A registration statement relating to these securities has not been filed with the Securities and Exchange Commission and has therefore not yet become effective. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

Preliminary Prospectus Dated March 5, 2010

$16,000,000,000

The United States of America

% Bonds Due 2040

The Bonds are unconditional, direct and general obligations of the United States for the payment and performance of which the full faith and credit of the United States is pledged.

The Bonds will mature on April 15, 2040. Interest on the bonds is payable semiannually on April 15 and October 15, beginning October 15, 2010. Before giving effect to the offering of the Bonds and the securities to be issued concurrently, the United States had approximately $12,500,000,000,000 of indebtedness subject to the statutory debt limitation.

FOR A DESCRIPTION OF CERTAIN RISKS CONCERNING AN INVESTMENT IN THE BONDS OFFERED HEREBY, SEE "RISK FACTORS."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public (1)	*Underwriting Discount (2)*	*Proceeds to the United States (2)*
Per Bond	%	%	%
Total	$	$	$

(1) To be determined by auction.
(2) The Federal Reserve System, in its capacity as Fiscal Agent to the Treasury, will be reimbursed for its direct costs in connection with the offering.

The Bonds will be offered by auction on April 8, 2010. It is expected that delivery of the Bonds will be made against payment therefore on or about April 15, 2010, at the offices of the Treasury or of the Federal Reserve Banks or branches.

GRANT'S
INTEREST RATE OBSERVER®

The date of this prospectus is , 2010

IN CONNECTION WITH THIS OFFERING, THE FEDERAL RESERVE MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The United States is not subject to the information requirements of the Securities Act of 1933 (the "Exchange Act"). Nor, as a result of the offering of the Bonds, does the United States anticipate that it will become subject to the information requirements of the Exchange Act.

All dealers effecting transactions in the Bonds, whether or not participating in this Distribution, may be asked to deliver a copy of the prospectus. Any person is welcome to call or write for a copy at the offices of *Grant's Interest Rate Observer*, Two Wall Street, New York, New York 10005. Telephone: (212) 809-7994. Extra copies of this special edition of Grant's are available at $70 each. Inquire for bulk rates.

EDITOR'S FOREWORD

For its exemption from the reporting requirements of the 1933 Securities Act, the U.S. Treasury may thank its lucky stars. But imagine if, under the pending financial institution regulatory reform legislation, the government were forced to undress before its investors as if it were a regular filing corporation. This prospectus, the fifth in a series created by *Grant's Interest Rate Observer*, is the fruit of that imagining.

We publish in response to popular demand. The previous edition of the *Grant's* U.S. Treasury red herring appeared as long ago as April 27, 1990, in the midst of earlier dislocations in debt, banking and commercial real estate. Compared to the abyss of 2008, the pit into which we stumbled in 1990 today seems only a pothole, but it looked deep enough at the time. Yields on the debentures of the holding companies of the money-center New York banks were quoted in the mid-teens. At least, however, the market could take heart from the belief that such institutions were (in a phrase only just coming into vogue) "too big to fail."

Did the government's guarantee, implicit or otherwise, of the liabilities of poorly managed behemoths come free of charge to the taxpayers? We doubted it even then. "One ironic legacy of the Reagan years," the foreword to the 1990 prospectus noted, "is the Government's growing exposure to credit risk. As other sectors of the economy were being deregulated, credit was being socialized. The scope of deposit insurance was widened, and the Government extended its lending guarantees in agriculture and housing."

Such guarantees we styled the government's "latent" deficit, but at length it became explosively manifest. In the panicky autumn of 2008, the Treasury stamped its guarantee on everything from money-market fund liabilities to the heretofore uninsured deposits of our too-big-to-fail banks. Fannie Mae and Freddie Mac, two of the biggest chickens that came home to the Treasury to roost that fall, showed combined assets—guarantees of off-balance-sheet assets as well as assets held on-balance sheet—of $5,485 billion, up from $595 billion at year-end 1989.

"Supersafe" is *The Wall Street Journal*'s stock adjective for the obligations of the United States, and it is accurate as far as it goes. Alone in the world, the federal government incurs its debt in the currency that it alone may lawfully print. Yet it would be rash to assume that the world will forever demand as many dollars as the Federal Reserve seems so willing to supply. At year-end 2009, foreign central banks held U.S. obligations in the sum of $2,959 billion, up more than tenfold from the $225 billion registered 20 years earlier. That the dollar is undefined and uncollateralized forms the substance of one of the risk factors on page 5.

Junius S. Morgan admonished his up-and-coming banker son never to be bearish on the United States, and, indeed, this country never ceases to have a bullish trick or two up its sleeve. Today's debt and deficit numbers will look a far sight less worrisome by the close of the current business-cycle expansion. But the elder Morgan vouchsafed his advice when the dollar was as good as gold. Today, he might just hedge his bets.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Prospectus.

The United States Government

The United States of America (the "United States" or "U.S.") is the world's largest economy, as measured by gross domestic product ("GDP"). It is the third most populous nation, and, according to the World Bank, ranks 14th in GDP per capita. Its land area comprises 3.7 million square miles situated in North America, Hawaii and certain overseas territories.

In the past three years, the United States has experienced the most severe economic downturn in the post-World War II era. Real GDP fell by 3.8% between the second quarter of 2008 and the second quarter of 2009. Nonfarm employment has dropped by 8.4 million since the end of 2007, and the jobless rate has climbed to 9.7% from 5%. Household net worth declined by $16 trillion, to $48.5 trillion from $68.5 trillion, between the end of 2007 and the first quarter of 2009.

The United States Government ("the Government") employs 2.8 million civilians and a further 1.4 million active duty military personnel. The Government holds title to 650 million acres of land, 3.3 billion square feet of building assets and numerous other assets. Public lands account for 5% and 11%, respectively, of America's onshore oil and gas production, and 41% of its coal production. The Department of the Interior is responsible for the management of 1.76 billion acres of the Outer Continental Shelf that contain over 8,000 active mineral leases.

As a result of the economic downturn and the decade-long shortfall of Government receipts compared to Government spending, the Government has run, and will continue to run, substantial deficits. In fiscal 2009, the unified budget deficit (the "Deficit") was $1.41 trillion, or 9.9% of GDP, compared to the fiscal 2008 Deficit of $459 billion, or 3.2% of GDP. The Congressional Budget Office (the "CBO") projects the Deficit to decline slightly in fiscal 2010 to $1.35 trillion, or 9.2% of GDP. However, the Government is projected to run continued large deficits.

As a result of the financial crisis and insolvency of the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corp. ("Freddie Mac"), as well as the implicit Government guarantee on large financial institutions, the Government is exposed to substantial credit risk.

The Offering

Securities offered	$16,000,000,000 principal amount of % Bonds due 2040 (the "Bonds")
Optional redemption	None
Sinking fund	None

Use of proceeds

The proceeds will be used to refund existing debt and to fund general government operations.

SUMMARY FINANCIAL INFORMATION

The following tables present historical data on (1) the United States economy for the calendar years 2006 through 2009; (2) on the Government's budget and indebtedness for the fiscal years 2004 through 2010; (3) on the ratio of the Government's receipts to its interest expense for the fiscal years 2000 through 2009.

