund	**–**	2,262
Net assets	**$ 136,908**	$ 156,465
Investment Income (Loss)		
Net depreciation in fair value of investments	**$ (14,102)**	$ (48,972)
Dividends	**1,429**	1,924
Total investment loss	**(12,673)**	(47,048)
Members' Contributions	**2,544**	3,062
Net Transfers for:		
Net transfers to Fixed Benefit Fund	**870**	12,900
Retirement benefits, withdrawals and death benefits	**8,482**	13,566
Net transfers to 401(k) Plan	**76**	817
Net transfers	**9,428**	27,283
Net decrease	**$ (19,557)**	$ (71,269)

Note 22
SUBSEQUENT EVENTS

Plan management has evaluated subsequent events for recognition and disclosure through April 23, 2010, which is the date the financial statements were available to be issued.

In March 2010, a group of eight current and former participants in and beneficiaries of the System filed a purported class-action lawsuit against the six current members of the System Board of Directors concerning the amendments to the System Rules that became effective January 1, 2010. The lawsuit challenges the System Board's decision to (i) reduce the calculation for cost of living adjustment (COLA) benefits for the next four years, (ii) reduce the interest crediting rate for the System's Fixed Fund accounts, (iii) increase the eligibility age to receive COLAs to age 60, and (iv) suspend the TVA contribution requirements for fiscal years 2010 through 2013. The plaintiffs allege that the System Board implemented these changes in return for a $1 billion funding contribution from TVA, but that the amendments violated (1) the System Board's fiduciary duties to plaintiffs (and the purported class), (2) plaintiffs' contractual rights, (3) plaintiffs' constitutional rights, and (4) the anti-cutback rule of the Internal Revenue Code. The plaintiffs are seeking injunctive relief to rescind the amendments and money damages. Based upon the preliminary status of the litigation, the impact, if any, that the litigation might have on the Plan cannot be determined.

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REPORT OF INDEPENDENT AUDITORS

Participants and Administrator of
Tennessee Valley Authority Savings and Deferral Retirement Plan
Knoxville, Tennessee

We have audited the accompanying statements of net assets available for benefits of the Tennessee Valley Authority Savings and Deferral Retirement Plan as of September 30, 2009 and 2008, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of September 30, 2009 and 2008, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Crowe Horwath LLP

Crowe Horwath LLP

Oak Brook, Illinois
April 23, 2010

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

September 30, 2009 and 2008

(Dollars in thousands)	**2009**	2008
Assets		
Investments at fair value		
Equity funds	**$ 854,384**	$ 835,381
Stable value fund	**172,843**	170,542
Bond funds	**142,436**	126,742
BrokerageLink fund	**60,156**	51,201
Participant loans	**24,054**	24,136
Total Assets reflecting all investments at fair value	**1,253,873**	1,208,002
Adjustment from fair value to contract value for fully benefit-responsive contracts	**2,487**	7,273
Net Assets Available for Benefits	**$ 1,256,360**	$ 1,215,275

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Fiscal Years Ended September 30, 2009 and 2008

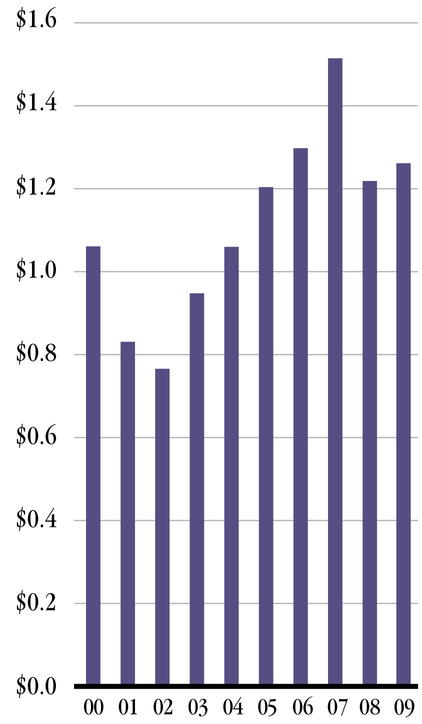
(Dollars in thousands)	**2009**	2008
Investment Income (Loss)		
Net depreciation	**$ (3,779)**	$ (374,250)
Dividends and interest	**22,831**	89,632
Total Investment Income (Loss)	**19,052**	(284,618)
Contributions		
Members	**64,300**	73,028
TVA	**23,642**	22,789
Transfers from annuity funds	**13,436**	17,701
Total contributions	**101,378**	113,518
Total increase (decrease)	**120,430**	(171,100)
Benefits, Withdrawals, and Transfers		
Benefits and withdrawals	**70,189**	112,596
Transfers to annuity funds	**9,156**	11,158
Total benefits, withdrawals, and transfers	**79,345**	123,754
Net increase (decrease)	**41,085**	(294,854)
Net Assets Available for Benefits		
Beginning of year	**1,215,275**	1,510,129
End of year	**$ 1,256,360**	$ 1,215,275

The accompanying notes are an integral part of the financial statements.

