

Meeting No. 456

MINUTES OF MEETING
OF THE BOARD OF DIRECTORS
RETIREMENT SYSTEM OF THE TENNESSEE VALLEY AUTHORITY
July 24, 2015

A special-called meeting of the Board of Directors (Board) of the TVA Retirement System (System) was held on Friday, July 24, 2015, at 1:39 p.m., EDT, via teleconference.

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The following directors were present: Allen E. Stokes, Chair; Anthony L. Troyani, Vice-Chair; Brian M. Child; John M. Hoskins; James W. Hovious; Leonard J. Muzyn; and Tammy W. Wilson. Also present were Patrick D. Brackett, Executive Secretary; Pamela K. Ramsey, Assistant Secretary; W. Colby Carter, Senior Counsel, Retirement Benefits & Compliance; Chris A. Stinnett, Sr. Analyst, Investment & Risk Management; and Felicia Bennett, Wilshire Associates (Investment Consultant) for meeting items A-6259 and A-6260 only.

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456-1. Each director was notified in an email dated June 21, 2015, of the special-called meeting to be held on July 24, 2015. A copy of the notice from the Executive Secretary is filed as Exhibit 456-1.

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456-2 (A-6258). As a part of its private equity allocation, the System currently has an investment interest as a limited partner in the Wilshire U.S. Private Markets Fund IV, L.P. (the “Wilshire Fund”). In a June 17, 2015, letter, the general partner of the Wilshire Fund has

requested approval from the limited partners of a two-year extension of the Wilshire Fund's term through July 31, 2017. Under the terms of the limited partnership agreement, there would be a reduced management fee during the extension period. After discussion, upon the recommendation of the Investment Committee and the Executive Secretary, the Board voted to approve the extension of the Wilshire Fund's term and delegated to the Executive Secretary the authority to execute the limited partner consent. A copy of the Wilshire Fund extension request and consent is filed as Exhibit 456-2.

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456-3 (A-6259). As a part of its private real assets allocation, the System currently has a private real estate investment as a limited partner in the Kennedy Wilson Real Estate Fund IV, L.P. (the "KW Fund") and serves as an advisory board member of the KW Fund. The KW Fund currently owns an interest in the Bella Vista multifamily apartment complex in Richmond, California outside of San Francisco ("Bella Vista"). The general partner of the KW Fund has informed the KW Fund limited partners, including the System, of a proposal to sell the KW Fund's ownership interest in Bella Vista to K-W Properties, requested approval from the advisory board members of the sale because K-W Properties is an affiliate of the general partner and KW Fund's investment adviser, and provided the limited partners information on the proposal, including market valuation and investment return. After consideration of the proposal information, and following a discussion with Felicia Bennett of Wilshire on the efficacy of the transaction, the Board voted to approve the sale of the KW Fund's interest in Bella Vista to K-W Properties and delegated to the Executive Secretary the authority to sign the advisory board member written consent and related-party waiver as a part of the transaction. A copy of the proposal information from KW Fund general partner, a Wilshire memo to the System on the proposal, and the advisory board member written consent and waiver is filed as Exhibit 456-3.

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456-4 (A-6260). As a part of its private real assets allocation, the System currently has a private real estate investment as a limited partner in the Kennedy Wilson Real Estate Fund IV, L.P. (the “KW Fund”) and serves as an advisory board member of the KW Fund. The KW Fund currently owns an interest in the Marina View commercial office building in Marina del Ray, California near Los Angeles (“Marina View”). The general partner of the KW Fund has informed the KW Fund limited partners, including the System, of a proposal to sell the KW Fund’s ownership interest in Marina View to K-W Properties, requested approval from the advisory board members of the sale because K-W Properties is an affiliate of the general partner and KW Fund’s investment adviser, and provided the limited partners information on the proposal, including market valuation and investment return. After consideration of the proposal information, and following a discussion with Felicia Bennett of Wilshire on the efficacy of the transaction, the Board voted to approve the sale of the KW Fund’s interest in Marina View to K-W Properties and delegated to the Executive Secretary the authority to sign the advisory board member written consent and related-party waiver as a part of the transaction. A copy of the proposal information from KW Fund general partner, a Wilshire memo to the System on the proposal, and the advisory board member written consent and waiver is filed as Exhibit 456-4.