Economic Summary
(annual or annualized percentage changes, unless otherwise indicated)

	2006	2007	2008	2009			
				I	II	II	IV
Real GDP	2.7	2.1	0.4	-6.4	-0.7	2.2	5.9
Personal consumption expenditures	2.9	2.6	-0.2	0.6	-0.9	2.8	1.7
Gross private domestic investment	2.7	-3.8	-7.3	-50.5	-23.7	5.0	48.9
Government consumption expenditures and gross investment	1.4	1.7	3.1	-2.6	6.7	2.6	-1.2
Change in inventories (in billions of real $)	59.4	19.5	-25.9	-113.9	-160.2	-139.2	-16.9
Net exports (in billions of real $)	-729.2	-647.7	-494.3	-386.5	-330.4	-357.4	-347.1
Real final sales	2.6	2.5	0.8	-4.1	0.7	1.5	1.9
Industrial production (year-over-year)	1.5	1.7	-8.9	-12.5	-13.2	-5.6	-2.0
Civilian unemployment rate	4.4%	5.0%	7.4%	8.6%	9.5%	9.8%	10.0%
Consumer Price Index	2.5	4.1	0.1	-0.4	-1.4	-1.3	2.7
Three-month Treasury-bill rate	5.0	3.2	0.0	0.2	0.2	0.1	0.1

Budget and Debt Summary
(in $ billions or % of GDP)

	2004	2005	2006	2007	2008	2009	2010e
Receipts	1,880.1	2,153.6	2,406.9	2,568.0	2,524.0	2,104.6	2,175
Outlays	2,292.9	2,472.0	2,655.1	2,728.7	2,982.6	3,518.2	3,524
Deficit	-412.7	-318.3	-248.2	-160.7	-458.6	-1,413.6	-1,349
% of GDP	-3.5	-2.6	-1.9	-1.2	-3.2	-9.9	-9.2
Debt held by public	4,295.5	4,592.2	4,829.0	5,035.1	5,803.1	7,544.0	8797
% of GDP	36.8	36.9	36.5	36.2	40.2	53.0	60.3

Ratio of Government Receipts to Interest Expense

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
9.1	9.7	10.8	11.6	11.7	11.7	10.6	10.8	10.0	11.2

RISK FACTORS

Before you invest in our securities, you should be aware of various risks, including those described below. You should carefully consider these risk factors, together with all of the other information included or incorporated by reference in this prospectus, before you decide whether to purchase our securities.

Improper payments by the federal government continue to increase despite the Improper Payments Information Act of 2002.

Federal entities estimated improper payments of $98.7 billion for fiscal year 2009, or about 5% of the $1.9 trillion of outlays for the related programs. This is an increase of $26.2 billion from the estimate of $72.5 billion in fiscal year 2008, and an increase of $49.7 billion from the $49 billion reported in fiscal year 2007. Improper payments are payments that should never have been made or that were authorized but made in an incorrect amount under statutory, contractual, administrative or other legally applicable requirements. Improper payments include any payments to an ineligible recipient, any payments for ineligible services, any duplicate payments, payments for services not received and payments that do not give credit for applicable discounts.

Material weakness from ineffective internal controls over financial reporting that resulted in a disclaimer of opinion by the Government Accountability Office.

Independent auditors identified 38 material weaknesses in the 24 agencies they audited in fiscal year 2009. A material weakness is a significant deficiency that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. The largest category of material weakness was in Financial Management and Reporting, with 17 material events. Auditors found that the controls over financial management and reporting preparation needed improvement in multiple areas, including oversight, data integrity, reconciliations, updating of policies and procedures, and training.

The dollar may not continue to enjoy reserve currency status and may decline in the future.

The securities offered are denominated in dollars, a currency of no fixed value. There can be no assurance that the dollar will continue to hold its value relative to other currencies or that it will retain its status as a major reserve currency. The dollar competes in the world marketplace with other fiat currencies as well as with gold and other tangible monetary assets. Foreigners may lose confidence in U.S. economic policies or financial stability as a result of the debt incurred in response to the current financial crisis and economic downturn. The Government and the Federal Reserve deliberately may seek to cause inflation and devalue the dollar in order to ease the existing debt burden.

The Federal Reserve, as part of its response to the financial crisis, may be exposed to significant credit risk.

Since the start of 2007, the Federal Reserve's balance sheet has increased from $879 billion to $2.3 trillion. While the majority of that increase has been as a result of purchases of Treasury and Agency securities, which are regarded as having little credit risk, the Federal Reserve has also taken on significant credit risk as a result of its financial market interventions. Credit extended to American International Group Inc., the Term Asset-Backed Securities Loan Facility, net portfolio holdings in the Commercial Paper Funding Facility, the Maiden Lane LLCs, and AIA Aurora and ALICO Holdings (entities which hold preferred stock in AIG operating subsidiaries) sums to $167 billion. The Maiden Lane subsidiaries are currently marked at estimated fair value, but owing to the illiquid nature of the securities held in the portfolio, there may be a substantial difference between modeled fair market value and market prices.

The consolidated Federal Reserve System currently has capital of $53 billion, or 2.3% of total assets. The above-mentioned risk assets are held on the balance sheet of the Federal Reserve Bank of New York, which has $16 billion of capital, or 1.4% of assets. If the Federal Reserve were to experience significant losses on any of its portfolio holdings, the Reserve Bank of New York's capital could be impaired. In 2009, the Federal Reserve made seigniorage payments of $46 billion to the Treasury Department. Such payments could be reduced in the future if the Federal Reserve were to experience significant credit losses.

U.S. banks are required to own stock of the Federal Reserve Banks equivalent to 6% of paid-in capital and surplus. Only one half of the stock is paid in; the remainder is subject to call at the discretion of the Board of Governors. The Federal Reserve Act stipulates that "[t]he shareholders of every Federal Reserve Bank shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such bank to the extent of the amount of their subscriptions to such stock at the par value thereof in addition to the amount subscribed, whether such subscriptions have been paid up in whole or in part, under the provisions of this Act." In certain circumstances, U.S. banks would potentially be liable for roughly $40 billion in unsubscribed capital in the event of losses by the Federal Reserve Banks.

Foreign official institutions hold a significant amount of U.S. Government debt.

As part of their exchange rate policies, foreign central banks, primarily in Asia, have accumulated a significant amount of U.S. Treasury debt. As of Sept. 30, 2009, foreigners owned $3.6 trillion, or 48% of marketable U.S. Treasurys outstanding. While private foreign demand for Treasury debt has declined recently, foreign official demand remains relatively constant. Proceeds from foreign official sales of Agency securities have been reinvested in Treasurys.

According to the International Monetary Fund, the dollar currently accounts for 62% of all foreign exchange reserve holdings, compared to 66% at the end of 2003. Demand for the dollar as a reserve asset depends, in part, on decisions taken by foreign governments and financial institutions. If, for example, such governments and financial institutions chose to allow their currencies to appreciate against the dollar, the worldwide demand for dollars, and dollar-denominated assets, could precipitously decline. Profit-minded private investors might be unwilling to purchase Treasury securities on terms similar to those accepted by foreign official institutions with other objectives. Private foreign holdings of U.S. Treasurys declined in both the second and third quarters of 2009. If U.S. investors chose to increase their holdings of Treasury debt, they might be forced to sell other investments.

The United States is the dominant geopolitical power and has significant overseas commitments.

The U.S. military is currently engaged in large-scale conflicts in Iraq and Afghanistan, while also conducting smaller-scale operations on a worldwide basis. The Department of Defense operates 716 overseas sites in 38 foreign countries with 263,000 active duty military personnel stationed overseas. As a result of historical alliances, the United States is the effective guarantor of security for a large number of sovereign states and could be drawn into regional or local conflicts. The United States is also the de facto guarantor of the security of a number of critical global transportation pathways (i.e., shipping lanes in the Red Sea and Persian Gulf, the Panama Canal and the Strait of Malacca). Past wars have resulted in significant increases in military spending, causing large Government deficits and increases in debt outstanding. Throughout history, the financing of military conflicts has led to significant stresses on sovereign finances.

The Government is exposed to large contingent liabilities from its intervention on behalf of various financial institutions during the 2008-2009 crisis.

The deposit insurance fund (DIF) of the Federal Deposit Insurance Corp. (FDIC) has a negative balance of $20.9 billion. The DIF is funded by premiums that banks and thrifts pay for deposit insurance coverage. The FDIC has a $100 billion unused line of credit with the Treasury Department. The line of credit was increased from $30 billion in 2009; in 2010, it can be increased to $500 billion with the agreement of the Federal Reserve Board and the Treasury.

The reserve ratio (i.e., the DIF balance divided by the insured deposits) is -0.39%, the lowest reserve ratio on record and below the 1.15% minimum mandated by statute. In 2009, 140 institutions with $169.7 billion of assets failed, costing the DIF an estimated $37.4 billion. The FDIC's list of problem banks rose to 702 at the end of 2009 from 252 at the end of 2008. Total assets at problem institutions were $402.8 billion at year-end 2009, compared to $159.4 billion at year-end 2008. The FDIC had guaranteed $309 billion of debt at 84 financial institutions as of year-end 2009. As a result of the financial crisis, the four largest U.S. banks now have $2.6 trillion of deposits, or 35% of the national total. The FDIC may not have enough resources to deal with a failure of one of the large banks.