401(K) PLAN

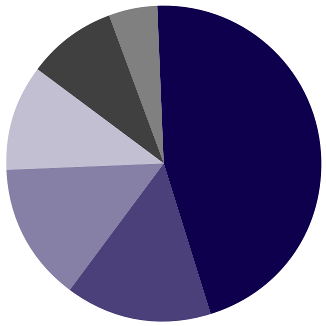
Net Assets Available For Benefits

(in billions)



401(K) PLAN ASSET ALLOCATION

(September 30, 2009)



Domestic Equity Funds	46%
Life Cycle/Blended Funds	15%
Stable Value Fund	14%
Bond & Fixed Income Funds	11%
International Equity Funds	9%
Brokerage Account	5%

These charts are unaudited and intended for informational purposes only.

NOTES TO FINANCIAL STATEMENTS

Note 1
GENERAL PLAN DESCRIPTION

The TVA Savings and Deferral Retirement Plan [401(k) Plan] is a defined contribution plan for members of the System funded by participants' after-tax contributions and before-tax salary deferrals. Additionally, participants receive employer matching contributions provided by TVA. Investment options for the after-tax, before-tax, Roth, and matching contributions comprise over 290 eligible funds. A detailed description of the 401(k) Plan and the various investment options offered is available from the TVA Retirement System.

Vesting

Participants who contribute to the 401(k) Plan are immediately vested in their own contributions and become vested in TVA matching contributions upon completion of three years of actual service. Actual service is defined as the length of time spent as a member of the TVA Retirement System, not including credit for unused sick leave, forfeited annual leave, or pre-TVA employment military service. Upon completion of this service requirement, a member may withdraw matching contributions only upon retirement, disability, or termination of TVA employment. Upon death, matching contributions may be withdrawn without regard to the vesting requirement.

Forfeitures

If a participant ceases to be an employee for any reason other than death prior to completing three years of actual service, the entire amount of that participant's matching contributions account is forfeited as of the termination date. Forfeitures are used to reduce TVA's matching contributions to the 401(k) Plan. The amount of forfeitures used to reduce TVA's matching contributions totaled $205 thousand in fiscal year 2009 and $210 thousand in fiscal year 2008.

Termination

In the event the 401(k) Plan terminates, the net assets will be distributed to participants in proportion to their respective accounts in the 401(k) Plan. In the event the 401(k) Plan terminates, payment of nonforfeitable benefits based on contributions and gains and losses thereon to participants' accounts will be assured.

Note 2
SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Financial Statements are prepared on the accrual basis of accounting. Benefits are recognized at the time of payment.

Adoption of New Accounting Standards

In September 2006, the Financial Accounting Standards Board (FASB) issued guidance that defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This guidance also establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of restriction on the sale or use of an asset. This guidance is effective for financial statements issued for fiscal years beginning after November 15, 2007. In October 2008, the FASB issued additional guidance that clarified the application of the previous guidance issued in September 2006 for investments where there is not a market that is active. The impact of adoption of this guidance was not material to the Plan's net assets available for benefits.

In April 2009, the FASB issued guidance that emphasizes that even if there has been a significant decrease in the volume and level of activity, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants. The guidance provides a number of factors to consider when evaluating whether there has been a significant decrease in the volume and level of activity for an asset or liability in relation to normal market activity. In addition, when transactions or quoted prices are not considered orderly, adjustments to those prices based on the weight of available information may be needed to determine the appropriate fair value. The guidance also requires increased disclosures. This guidance is effective for annual reporting periods ending after June 15, 2009, and was applied prospectively. The impact of adoption of this guidance was not material to the Plan's Net Assets Available for Benefits.