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456-5 (A-6261). On Monday, July 13, 2015, as set out in the Board-approved election schedule, the window ended for the System to accept nominations to run in the election to be an elected member of the Board for the three-year term beginning November 1, 2015, through October 31, 2018. At the close of the nomination period deadline, the only nomination petition received was for Leonard J. Muzyn, who currently serves as an elected Director on the Board. Accordingly, the Board voted 6 to 0 to approve the following resolution:

WHEREAS, under Section 3(2) of the TVA Retirement System (TVARS) Rules and Regulations, as the term of office of each of the three Directors of the TVARS Board of Directors (TVARS Board) elected by the members of TVARS expires, an election is held

by TVARS for the purpose of electing a successor from candidates who are nominated by a petition subscribed to by not less than 25 members of TVARS;

WHEREAS, pursuant to the election schedule approved by the TVARS Board at its March 6, 2015, quarterly meeting, the deadline was Monday, July 13, 2015, for the submission of nominating petitions to the System to run in the election to be an elected member of the TVARS Board for the three-year term beginning November 1, 2015, through October 31, 2018;

WHEREAS, only one nomination petition has been received by TVARS for this year's election and such nomination is for Leonard J. Muzyn, the Director who currently holds the seat on the TVARS Board that is up for election;

WHEREAS, under Section 3(2) of the TVARS Rules and Regulations, which governs elections, appointments, and selection of Directors on the TVARS Board, it states the following:

In the event only one person is duly nominated for the directorship to be filled, the board may declare such nominee elected without the necessity of formal balloting by the membership.

WHEREAS, the TVARS Board desires to make such a declaration for this Director seat on the TVARS Board and believes this is an appropriate, prudent, and cost-efficient course of action to take as provided for under Section 3(2) of the TVARS given that there is only one nomination for the directorship for an election that requires a simple majority of votes cast by TVARS members;

NOW, THEREFORE, BE IT RESOLVED, that, in accordance with the authority of the TVARS Board in Section 3(2) of TVARS Rules and Regulations and in light of the fact that only one nomination was received by TVARS for the Director seat, the TVARS Board hereby declares that Leonard J. Muzyn is re-elected as a Director of the TVARS Board for the three-year term beginning November 1, 2015, through October 31, 2018.

Mr. Muzyn recused himself from the vote. A copy of an e-mail from the Senior Counsel to the Board on this matter is filed as Exhibit 456-5.

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456-6 (A-6262). Prior to the meeting, the Board discussed with the Executive Secretary and the Senior Counsel a letter to the Board dated July 10, 2015, from Chris Christie, Partner, Bradley Arant Boult Cummings ("Bradley Arant"), who serves as outside legal counsel to the Board. Kevin Newsom, another Partner with Bradley Arant, has been asked by TVA to provide

legal services to TVA for court-certified questions referred to the Alabama Supreme Court related to asbestos-exposure claims in *Melissa Ann Bobo and Shannon Jean Cox, as Co-Personal Representatives of the Estate of Barbara Bobo, deceased v. Tennessee Valley Authority* before the United States District Court for the Northern District of Alabama. Because Bradley Arant would have a potential conflict by representing TVA in the *Bobo* matter and TVARS in the current lawsuit *Evans v. TVA and TVARS*, Bradley Arant has requested a conflicts waiver for this particular matter from the Board as required by applicable legal ethics rules. In the event the Board grants such a waiver, Bradley Arant would put into place an “ethical wall” between Mr. Newsom and Mr. Christie to ensure there is no exchange of information regarding work performed by Bradley Arant for TVA and TVARS. Senior Counsel informed the Board that TVA had already granted a conflicts waiver for this matter on its end. After further discussion, the Board voted 4 to 3 to disapprove granting a conflicts waiver for Mr. Newsom to provide legal services to TVA related to the *Bobo* case. Directors Child, Hoskins, and Wilson voted to approve the conflicts waiver, and Directors Hovious, Muzyn, Stokes, and Troyani voted to disapprove the conflicts waiver. A copy of the letter from Chris Christie at Bradley Arant to the Board is filed as Exhibit 456-6.