Fannie Mae, Freddie Mac and the Federal Housing Administration (FHA) guarantee, insure, or own 70% of single-family first mortgages outstanding. In the third quarter of 2009, the market share of the three agencies increased to 87% of all single-family mortgages.

The Federal Housing Finance Agency (FHFA) placed Fannie Mae and Freddie Mac under conservatorship on Sept. 7, 2008. At the time of conservatorship, the Treasury entered into Senior Preferred Stock Purchase Agreements (SPSPAs) for up to $100 billion each to ensure that Fannie Mae and Freddie Mac maintained positive net worth positions. In exchange, the Treasury received $1 billion of senior preferred stock in each government sponsored enterprise (GSE) and warrants for the purchase of each GSE's common stock representing 79.9% of the common stock on a fully diluted basis. On Feb. 18, 2009, the investment limit was increased to $200 billion, and on Dec. 25, 2009, the limit was removed entirely for the next three years. As of Sept. 30, 2009, the Treasury had invested $45.9 billion in Fannie Mae senior preferred stock and $51.7 billion in Freddie Mac senior preferred stock.

The FHA, which was created in 1934 by the National Housing Act, provides mortgage insurance to lenders that finance single-family homes, multi-family homes, health-care facilities and manufactured homes. The availability of FHA insurance encourages lenders to provide liquidity and stability to the mortgage markets. The FHA operates four insurance funds and is supported by fee income, congressional appropriations, borrowing from the U.S. Treasury and other miscellaneous sources. Total mortgage insurance in force was $757.2 billion as of Sept. 30, 2009, an increase of 42.4% over fiscal year 2008.

The FHA's capital reserve ratio, a measure of excess reserves beyond forecasted net claims, is required by law to be at least 2.0%. As of Sept. 30, 2009, the ratio was 0.53%. To strengthen its finances, the FHA hired its first Chief Risk Officer and proposed a number of changes, including an increase of 50 basis points in the upfront mortgage insurance premium, to 2.25%; a requirement that new borrowers have a FICO score of 580 to qualify for the 3.5% down payment program, with borrowers scoring less than 580 required to put down at least 10%; and a reduction in the allowable seller discount to 3% from 6% previously.

The Government's financial market interventions since the start of the crisis have totaled $8 trillion, or 55% of GDP, including guarantees, loans and direct outlays. It is unlikely that private risk can be continuously transferred onto public balance sheets without eventually impairing the creditworthiness of the Government, owing to the already large size of the Government's debt.

Mandatory outlays for retirement insurance and health care are expected to increase substantially in future years.

The Social Security program was created in 1935 and now consists of two parts: Old-Age and Survivors Insurance pays benefits to retired workers and their dependents and survivors; and Disability Insurance makes payments to disabled workers who are younger than the normal retirement age and to their dependents. Social Security is the Government's largest non-defense program, with about 52 million people receiving benefits. In 2008, program outlays totaled 4.4% of GDP and revenues totaled 4.8% of GDP. The Congressional Budget Office projects that, under the current law, Social Security revenues will exceed the program's total outlays until fiscal year 2017, and outlays will then grow to about 6% of GDP by 2035 before roughly stabilizing at that level.

The Medicare program provides health insurance for approximately 45 million people and consists of three parts: Part A is hospital insurance; Part B is supplementary medical insurance that covers outpatient services; and Part D is a prescription drug plan. Medicaid is a joint federal and state program that pays for health care services for low-income individuals. Medicare and Medicaid spending has increased from 1.7% of GDP in 1975 to 5.7% of GDP in fiscal year 2008. The CBO projects that, without significant changes in policy, total spending on Medicare and Medicaid will increase to 13% of GDP by 2035 and 22% of GDP by 2080.

The Treasury estimates that the present value of future social insurance expenditures, net of dedicated future revenues for the programs, was $46 trillion as of Sept. 30, 2009.

Ratings agencies may withdraw or downgrade the U.S. Government's current AAA/Aaa rating without notice.

The offered securities are currently assigned ratings by Standard & Poor's ("S&P"), a division of the McGraw-Hill Companies Inc., by Moody's Corp. ("Moody's") and by Fitch Ratings Inc. ("Fitch"). Each series of outstanding securities has been assigned a AAA rating by S&P and Fitch, and a Aaa rating by Moody's.

Each agency that rates the offered securities may change or withdraw its initial rating at any time if circumstances warrant. No agency is obligated to maintain the ratings at their initial levels. If a rating agency reduces or withdraws its rating on the offered securities, the liquidity and market value of the affected securities are likely to be reduced. Moody's Investors Service recently announced that "[u]nless these still unspecified measures [toward debt sustainability] are indeed implemented or the economy rebounds more vigorously than expected, the federal financial picture as presented in the projections for the next decade will at some point put pressure on the Aaa government bond rating."

The U.S. economy is heavily indebted at all levels, despite recent de-leveraging.

Total credit market debt in the United States was $52.6 trillion at the end of the third quarter, including $2 trillion owed by foreigners. In the past decade, debt has grown at an annual rate of 7.8%, while nominal GDP has grown at an annual rate of 4.3%. Over the same period, household, government and financial debt have grown at annual rates of 7.9%, 7.3% and 8.1%, respectively. It is unlikely that debt will be able to grow faster than nominal GDP in perpetuity.

The ratio of overall debt to GDP currently stands at 369%, which is the highest ratio on record. The ratio of debt to GDP has been continually increasing since the early 1950s. In the past decade, overall debt outstanding has increased by $27.2 trillion, while nominal GDP has increased by $4.9 trillion.

Private debt has fallen by around $1 trillion over the past three quarters. Continued de-leveraging by households and businesses will likely have a negative impact on economic growth. As a result, Government revenue might remain weaker than is currently projected over an extended period, resulting in continued deficits. The willingness of foreigners to purchase U.S. government debt might also be negatively impacted by a perception of weakness in the U.S. economy. High leverage throughout the economy could also increase the probability and severity of future financial crises.

The increase in government debt as a result of the financial crisis in advanced countries may lead to greater concern over sovereign risk.

The impact of the financial crisis and recession has led to a deterioration of government finances in advanced countries. According to the International Monetary Fund (the "IMF"), the fiscal balance for advanced countries in the Group of 20 nations (the "G-20") deteriorated from -1.9% of GDP in 2007 to -9.7% of GDP in 2009. A slight improvement, to -8.7% of GDP, is expected in 2010. Gross government debt for these same countries is expected to climb from 78% of GDP in 2007 to 118% of GDP by 2014. The IMF predicts that Japan's ratio of gross debt to GDP will increase to 246% of GDP from 188% of GDP over the same period, while in the United States the ratio of gross debt to GDP will increase to 108% from 62%. The IMF estimates that fiscal balances for the advanced G-20 countries will need to improve by as much as 10% of GDP relative to 2010 levels for gross debt to GDP to fall below 60% by 2030. "Action will be needed on entitlement spending, on other spending, and on revenues," the IMF states.

Greece is currently under pressure from financial markets as a result of its high level of indebtedness and large fiscal deficit. The country ran an upwardly revised deficit estimated at 12.7% of GDP in 2009, and its gross debt-to-GDP ratio is 113%. The yield spreads between Greek government bonds and equivalent German government bonds have widened to 3.2% from 1.1% in August 2009. The government has raised €13 billion so far in 2010 out of a total financing requirement of €54 billion, and there are heavy maturities in March and April. Five-year Greek credit default swap spreads have widened to 318 basis points from 98 basis points in August 2009. Ratings agencies have threatened to downgrade Greece's credit rating to below the collateral threshold established by the European Central Bank, which could have a detrimental effect on liquidity for Greek government debt.