Investment Valuation and Income Recognition

The 401(k) Plan's investments are reported at fair value. Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Fair value is viewed as the price that would be received by the 401(k) Plan for an asset or paid by the 401(k) Plan to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date in the 401(k) Plan's principal or most advantageous market for the asset or the liability. There is a fair value hierarchy which maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The hierarchy places the highest priority on unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 inputs) and gives the lowest priority to unobservable inputs (Level 3 inputs). The three levels of inputs within the fair value hierarchy are defined as follows:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets in active markets that the 401(k) Plan has the ability to access at the measurement date.

Level 2 Inputs: Significant observable inputs other than Level 1 such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data such as matrix pricing, yield curves and indices.

Level 3 Inputs: Significant unobservable inputs that reflect the 401(k) Plan's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following descriptions of the valuation methods and assumptions used by the 401(k) Plan to estimate the fair value of investments apply to investments held directly by the 401(k) Plan.

Mutual funds: A mutual fund is an investment company that pools the capital of many investors and invests it in stocks, bonds, short-term money market instruments and other securities. The 401(k) Plan offers members mutual funds managed by Fidelity and other investment companies. The 401(k) Plan's investments in any mutual funds are valued at quoted market prices based on their closing net asset values (or unit value) per share.

Since mutual fund holdings are priced by an exchange in an active market, they are classified as Level 1.

Self-directed brokerage link (BrokerageLink): BrokerageLink allows participants to purchase Fidelity funds, other mutual funds not offered by Fidelity, or other investment securities. Participating members open a brokerage account with Fidelity. Each member selects the specific holdings for their account. TVARS reviews and categorizes the holdings of the BrokerageLink. The BrokerageLink was comprised primarily of stocks, mutual funds, bonds, certificates of deposit, and exchange-traded options. The fair value hierarchy classification is determined by the category pricing methodologies.

Mutual funds are priced by an exchange in an active market and are therefore classified as Level 1. Stocks are priced based on quoted bid prices in active markets for identical assets, and are therefore classified as Level 1. Bonds in BrokerageLink consist primarily of corporate bonds and U.S. Treasury securities.

Corporate bonds are valued based on recent bid prices or the average of recent bid and asked prices, when available (Level 2 inputs). If not available, the bonds are valued through matrix pricing, a mathematical technique commonly used to price debt securities that are not actively traded. This method values debt securities without relying exclusively on quoted prices for a specific security but rather by relying on the security's relationship to other benchmark-quoted securities (Level 2 inputs).

The fair value of U.S. Treasury securities reflects the closing price reported in the active market in which the security is traded (Level 1 inputs).

Certificates of deposit are typically priced using evaluated pricing applications and models that incorporate observable market data such as current interest rates and relative maturities (Level 2 inputs).

Exchange-traded options are generally valued each business day at the official closing price (typically the last reported sales price) on the exchange on which the security is primarily traded. These options are classified as Level 1.

Stable value fund: The fair values of interests in stable value funds are based upon the net asset values of such funds reflecting all investments at fair value, including direct and indirect interests in fully benefit-responsive contracts, as reported by the fund managers (Level 2 inputs).

Participant loans: The fair values of participant loans have been estimated to approximate amortized cost (Level 3).

Investments measured at fair value on a recurring basis are summarized on the next page:

INVESTMENTS AT FAIR VALUE

Investments measured at fair value on a recurring basis at September 30, 2009, are summarized below:

		Fair Value Measurements at September 30, 2009, Using		
(Dollars in thousands)	**Total**	**Quoted Prices in Active Markets for Identical Assets Level 1**	**Significant Other Observable Inputs Level 2**	**Significant Unobservable Inputs Level 3**
Mutual Funds				
Domestic equity funds	**$ 567,129**	$ 567,129		
Life cycle/Blended funds	**184,933**	184,933		
Bond & fixed income funds	**134,361**	134,361		
International equity funds	**110,397**	110,397		
BrokerageLink Fund				
Stocks	**32,716**	32,716		
Mutual funds	**26,581**	26,581		
Bonds	**402**	16	386	–
Other	**457**	20	437	
Stable Value Fund	**172,843**	–	172,843	
Participant Loans	**24,054**	–	–	24,054
Total Investments	**$ 1,253,873**	$ 1,056,153	$ 173,666	$ 24,054

The table below presents a reconciliation of 401(k) Plan investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended September 30, 2009, including the reporting classifications for the applicable gains and losses included in the statement of changes in net assets available for benefits:

SUMMARY OF FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) TRANSACTIONS

The table below presents a reconciliation of Plan investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended September 30, 2009.