Director statements submitted regarding the vote

Statement of Director Muzyn:

The question is: Should the TVARS Board permit a conflict of interest to be created by waiving its right to have its legal counsel be free of such conflicts of interest? Common sense tells you that the answer is probably no, especially given the vast resources at TVA’s disposal which could be used to influence those wishing to begin or expand their business relationships with TVA.

I believe that the board should rely on its own analysis in granting or denying this waiver request, not on advice from parties that may have an interest in the outcome of our vote. Prior to this vote, I was told that granting these sorts of waivers is routine. I was told that failing to grant this waiver would allow TVA to exploit the appearance of poor business decision making by the TVARS board. I was told that I should not worry about this waiver because the amount of

money collected by Bradley, Arant, Boult & Cummings from TVA would be very small compared to the amount collected from TVARS.

This is why I voted “no,” and am pleased that the board voted 4-3 to deny this waiver request.

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456-7 (A-6263). Prior to the meeting, the Board discussed the 7th Director position, including the potential candidates who had submitted interest in being considered for the position for a three-year term beginning November 1, 2015. Upon the recommendation of the Election Committee, the Board voted 6 to 0 to approve the following resolution:

WHEREAS, the TVA Retirement System (TVARS) is governed by a board of directors consisting of seven members (TVARS Board): three appointed by TVA, three elected by and from active employees who are members of TVARS, and a seventh director selected by the other six directors (7th Director), all as set forth in Section 3(2) of the TVARS Rules and Regulations;

WHEREAS, Allen E. Stokes, a TVA retiree, currently serves as the 7th Director for a three-year term that is ending October 31, 2015;

WHEREAS, pursuant to the TVARS Director Election/Selection Policy (Policy), the TVARS Board makes all reasonable efforts to select a qualified 7th Director after considering the desired characteristics of potential candidates for the 7th Director position and seeks to make such a selection in a reasonable amount of time prior to the position becoming vacant;

WHEREAS, pursuant to the Policy, the TVARS Board has publicized the upcoming vacancy of the 7th Director position, requested potential candidates to submit their interest in and qualifications for the position, and received several candidates for consideration;

WHEREAS, Mr. Stokes, the current 7th Director, has informed the TVARS Board of his interest in being re-selected for the 7th Director and has submitted his interest and qualifications for the position along with other potential candidates;

WHEREAS, the TVARS Board acknowledges Mr. Stokes experience serving as 7th Director for four years, that this experience along with his qualifications meet the desired characteristics for the 7th Director position, and the need for continuity in the position given certain matters currently before the TVARS Board, including the current lawsuit against TVARS and the implementation of a new 401(k) plan investment menu; and

WHEREAS, the TVARS Rules and Regulations and the Policy give the TVARS Board the discretion to select, and the flexibility in the process of selecting, the 7th Director after

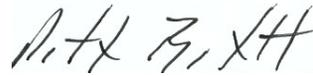
considering all of the factors, qualifications, and desired characteristics as described above;

NOW, THEREFORE, BE IT RESOLVED, that in accordance with the authority of the TVARS Board in Section 3(2) of TVARS Rules and Regulations and the Policy, the TVARS Board hereby selects Allen E. Stokes as the 7th Director of the TVARS Board for a new three-year term beginning November 1, 2015, through October 31, 2018.

Mr. Stokes recused himself from the discussion and the vote on the 7th Director position.

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The meeting was adjourned at 1:45 p.m., EDT.



Executive Secretary



Chair