As a result of the problems in Greece, financial markets are reassessing the risks of other sovereign borrowers in Europe, especially Spain, Italy, Portugal and Ireland. The euro has come under pressure as well, falling 10% against the dollar since the end of November. More broa dly, sovereign CDS spreads have widened for most advanced countries in the past six months. An average of G-10 five-year CDS has widened from 36 basis points in August 2009 to 57 basis points today. Despite the concerns, government interest rates remain historically low. Increased fears of sovereign defaults could push up borrowing costs for governments worldwide, including the U.S. Government.

U.S. states and municipalities are experiencing severe economic distress and may require intervention from the federal government.

States and municipalities are running large deficits as a result of the economic downturn. The Nelson A. Rockefeller Institute of Government reported that preliminary fourth-quarter 2009 data for state tax collections showed a decline of 4.1% from the year earlier. State tax collections have declined for a record five consecutive quarters.

The Center on Budget and Policy Priorities (the "CBPP") reported that 41 states are facing budgetary shortfalls for fiscal year 2010. The shortfalls total $35.5 billion, or 6.2%, of the budgets and are the result of shortfalls in revenue projections. The largest shortfall is California's $6.3 billion. The CBPP projects overall shortfalls of $180 billion and $120 billion, respectively, for fiscal years 2011 and 2012. The CBPP stated in January, "The federal assistance to states provided in the American Recovery and Reinvestment Act is lessening the extent to which states need to reduce services or raise taxes. But it now appears likely the federal assistance will end before state budget gaps have abated. The federal government could avert state actions such as deep additional budget cuts that would further harm the economy by phasing out assistance more gradually over the period during which state fiscal distress is expected to continue."

Elected officials may not take necessary steps to ensure long-term debt sustainability and may take actions counter to the interests of bondholders.

Deficit reduction has proven to be difficult historically because of the nature of the U.S. political system. Advocating tax increases or spending cuts are unpopular positions for politicians to take, especially so long as the Government is able to fund itself at relatively low interest rates. The Government has run a surplus in only 13 years since 1930 and in only five years since 1961. The top marginal income tax rate has been cut from 70% in the early 1980s to 35% today, and receipts from corporate and income taxes in 2009, measured as a percentage of GDP, were at their lowest levels since 1942. It is unclear how much room remains for further reduction of Government revenue as a percentage of GDP given the size of current outlays.

Discretionary outlays, excluding defense spending, totaled $581 billion in fiscal 2009, compared to total outlays of $3.5 trillion. As a percentage of the budget, such spending totaled 16.5% in fiscal 2009, the lowest level since 1991. As a percentage of GDP, non-defense discretionary spending totaled 4.1% in fiscal 2009, the highest since 1983. Even if true discretionary spending had been cut to zero in fiscal 2009, the Government would still have run a deficit of $833 billion, or 5.8% of GDP. Sustained decreases in Government expenditures as a percentage of GDP will likely require curbs in either defense, Social Security, or Medicare and Medicaid outlays.

A rise in interest rates could adversely affect Government finances.

The Goverment's net interest expense was $187 billion in fiscal 2009, down from $253 billion in fiscal 2008 as a result of lower interest rates. As a percentage of GDP, interest expense was 1.3%, the lowest since 1973. Interest expense is projected to increase in the coming decade as interest rates rise and Government debt grows, approaching 3.2% of GDP by 2020 in the CBO's baseline projections. An upward spike in interest rates could negatively impact Government finances. In fiscal 2010, net interest payments are expected to increase to $207 billion, or 1.4% of GDP. The Government is projected to pay an effective interest rate of 2.4% on the $8.8 trillion in public debt outstanding at the end of fiscal 2010. If the Government paid a 4% net interest rate, interest expense would be $352 billion. At a 6% rate, interest expense would be $528 billion, and at an 8% interest rate, interest expense would be $704 billion.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

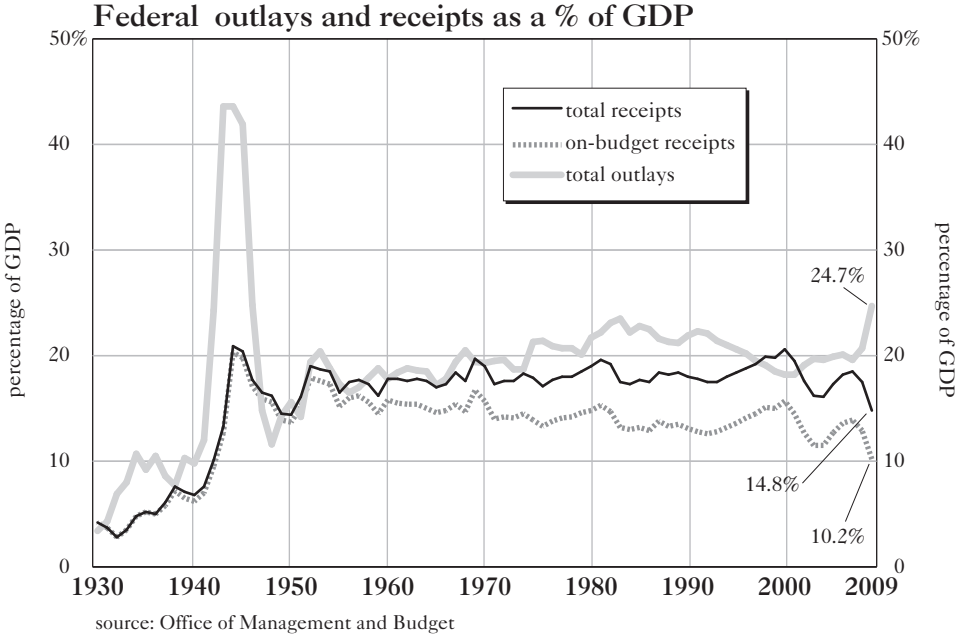
Recent Developments

The U.S. economy returned to growth in the latter half of 2009. Real GDP expanded at a seasonally adjusted annual rate of 2.2% in the third quarter and 5.9% in the fourth quarter. Measures of industrial production, business sales and inventories have also increased, while diffusion indices, such as the Institute for Supply Management's U.S. Manufacturing Index, have also returned to levels generally consistent with economic growth. Economists surveyed by Bloomberg News expect real GDP to grow by 3% in 2010. Employment growth has yet to turn positive, however, despite a recent decline in the unemployment rate. New and continuing jobless claims have declined from their early 2009 peaks, but remain elevated.

The housing market remains under stress. New-home sales are currently running at a 309,000 annual rate, the lowest on record, down 78% from the peak and below the 896,000 10-year average. Existing-home sales have recovered slightly as a result of tax incentives and are running at a five million annual rate, below the 10-year average of 5.83 million and well below the high of 7.25 million. House prices, as measured by the S&P/Case-Shiller Composite-20 Index, appear to have stabilized somewhat, increasing by 4.8% between April 2009 and December 2009. House prices remain 29% below their spring 2006 peak.

Mortgage credit quality continues to deteriorate. Serious delinquencies increased to an all-time high of 9.67% of all mortgages in the fourth quarter of 2009, compared to 6.30% a year earlier and 3.62% at the end of 2007. Prime serious delinquencies increased to 7.01% in the fourth quarter, compared to 3.74% a year earlier and 1.67% at the end of 2007. More broadly, credit quality in other types of real estate loans, especially commercial real estate, also continues to deteriorate. Delinquency rates in commercial real estate loans at commercial banks increased to 8.81% in the fourth quarter, compared to 5.53% a year earlier and 2.77% at the end of 2007.

Financial market conditions have improved. Short-term funding markets have begun to function more normally, while credit spreads in a range of corporate securities have tightened. Investment-grade credit spreads have contracted to 222 basis points from a high of 473 basis points in November 2008, compared to the 10-year average of 215 basis points. High-yield credit spreads have tightened to 526 basis points from a high of 1,755 in November 2008, compared to the 10-year average of 621 basis points. U.S. corporations were able to raise $1.1 trillion of debt and $267 billion of equity financing in 2009, compared to $937 billion and $243 billion, respectively, in 2008. Corporate default rates appear to have peaked and are expected to decline significantly in 2010. The Standard & Poor's 500 Index has increased by 68% from its March 6, 2009, low.