(Dollars in thousands)	**Fair Value Measurements Using Significant Unobservable Inputs (Level 3)**
Beginning balance, October 1, 2008	$ 24,136
Net, participant loan issuances and repayments	(82)
Ending balance, September 30, 2009	$ 24,054

Fully Benefit-Responsive Investment Contracts

While the 401(k) Plan investments are presented at fair value in the Statements of Net Assets Available for Benefits, any material difference between the fair value of the 401(k) Plan's direct and indirect interests in fully benefit responsive investment contracts and their contract value is presented as an adjustment line in the Statements of Net Assets Available for Benefits, because contract value is the relevant measurement attribute for that portion of the 401(k) Plan's net assets available for benefits. Contract value represents contributions made to a contract, plus earnings, less participant withdrawals and administrative expenses. Participants in fully benefit-responsive contracts may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. The 401(k) Plan holds an indirect interest in such contracts through its investment in a stable value fund.

Risks and Uncertainties

The 401(k) Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, liquidity, and credit risks. Due to the level of risk associated with certain investment securities and the sensitivity of certain fair value estimates to changes in valuation, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits and participants' individual account balances.

Tax Status

The Internal Revenue Service (IRS) determined and informed the System in March 2003 that the 401(k) Plan is designed in accordance with the applicable sections of the Internal Revenue Code (IRC). The 401(k) Plan has been amended subsequent to the receipt of the latest IRS determination letter. However, the 401(k) Plan administrator and the 401(k) Plan's tax counsel believe that the 401(k) Plan is currently designed and operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in these financial statements. In accordance with the IRS review cycle, the System submitted an application for an updated determination letter to the IRS during fiscal year 2009 which is still under review by the IRS.

As plans maintained for employees of an agency of the federal government, the 401(k) Plan is a governmental plan within the meaning of Section 3(32) of ERISA. For the most part, governmental plans are excluded from ERISA, which governs private employer defined contribution plans. The 401(k) Plan is also a governmental plan within the meaning of Section 414(d) of the IRC and, as a result, is exempt from the requirements of the IRC that parallel those contained in ERISA.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date(s) of the financial statements and the reported amounts of revenues and expenses during the reporting period(s). Actual results could differ from those estimates.

Note 3
AMENDMENTS TO THE PROVISIONS OF THE 401(K) PLAN

The Board voted to add Class K shares with lower expense ratios in 29 Fidelity mutual funds to the 401(k) Plan and map all non-Class K shares in the 29 Fidelity mutual funds to the Class K shares.

In compliance with the Worker, Retiree, and Employer Recovery Act of 2008 the Board implemented a one year moratorium on required minimum distributions (RMDs) for 2009. The law was designed to provide relief to individuals whose retirement plan accounts may have suffered large losses in value, effectively not forcing them to sell assets during a down market. The 401(k) Plan was not required to pay out RMDs for the 2009 distribution calendar year unless a participant receiving RMDs from the 401(k) Plan elected to receive them for 2009.

The 401(k) Plan Provisions were also amended to change the definition of wages and salaries in calculating 401(k) Plan matching contributions. TVA matching contributions are now made on certain lump-sum payments made in lieu of base wage or salary increases for fiscal year 2009 as well as on base wage and salary. Matching contributions are also now made on lump-sum payments for certain TVA performance incentive plans beginning in fiscal year 2000.

Note 4
COMMITMENTS AND CONTINGENCIES

The 401(k) Plan had no existing material commitments or contingencies at September 30, 2009 and 2008.

Note 5
CONTRIBUTIONS

After-tax

Contributions, subject to certain limitations, may be made by payroll deductions or cash payment into the 401(k) Plan. Also, participants are permitted to transfer their fixed and variable funds into the 401(k) Plan which are classified as Transfers from Annuity Funds on the Statement of Changes in Net Assets Available for Benefits. A member may increase, decrease, transfer, or stop contributions at any time.

Before-tax and Roth

Salary deferrals are made through payroll deductions only. A member may increase, decrease, transfer, or stop contributions at any time.

Matching

Cash Balance Benefit Structure participants who contributed to the 401(k) Plan received employer matching contributions from TVA equal to 75 cents on every dollar contributed to the 401(k) Plan, with maximum matching contributions of 4.5 percent of fiscal year-to-date earnable compensation. Participants in the Original Benefit Structure received employer matching contributions from TVA of 25 cents on every dollar contributed, with maximum matching contributions of 1.5 percent of fiscal year-to-date earnable compensation.

