

## **Exhibit A**

# **REQUIREMENTS, STANDARDS, AND GUIDELINES FOR INVESTMENTS**

## **University Investment Manager**

### **Goals**

The investment goal of the portfolio is to provide TVA with a strategic allocation to the domestic equity market. Manager has been selected by TVA as portfolio manager of this strategic allocation. Manager's assignment is to construct and actively manage the portfolio in a manner consistent with this investment goal and to add value relative to return opportunities that could be achieved from a passive exposure to this market segment.

### **Objective**

The investment objective of the portfolio is to achieve long-term capital growth by investing in marketable U.S. common stocks with a risk profile that is similar to the risk profile of the market benchmark. Specific investment objectives are intended to define quantifiable measures by which the results of the portfolio will be measured and evaluated on an ongoing basis. The performance results and investment characteristics of the portfolio will be measured and evaluated relative to:

- 1) an overall measure of the large-cap segment of the domestic equity market,
- 2) a group of professionally managed large-cap core-oriented equity managers selected by TVA, and
- 3) a group of other universities managing TVA decommissioning funds.

The relative domestic equity market benchmark is defined as the S&P 500 Index. In light of the above, the portfolio should strive to meet or exceed the following performance objectives:

- The portfolio should match the return of the S&P 500 Index return over one-, three-, and five-year horizons.
- The portfolio should generate a total return that ranks in the top 50% of a large-cap core-oriented equity manager universe as may be selected by TVA from time to time.

### **Guidelines**

The following points highlight the investment guidelines that have been established for the portfolio. Manager shall follow these guidelines carefully while implementing and executing its portfolio strategy. If Manager is in non-compliance with these guidelines, Manager will have 30 days to adjust the portfolio to meet these guidelines. The 30-day

period will begin after either TVA notifies Manager that it has determined Manager is not in compliance or Manager makes a self-determination of non-compliance.

### **Asset Allocation**

The portfolio shall be fully and exclusively invested in U.S. listed equity securities. Any cash equivalent investment should represent “frictional” or operational amounts and not strategic allocations. Therefore, cash equivalents should not exceed 2.5% of the portfolio at any time. Should market conditions suggest an environment where this guideline may be detrimental to the financial well-being of TVA, Manager should communicate suggested tactical adjustments to this guideline with authorized representatives of TVA. Cash equivalent balances shall be invested in a short-term investment fund managed by the assigned custodian bank.

### **Diversification**

Portfolio performance is expected to achieve value added results through active management decisions. However, the portfolio shall be diversified with respect to the exposures to economic sectors, industries, and individual stocks. The following diversification guidelines apply to the construction of the portfolio:

- The portfolio must consist of a minimum of 20 holdings excluding the portfolio’s cash position.
- The portfolio shall maintain minimum allocations to economic sectors, as defined by S&P’s Global Industry Classification Standards (“GICS”), not to be less than 3% (calculated on an absolute basis) below the economic sector weighting in the S&P 500 Index.
- The portfolio shall not exceed maximum allocations to economic sectors, as defined by S&P’s GICS, by more than 3% (calculated on an absolute basis) of the economic sector weighting in the S&P 500 Index.
- At time of purchase, no single issue should exceed 5% (at market value) of the portfolio. Maximum exposure to an individual issuer is the greater of 8% (at market value) of the portfolio or that issuer’s percentage weight in the S&P 500 Index + 2%.

### **Market Capitalization**

The portfolio shall be primarily invested in well-established, large market capitalization companies. Therefore, the weighted average market cap of the portfolio is expected to be above \$10 billion. The portfolio may also invest in less established, small capitalization companies. However, based on the strategic role of this portfolio in the context of the overall investment program, no more than 35% of the portfolio may be invested in small capitalization companies. For this purpose, small capitalization is defined as companies with a market capitalization of less than \$1.5 billion. Companies with a market capitalization below \$500 million at the time of purchase are prohibited. Positions that decline below \$500 million in market

capitalization after purchase shall be reported to TVA and monitored carefully. The portfolio shall not have more than 5% of the portfolio invested in securities whose market capitalizations have declined below \$250 million.

### **Other Transactions and Policies**

- **American Depositary Receipts (“ADRs”)** may be used to construct the portfolio. However, because of the strategic role of the portfolio, positions in stocks traded as ADRs are limited to no more than 5% of the portfolio market value. The limitations described above include foreign securities traded on U.S. exchanges that are not ADRs.
- **Exchange Traded Funds (“ETFs”)** may comprise up to a maximum of 7.5% of the portfolio. The ETFs that can be purchased are limited to the S&P 500 Depository Receipts (SPY).
- **Prohibited Transactions.** The portfolio is prohibited from investing in any of the following investment vehicles, or engaging in any of the following activities, unless approved in writing by an authorized representative of TVA:
  - Fixed-income securities
  - Non-marketable securities (including private debt securities and/or direct placements)
  - Non-dollar denominated securities
  - Commingled funds (including mutual funds and ETFs except for the single ETF identified above in the *Guidelines - Other Transactions and Policies - Exchange Traded Funds* section)
  - Convertible or preferred securities
  - Warrants
  - Commodities
  - Real estate investments (excluding REITs)
  - Short sales
  - Margin purchases
  - Swaps (including, but not limited to, index or rate of return swaps)
  - Securities lending
- **Derivatives Policy.** Manager is prohibited from using any derivative securities (including, but not limited to, options and futures).
- **Taxes.** The assets of the portfolio are tax-exempt, and thus consideration does not have to be given to potential tax consequences to the portfolio from any transaction.

- **Laws and Regulations.** Manager will adhere to any and all laws and regulations affecting U.S. persons' investment activity including, but not limited to, executive orders.
- **TVA Considerations.** Manager acknowledges that TVA, in its sole discretion, may restrict certain investment activity in addition to Prohibited Transactions listed above for business, compliance, or other reasons. These restrictions are included in Exhibit B of this IMA. TVA may update Exhibit B from time to time by providing a revised Exhibit B to Manager.

### **Asset Rebalancing**

From time to time, TVA may elect to rebalance program assets. Currently, a \$500,000 target allocation as measured by the portfolio's market value has been deemed appropriate for the account of each University Manager. As such, any account in excess of the \$500,000 market value threshold is subject to individual account rebalancing, and all accounts are subject to program-wide rebalancing from time to time at TVA's sole discretion.

### **Performance Awards**

On a calendar year basis, any university that from January 1 through December 31 produces a one-year, total return in excess of the total return of the S&P 500 Index ("Qualifying University Manager") qualifies for a performance award. The performance award is a cash award equal to 20 percent of the Qualifying University Manager's calendar-year return in excess of the S&P 500 Index's calendar-year return, up to and not to exceed 2 percent of the market value of the Qualifying University Manager's respective assets under management. TVA does not monitor the use of performance awards, but does require awards to be paid to university bank accounts via an electronic payment method. Performance awards will not be paid directly to university faculty or students.