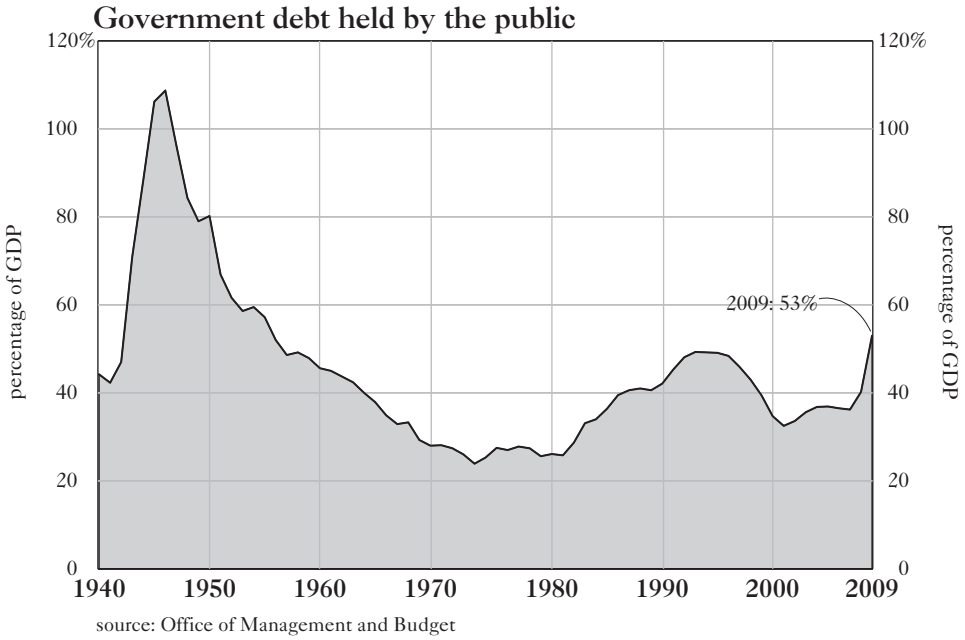


source: Office of Management and Budget

Government finances remain under stress. Fiscal 2009 receipts declined by 16.6%, to $2.1 trillion from $2.5 trillion in fiscal 2008. In the first four months of fiscal 2010, receipts dropped by a further 10.4% from the prior-year period. Receipts as a percentage of GDP declined to 14.8% in fiscal 2009, the lowest level since 1950. On-budget receipts (excluding Social Security) were 10.2% of GDP in fiscal 2009, the lowest level since 1943. Individual income tax collections dropped by 20%, while corporate income tax collections dropped by 55%. Medicare and Social Security payroll tax collections declined for the first time since 1946.

Government outlays increased by 18% in fiscal 2009, to $3.5 trillion from $2.98 trillion in fiscal 2008, as a result of the response to the financial crisis and recession. As a percentage of GDP, outlays increased to 24.7%, the highest level since 1946 and above the previous high of 23.5% in 1983. Through the first four months of fiscal 2010, outlays decreased by 3.8% from the year-earlier period.

As a result of the increase in spending and decrease in tax revenues, the Government deficit increased to $1.4 trillion in fiscal 2009 from $459 billion the prior year. The Deficit was 9.9% of GDP, the highest since 1945. The Treasury borrowed extensively to fund Government operations, and the debt held by the public increased to $7.54 trillion at the end of 2009. Debt held by the public was 53% of GDP at the end of 2009, the highest since 1955. Since the year 2000, Government debt held by the public has increased by $4.1 trillion, or 18.3% of GDP.



source: Office of Management and Budget

The Near-Term Outlook

The CBO predicts that the fiscal 2010 deficit will fall slightly to $1.35 trillion, or 9.2% of GDP. Revenues are expected to grow by 3.3%, while spending is expected to fall by 0.2%. The CBO notes that the "expected decline in federal aid to the financial sector in 2010 will be offset by increases in other outlays—particularly spending from last year's stimulus legislation; outlays for income support programs, health care programs, and Social Security; and net interest spending. At the same time, revenues are expected to increase only modestly this year, primarily because of the slow projected pace of the economic recovery and the lagged effect of the recession on revenues."

Near-term Budget Projections
(in $ billions)

	Actual 2009	2010	2011	2012	2013	2014	2015
Revenues	$2,105	$2,175	$2,670	$2,964	$3,218	$3,465	$3,625
Outlays	3,518	3,524	3,650	3,613	3,756	3,940	4,105
Deficit (-) or surplus	-1,414	-1,349	-980	-650	-539	-475	-480
% of GDP	-9.9	-9.2	-6.5	-4.1	-3.2	-2.7	-2.6
Debt held by the public	7,544	8,797	9,785	10,479	11,056	12,055	12,595
% of GDP	53	60.3	65.3	66.6	66.3	65.6	65.4
Nominal GDP growth	-1.3%	3.2%	2.8%	5.6%	5.9%	5.3%	4.5%
Unemployment rate	9.3	10.2	9.5	8.0	6.3	5.3	5.1

The budget deficit will decline to 2.6% of GDP in 2015, according to the baseline CBO projection. Under this projection, nominal GDP is assumed to grow by 3.2% in fiscal 2010, by 2.8% in 2011 and by an average of 5.6% a year between 2012 and 2014. The CBO's nominal GDP growth projections for 2010 and 2011 lag the current private consensus and Federal Reserve forecasts, while the projections for 2012 through 2014 are somewhat higher. For comparison, nominal GDP grew at a 4.1% annual rate between 2000 and 2009, and 2006 was the last time the reading exceeded 5.6%. Publicly held debt measured as a percentage of GDP is expected to climb to 66.6% in 2012 and plateau for a few years before resuming its climb in 2020. The unemployment rate is projected to remain elevated, not falling below 8% until 2013.

Revenues are expected to increase by 23% in 2011 and 11% in 2012, reaching 19.3% of GDP by 2013. Individual income tax collections are expected to increase by 15% annually over the same period, accounting for more than 60% of total revenue growth. The CBO is required by law to assume in its baseline scenario that the tax cuts of 2001, 2003 and 2009 will expire and that the Alternative Minimum Tax will not be amended, which it customarily is. The CBO notes that "[t]he expiration of tax provisions account for about two-thirds of the increase in…revenues relative to GDP between 2010 and 2012." Revenues are expected to grow by 9.5% per year between 2009 and 2015. That growth rate has not been achieved since the six years ending in 1982.

Outlays are projected to grow by 2.6% per year to 2015. The slower growth rate of outlays compared to nominal GDP means that outlays as a percentage of GDP will decline to 22.5% by 2013, still above the 40-year average of 20.7%. Between 1999 and 2009, outlays grew by 7.5% a year, which means that the current projections imply a period of significant austerity compared to the preceding decade. Defense spending is projected to grow by 1.8% per year until 2015, compared to 9.1% between 1999 and 2009. Mandatory outlays are expected to grow by 1.4% per year until 2015, compared to 8.8% between 1999 and 2009. Interest expense is the one area of spending expected to grow at a faster rate in the next five years than it did in the preceding decade; increased debt and higher interest rates will raise the rate to 16.1% from -2.0%.

Liquidity and Capital Resources

The current Treasury funding plan calls for roughly $1.4 trillion of marketable borrowing in fiscal 2010. The Treasury plans to auction $392 billion of net marketable debt in the fiscal second quarter and $268 billion in the third. The Treasury believes that the size of the auctions gives it the ability to address adequately a broad range of financing needs. It has increased the average maturity of issuance from under 30 months in 2002 to more than 70 months as of the fourth quarter of 2009; as a result, the average maturity of all debt outstanding has steadily increased to almost 55 months. Over the next 10 years, the Treasury expects the average maturity of debt issuance to increase to 79 months and the average maturity of all debt outstanding to increase to 68 months.

Daily operating cash balances have been volatile and elevated as TARP recipients repaid borrowings. Operating cash stood at $141.5 billion as of late January. The Treasury announced on Feb. 23 that the Supplementary Financing Program, in which borrowed money is deposited at the Federal Reserve, will increase from its current $5 billion level to the $200 billion prevailing from February to September 2009.