For calendar year 2009, total contributions to the Fixed Fund, Variable Fund and 401(k) Plan, including TVA matching contributions, could not exceed the lesser of $49,000 or 100 percent of calendar year-to-date compensation. For calendar year 2008, contributions could not exceed the lesser of $46,000 or 100 percent of calendar year-to-date compensation.

Note 6
WITHDRAWALS

After-tax contributions

Members are permitted to withdraw from any or all of the funds in the 401(k) Plan at any time. Upon retirement, participants in the 401(k) Plan who first became members of the System prior to January 1, 1996, are also permitted to transfer their after-tax 401(k) funds to the System to receive monthly annuity payments which are classified as Transfers to Annuity Funds on the Statement of Changes in Net Assets Available for Benefits.

Before-tax and Roth contributions

Federal income tax rules restrict withdrawals from the 401(k) Plan while the member is still employed except for the following situations:

- If the member is over age 59½, salary deferral contributions may be withdrawn at any time.
- If the member is under age 59½, salary deferral contributions may be withdrawn only upon the Retirement System Board's approval and only upon a showing of financial hardship. Generally, the only financial needs considered to meet the definition of hardship are: (1) certain deductible medical expenses; (2) purchase of a principal residence; (3) post-secondary tuition and related educational fees; (4) payments necessary to prevent eviction from or foreclosure on the participant's principal residence; (5) payments for funeral or burial expenses for the participant's deceased family members; or (6) expenses to repair damage to the participant's principal residence resulting from casualty loss.

Members may receive the full balance of their funds upon retirement, disability, death or termination, except that a retiree may defer distribution until no later than April 1 of the calendar year after the year in which he or she reaches age 70½. In addition, members may choose, after termination, to receive periodic installment payments from their balance.

Note 7
ADMINISTRATIVE EXPENSES

There were no record-keeping expenses paid to the Trustee, Fidelity Management Trust Company, in fiscal years 2009 and 2008.

Note 8
RELATED PARTY TRANSACTIONS

Fidelity Management Trust Company is the Trustee of the 401(k) Plan, and therefore 401(k) Plan investments in shares of funds managed by subsidiaries and affiliates of the Trustee qualify as related party transactions. Investment management fees are paid from the participants' accounts to Fidelity Investments Institutional Services Company, Inc. for their investments in Fidelity Funds under the 401(k) Plan.

Note 9
PARTICIPANT LOANS

With certain limits, the 401(k) Plan permits loans to participants. Members may borrow a percentage of their vested account balance (maximum $50,000) for up to five years, or 10 years if the loan is to be used to purchase a primary residence. The loan interest rate is the Prime Rate plus 1 percent at the beginning of the quarter, which was 4.25 percent at September 30, 2009. Such interest is credited directly to the account of the member.

Note 10
INVESTMENT INCOME

During 2009 and 2008, the 401(k) Plan's investments (including investments bought, sold, and held during the year) appreciated (depreciated) in value as follows:

September 30, 2009 and 2008

(Dollars in thousands)	**2009**	2008
Mutual Funds	**$ (3,779)**	$ (374,250)

The 401(k) Plan's investments also earned dividends and interest income of $22.8 million and $89.6 million for the years ending September 30, 2009 and 2008, respectively.

Note 11
INVESTMENT HOLDINGS OF 5 PERCENT OR MORE

As of September 30, 2009 and 2008, the Plan's investments representing 5 percent or more of the Net Assets Available for Benefits are as follows:

(Dollars in thousands)	**2009**	2008
Fidelity Management Trust Company		
Managed Income Portfolio II	**$ 172,843**	$ 170,542
Mutual funds of Fidelity Investments		
Fidelity Magellan	**137,149**	140,565
Fidelity Growth Company	**67,058**	66,678
Fidelity Contrafund	**55,630***	59,694
Fidelity Equity Income Fund I	**54,011***	59,884

** Shown for comparison purposes only as these funds are not greater than 5 percent of Net Assets Available for Benefits at September 30, 2009.*

Note 12
SUBSEQUENT EVENTS

Plan management has evaluated subsequent events for recognition and disclosure through April 23, 2010, which is the date the financial statements were available to be issued.

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