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United States Government Balance Sheets
for the years ended Sept. 30, 2009, 2008 and 2007 (in $ billions)

	2009	2008	2007
Cash	$393.2	$424.5	$128.0
Accounts and taxes receivable	90.2	93.0	87.8
Loans receivable and mortgage-backed securities, net	538.9	253.8	231.9
TARP direct loans and equity investments	239.7	0	0
Beneficial interest in trust	23.5	0	0
Inventories and related property, net	284.6	289.6	277.1
Property, plant and equipment, net	784.1	737.7	691.1
Securities and investments	93.1	79.6	99.8
Investment in Government Sponsored Enterprises	64.7	7.0	-
Other assets	155.9	89.5	65.4
Total assets	2,667.9	1,974.7	1,581.1
Accounts payable	73.2	73.3	66.2
Federal debt securities held by the public and accrued interest	7,582.7	5,836.2	5,077.7
Federal employee and veteran benefits payable	5,283.7	5,318.9	4,769.1
Environmental and disposal liabilities	341.8	342.8	342.0
Benefits due and payable	160.8	144.4	133.7
Insurance and guarantee program liabilities	166.2	85.1	72.7
Loan guarantee liabilities	69.4	72.9	69.1
Liquidity guarantee	91.9	13.8	-
Other liabilities	354.1	290.8	256.4
Total liabilities	14,123.8	12,178.2	10,786.9
Total net position	$(11,455.9)	$(10,203.5)	$(9,205.8)

United States Government Consolidated Statement of Operations and Changes in Net Position
for the years ended Sept. 30, 2009, 2008 and 2007 (in $ billions)

	2009	2008	2007
Individual income tax and tax withholding	$1,775.0	$2,078.4	$1,999.8
Corporate income taxes	130.3	299.7	367.2
Unemployment taxes	38.1	39.4	39.3
Excise taxes	67.5	67.1	67.5
Estate and gift taxes	23.4	28.8	26.0
Custom duties	21.7	27.3	18.2
Other taxes and receipts	87.6	85.0	79.6
Miscellaneous earned revenues	54.8	35.7	29.7
Intragovernmental interest	184.6	201.0	192.7
Total revenues	2,383.0	2,862.4	2,820.0
Total net cost	3,619.3	3,841.7	3,102.2
Unmatched transactions and balances	(17.4)	(29.8)	6.7
Net operating cost	(1,253.7)	(1,009.1)	(275.5)
Net position, beginning of period	(10,203.5)	(9,205.8)	(8,916.4)
Prior period adjustments	1.3	11.4	(13.9)
Net operating cost	(1,253.7)	(1,009.1)	(275.5)
Net position, end of period	$(11,455.9)	$(10,203.5)	$(9,205.8)

Consolidated Statements of Cash Flows
United States Government Reconciliations of Net Operating Cost and Unified Budget Deficit
For the years ended Sept. 30, 2009, 2008 and 2007 (in $ billions)

	2009	2008	2007
Net operating cost	$(1,253.7)	$(1,009.1)	$(275.5)
Increase in liability for military employee benefits	25.6	109.9	60.3
(Decrease)/increase in liability for veteran's compensation	(149.2)	339.0	(26.1)
Increase in liability for civilian employee benefits	88.4	100.9	55.9
(Decrease)/increase in environmental and disposal liabilities	(1.0)	0.8	36.8
Depreciation expense	59.5	54.8	45.3
Property, plant and equipment disposals and revaluations	6.5	5.0	10.9
Increase in benefits due and payable	16.4	10.7	4.4
Increase in insurance program liabilities	81.1	12.4	(0.1)
Increase in other liabilities	12.1	34.3	21.8
Seigniorage and sale of gold	(0.4)	(0.7)	(0.8)
(Decrease)/increase in accounts payable	(0.1)	7.1	7.8
Decrease/(increase) in net accounts and taxes receivable	2.8	(5.2)	(19.0)
TARP downward re-estimate	(110.0)	0	0
Stock received from Government Sponsored Enterprises	0	(7.0)	0
(Increase) in beneficial interest in trust	(23.5)	0	0
Increase in liquidity guarantee	78.1	13.8	0
Valuation loss on investments in GSEs	37.9	0	0
Capitalized fixed assets	(112.4)	(106.4)	(58.8)
Decrease/(increase) in net inventory	5.0	(12.5)	4.2
Investments in GSEs	(95.6)	0	0
(Increase)/decrease in securities and investments	(22.4)	17.7	(12.9)
(Increase) in other assets	(66.4)	(24.0)	(10.0)
Principal repayments of precredit reform loans	(10.1)	14.6	8.5
Other reconciling items	14.3	(10.9)	(15.5)
Unified budget deficit	$(1,417.1)	$(454.8)	$(162.8)

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

These reports include the financial status and activities of the executive branch, the legislative branch (reports on a cash basis), and the judicial branch (reports on a cash basis) of the Government. Material intragovernmental transactions are eliminated from consolidation.

Basis of Accounting and Revenue Recognition

These financial statements were prepared using U.S. Generally Accepted Accounting Principles (GAAP), primarily based on Statements of Federal Financial Accounting Standards (SFFAS). Under these principles:

- Expenses are generally recognized when they are incurred
- Nonexchange revenues, which include taxes, duties, and fines, are recognized when collected
- Exchange revenues, which include admission into federal parks, and premiums for federal insurance, are recognized when the Government provides goods or services to the public for a price

Direct Loans and Loan Guarantees

Direct loans and loan guarantees are reported based on the present value of the net cash flows estimated over the life of the loan or guarantee. The difference between the outstanding principal of the direct loans and the present value of their net cash inflows is recognized as a subsidy cost allowance. The present value of estimated net cash outflows of the loan guarantees is recognized as a liability for loan guarantees.

TARP Direct Loans and Equity Investments

TARP equity investments are accounted for at fair value, which is the estimated amount that would be received if investments were sold to a market participant.

Federal Employee and Veterans' Benefits Payable

Federal employee and veterans' benefits payable are generally recorded during the time services are rendered. The related liabilities are recorded at the estimated present value of future benefits, less any estimated present value of future normal cost contributions.

Environmental and Disposal Liabilities

Environmental and disposal liabilities are the estimated current cost of removing, containing, treating and/or disposing of radioactive waste, hazardous waste, chemical and nuclear weapons, and other environmental contaminations using current technology.

Contingent Liabilities

Liabilities for contingencies are recognized on the balance sheets when the following two conditions apply: a past transaction or event has occurred, and a future outflow or other sacrifice of resources is probable and measurable. The estimated liability may be a specific amount or a range of amounts. Contingent liabilities that do not meet the above criteria for recognition, but for which there is at least a reasonable possibility that a loss may have been incurred, are disclosed in Note 14 — Insurance Program Liabilities and Contingencies.

Social Insurance

A liability for social insurance programs (including: Social Security, Medicare and Unemployment benefits) is recognized for any unpaid amounts currently due as of the reporting date. No liability is recognized for future benefit payments not yet due.

Use of Estimates

The Government has made certain estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses and the disclosure of contingent liabilities that were used to prepare the financial statements. Actual results could differ from these estimates. Major items subject to estimates

include loan receivables (including MBS), investments in non-federal securities (including those of Freddie Mac and Fannie Mae), tax receivables, depreciation, money market insurance liability, liability for liquidity commitment (Freddie Mac and Fannie Mae), imputed costs, actuarial liabilities, cost and earned revenue allocations, contingent legal liabilities and credit-reform subsidy costs.

Note 2 – Cash and Other Monetary Assets as of Sept. 30, in $ billions

	2009	2008	2007
Unrestricted cash:			
Cash held by Treasury for Government-wide operations	$104.0	$64.3	$69.7
Other	8.4	6.5	6.4
Restricted Cash			
Cash held by Treasury for Government-wide operations	165.0	300.0	-
Other	17.7	14.0	13.5
Total cash	295.1	384.8	89.6
International monetary assets	71.4	14.3	13.9
Gold	11.1	11.0	11.0
Foreign currency	15.6	14.4	13.5
Total cash and other monetary assets	$393.2	$424.5	$128.0

International monetary assets include the reserve position in the International Monetary Fund and holdings of Special Drawing Rights (SDRs).

Gold is valued at the statutory price of $42.2222 per fine troy ounce. The number of fine troy ounces was 261,498,900 as of Sept. 30, 2009, 2008 and 2007. The market value of gold at the London fixing was $995.75, $884.50 and $743.00, respectively, as of Sept. 30, 2009, 2008 and 2007. The Office of Inspector General last audited the United States Mint's Schedule of Custodial Deep Storage Gold and Silver Reserves in September 2009. Deep storage gold and silver reserves account for 245,262,879.04 fine troy ounces of gold and 7,075,714.14 fine troy ounces of silver. The Inspector General wrote, "As part of obtaining reasonable assurance about whether the Custodial Schedule is free of material misstatement, we performed tests of the Mint's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of Custodial Schedule amounts." The Inspector General concluded, "In our opinion, the accompanying Custodial Schedule presents fairly, in all material respects, the balance of the United States' Deep Storage Gold and Silver Reserves in the custody of the Mint as of September 30, 2009 and 2008, in conformity with U.S. generally accepted accounting principles."

Note 3 – Accounts and Taxes Receivable as of Sept. 30, in $ billions

	2009	2008	2007
Accounts receivable, net	$59.3	$61.9	$59.9
Taxes receivable:			
Gross taxes receivable	131.2	115.5	101.5
Allowance for doubtful accounts	(100.3)	(84.4)	(73.6)
Taxes receivable, net	30.9	31.1	27.9
Total accounts and taxes receivable	$90.2	$93.0	$87.8

Accounts receivable are net of an allowance for uncollectible accounts. The allowance accounts are $20.9 billion, $15.2 billion and $14.3 billion for fiscal years 2009, 2008 and 2007, respectively.

Note 4 – Loans Receivable, Mortgage Backed Securities and Loan Guarantee Liabilities

Direct loans and loan guarantee programs are used to promote the nation's welfare by making financing available to segments of the population not served adequately by non-federal institutions. This is accomplished by providing subsidies in the form of direct loans offered at an interest rate lower than the market rate or by guaranteeing the payment of non-federal loans.

The largest loan program is the GSE Mortgage Backed Securities Purchase Program, administered by the Department of the Treasury with $184.4 billion outstanding as of Sept. 30, 2009. The second largest is the Federal Direct Student Loan Program, administered by the Department of Education with net loans receivable of $153.3 billion as of Sept. 30, 2009.

The largest guaranty program is the Federal Housing Administration Loans program, administered by the Housing and Urban Development Department with loan guarantees of $34.1 billion as of Sept. 30, 2009. The second-largest guaranty program is the Federal Family Education Loans program, administered by the Department of Education with loan guarantees of $20.6 billion as of Sept. 30, 2009.

Note 5 – Inventories and Related Properties as of Sept. 30, in $ billions

	2009	2008	2007
Inventory purchased for resale	$88.6	$101.9	$87.2
Inventory and operating material and supplies held for repair	46.6	44.7	49.1
Inventory – excess, obsolete and unserviceable	7.8	7.8	7.3
Operating materials and supplies held for use	134.2	136.6	129.8
Operating materials and supplies held in reserve for future use	0.9	0.2	0.2
Operating materials and supplies – excess, obsolete and unserviceable	3.5	3.8	2.6
Stockpile materials	47.2	46.1	43.9
Stockpile materials held for sale	0.9	0.9	1.2
Other related property	2.1	1.7	1.6
Allowance for loss	(47.2)	(54.1)	(45.8)
Total inventories and related property, net	$284.6	$289.6	$277.1

Note 6 – Property, Plant and Equipment, Net as of Sept. 30, in $ billions

	2009	2008	2007
Buildings, structures and facilities	$180.5	$168.6	$164.2
Furniture, fixtures and equipment	490.4	467.8	434.9
Construction in progress	72.0	61.5	54.0
Land	22.2	22.2	21.8
Internal use software	10.9	10.3	9.2
Assets under capital lease	1.9	1.7	1.5
Leasehold improvements	3.1	2.5	2.3
Other property, plant and equipment, net	3.1	3.1	3.2
Total property, plant and equipment, net	$784.1	$737.7	$691.1

As of Sept. 30, 2008, the Government had 407,062 building assets (3.29 billion square feet), 488,861 structures and 41.7 million acres of land used for Government operations and held at cost. The Department of Defense holds approximately 71% of the Government's reported property, plant and equipment.

Reported property, plant and equipment does not include stewardship land and heritage assets. Stewardship land is federally owned land set aside for the use and enjoyment of present and future generations and land on which military bases are situated. The Government does not expect to use stewardship land to meet its obligations. Examples of stewardship land include national parks, national forests, wilderness areas and land used to enhance ecosystems to encourage animal and plant species and to conserve nature. Stewardship land accounts for 28% of the current U.S. landmass, approximately 650,000 acres.

Heritage assets are Government-owned assets with one or more of the following characteristics: historical or natural significance, cultural/educational/artistic importance and/or architectural characteristics. The Government does not expect to use heritage assets to meet its obligations. Examples of heritage assets include Mount Rushmore National Monument, the Declaration of Independence, the U.S. Constitution, the Bill of Rights, the Library of Congress and national historic landmarks.

Note 7 – Securities and Investments as of Sept. 30, in $ billions

	2009	2008	2007
Fixed-debt securities, trading:			
Non-U.S. Government	$3.0	$2.6	$2.2
Commercial	0.1	(0.2)	1.2
Mortgage/asset backed	2.8	3.4	4.6
Corporate and other bonds	8.6	11.1	11.2
All other fixed-debt securities	1.6	0.1	4.6
Fixed-debt securities, held to maturity and available for sale:			
Non-U.S. Government	12.7	10.8	10.3
Mortgage/asset backed and other	1.1	0.2	0.2
Equity securities:			
Common stocks	0.8	2.9	4.4
Unit trusts	22.1	9.6	12.5
All other equity securities	4.8	1.0	1.2
Other	35.5	38.1	47.4
Total securities and investments	$93.1	$79.6	$99.8

Securities and investments are held by the Pension Benefit Guaranty Corp., the Railroad Retirement Board, the Exchange Stabilization Fund, the Tennessee Valley Authority and other entities.

Note 8 – Financial and Housing Market Stabilization

The Troubled Asset Relief Program (TARP) has the authority to purchase or guarantee up to $700 billion of troubled assets. The Treasury has used this authority to strengthen the financial system, to restore health and liquidity to credit markets and to prevent avoidable foreclosures in the housing market. TARP entered into obligations worth $454.3 billion as of fiscal year 2009. The largest program was the Capital Purchase Program that provided direct capital infusions of $204.6 billion directly into banks and insurance companies. The Automotive Industry Financing Program was the second-largest TARP program at $81.1 billion. The Automotive Industry Financing Program provided assistance to General Motors Corp., Chrysler LLC and the auto-finance companies in order to prevent a significant disruption of the industry. The Treasury estimates TARP-related losses of $117 billion.

Fannie Mae and Freddie Mac are stockholder-owned Government Sponsored Entities (GSEs). Congress established the GSEs to support expanded access to housing and increase opportunities for homeownership. A key business function is to guarantee mortgage-backed securities that are subsequently sold to investors. Proceeds from these sales are used to buy additional mortgages and keep money flowing through the mortgage markets.

Due to deteriorating conditions in the housing mortgage market, the Federal Housing Finance Agency (FHFA) placed Fannie Mae and Freddie Mac under conservatorship on Sept. 7, 2008. At the time of conservatorship, the Treasury entered into Senior Preferred Stock Purchase Agreements (SPSPAs) for up to $100 billion each to ensure that Fannie Mae and Freddie Mac maintained a positive net worth. On Feb. 18, 2009, the investment limit was increased to $200 billion and on Dec. 25, 2009, the limit was removed entirely for the next three years. As of Dec. 31, 2009, the Treasury had invested $60.9 billion in Fannie Mae senior preferred stock and $51.7 billion in Freddie Mac senior preferred stock. Fannie Mae had a negative net worth of $15.4 billion and Freddie Mac had a positive net worth of $4.3 billion as of Dec. 31, 2009. In

January 2010, the Congressional Budget Office estimated that the Treasury would purchase $163 billion of preferred stock in Fannie Mae and Freddie Mac and that "the two entities' current dividend commitments to the Treasury exceed their future earnings capacity, making losses on the Treasury's current and future holdings of their senior preferred stock likely."

Fannie Mae and Freddie Mac assets, debt and revenues are not included in the consolidated financial statements. As of Dec. 31, 2009, Fannie Mae and Freddie Mac had total assets of $1,710.9 billion, total debt of $1,555.2 billion, net interest income of $31.6 billion and a net loss attributable to common shareholders of $100.1 billion.

Note 9 – Accounts Payable, in $ billions

	2009	2008	2007
Accounts Payable:			
Department of Defense	$35.4	$32.1	$29.7
Department of the Treasury	4.8	3.8	2.5
Department of Veterans Affairs	4.5	6.2	3.9
Department of Homeland Security	2.8	2.9	3.0
Tennessee Valley Authority	2.7	3.2	2.7
Department of Justice	2.3	2.1	2.8
General Services Administration	2.3	2.1	1.8
Department of State	2.0	2.8	2.0
Department of Education	1.9	1.3	0.9
Agency for International Development	1.8	1.9	2.4
U.S. Postal Service	1.7	1.7	2.0
Department of Energy	1.7	1.6	1.4
National Aeronautics and Space Administration	1.3	1.4	1.0
Federal Deposit Insurance Corp.	0	2.6	0
All other	8.0	7.6	10.1
Total accounts payable	$73.2	$73.3	$66.2

Note 10 – Federal Debt Securities Held by the Public and Accrued Interest, in $ billions

	2009	2008	2007
Treasury bills	$1,986.2	$1,484.3	$954.6
Treasury notes	3,773.0	2,623.4	2,456.1
Treasury bonds	677.5	578.5	560.9
Treasury inflation-protected securities	551.3	524.0	456.8
Non-marketable Treasury securities, net	530.0	562.4	581.5
Total Treasury securities, net	7,518.0	5,772.6	5,009.9
Agency securities	23.0	23.0	23.0
Accrued interest payable	41.7	40.6	44.8
Total federal debt securities and accrued interest held by the public	$7,582.7	$5,836.2	$5,077.7

Government securities held by the public are held by individuals, corporations, state or local governments, Federal Reserve banks, foreign governments and central banks.

Note 11 – Federal Debt Securities Held as Investments by Governmental Accounts, in $ billions

	2009	2008	2007
Social Security Admin., Federal Old-Age and Survivors Insurance	$2,296.3	$2,150.7	$1,968.3
Office of Personnel Management, Civil Service Retirement and Disability	754.2	728.8	701.7
Department of Health and Human Services, Federal Hospital Insurance	309.7	318.7	319.4
Department of Defense, Military Retirement Fund	240.8	215.9	190.2
Social Security Administration, Federal Disability Insurance	207.9	216.5	213.8
Department of Defense, Medicare-Eligible Retiree Health Care Fund	126.8	112.7	92.2
Department of Health and Human Services, Federal Supplementary Medical Insurance Trust Fund	61.8	59.1	39.2
Department of Labor, Unemployment Trust Fund	19.6	72.4	74.9
All Other programs and funds	374.2	373.8	362.4
Total intragovernmental debt holdings	$4,391.3	$4,248.6	$3,962.1

Intragovernmental debt holdings are held as investments by Government entities.

Note 12 – Federal Employee and Veterans Benefits Payable, in $ billions

The accounting for employee and veteran benefit plans is subject to several different assumptions, definitions and methods of calculation. The major plans are summarized below.

	2009	2008	2007
Pension and accrued benefits, civilian	$1,529.4	$1,454.8	$1,386.3
Pension and accrued benefits, military	1,177.1	1,154.1	1,028.8
Post-retirement health and accrued benefits, civilian	352.2	341.8	311.6
Post-retirement health and accrued benefits, military	825.8	820.6	835.9
Veterans compensation and burial benefits	1,317.5	1,466.7	1,127.7
Life insurance and accrued benefits	51.8	50.1	49.0
Federal Employees Compensation Act benefits	26.0	25.4	24.6
Liability for other benefits	3.9	5.4	5.2
Total federal employee and veteran benefits payable	$5,283.7	$5,318.9	$4,769.1

The major assumptions for the calculation of the civilian pension and accrued benefits payable were rate of interest, 6.25%, rate of inflation, 3.50%, and projected salary increases of 4.25%. The major assumptions for the calculation of the military pension and accrued benefits payable were rate of interest, 5.75%, rate of inflation, 3.00%, and projected salary increases of 3.75%.

The major assumptions for the calculation of the civilian post-retirement health and accrued benefits payable were rate of interest, 6.25%, and rate of healthcare cost increases of 8.00%. The major assumptions for the calculation of the military post-retirement health and accrued benefits payable were rate of interest, 5.75%, and rate of healthcare cost increases of 6.25%.

Entitlement to veteran's compensation depends on the disabilities having been incurred in, or aggravated during, active military service, death while on duty, or death resulting from service-connected disabilities if not on active duty. Burial benefits include a burial and plot or interment allowance.

Note 13 – Benefits Due and Payable as of Sept. 30, in $ billions

	2009	2008	2007
Federal old-age and survivors insurance	$50.2	$46.4	$44.1
Grants to states for Medicaid	25.0	20.4	19.4
Federal supplementary medical insurance (Medicare Parts B and D)	24.4	24.0	22.2
Federal disability insurance	24.3	22.2	21.7
Federal hospital insurance (Medicare Part A)	22.4	21.0	19.4
Supplemental security income	5.3	4.5	4.2
Unemployment insurance	4.5	1.6	1.3
All other programs	4.7	4.3	1.4
Total benefits due and payable	$160.8	$144.4	$133.7

Benefits due and payable are amounts owed to program recipients or medical service providers as of Sept. 30, 2009, that have not been paid.

Note 14 – Insurance Program Liabilities and Contingencies as of Sept. 30, in $ billions

	2009	2008	2007
Pension Benefit Guaranty Corp.	$83.1	$60.0	$69.2
Federal Deposit Insurance Corp.	70.5	12.1	1.8
All other insurance and guarantee programs	12.6	13.0	1.7
Total insurance and guarantee program liabilities	$166.2	$85.1	$72.7

The Pension Benefit Guaranty Corp. (PBGC) insures pension benefits for participants in covered defined-benefit pension plans. PBGC is a wholly owned corporation of the U.S. Government. Under current law, the PBGC's liabilities may be paid only from PBGC's assets and not from the General Fund of the Treasury or assets of the Government in general. The FDIC liability represents the recorded contingent liability and loss provision for institutions insured by the deposit insurance fund that are likely to fail within one year and their contingent liabilities for litigation.

Insurance in force is the accumulation of policy limits for all policies issued and outstanding (this is the maximum possible loss). The government had insurance in force of $1,252.2 billion, $1,660.1 billion and $1,157.3 billion, respectively, as of Sept. 30, 2009, 2008 and 2007. The government had insured deposit exposure of $6,022.6 billion, $5,063.7 billion and $4,800.2 billion, respectively, as of Sept. 30, 2009, 2008 and 2007.

The Government is party to various administrative claims and legal actions, some of which may result in settlements or decisions against the Government. The upper estimated range of loss for certain cases that are reasonably possible was $22.3 billion, $21.4 billion and $6.6 billion, respectively, as of Sept. 30, 2009, 2008 and 2007.

Note 15 – Commitments

The Government has entered into long-term operating leases and contractual commitments that require future use of financial resources. As of Sept. 30, 2009, 2008 and 2007, the Government had $41.7 billion, $46.7 billion and $44.5 billion, respectively, of long-term operating leases and $1,714.9 billion, $1,219.1 billion and $894.9 billion of contractual commitments.

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