

Tennessee Valley Authority

INVESTMENT CHALLENGE

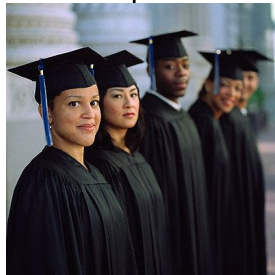
TRADING IN FUTURES



TVA's Investment Challenge is an innovative and unique partnership between TVA and 24 universities in its service territory that provides a real world learning experience in portfolio management. The Challenge gives teams of students hands-on experience managing TVA stock portfolios. This is one of the largest student managed programs in the United States.

Students actively manage TVA funds by designing long-term investment strategies, placing trades, and providing performance reports to TVA — all under the guidance of a faculty member.

Students learn how to manage real money and all the requirements that come along with it and are held to similar guidelines as TVA's professional money managers.



To support the program, TVA utilizes the expertise of some of its most experienced financial managers and analysts to provide guidance and resources to help students apply financial management concepts to real-world situations.

TVA representatives visit the classrooms to discuss the students' logic and strategies behind their portfolio management decisions and offer constructive feedback on strategies.

TVA, one of the largest public entities in the seven-state region, is dedicated to partnering in education with colleges and universities and understands the value of investing in its community and future leaders.

TVA's Investment Challenge is a creative use of TVA's resources that offers opportunities for learning and training to the region's next generation of financial leaders.

History

In 1998 TVA created the Investment Challenge by designating \$1.9 million to 19 Universities to manage actual investment portfolios.

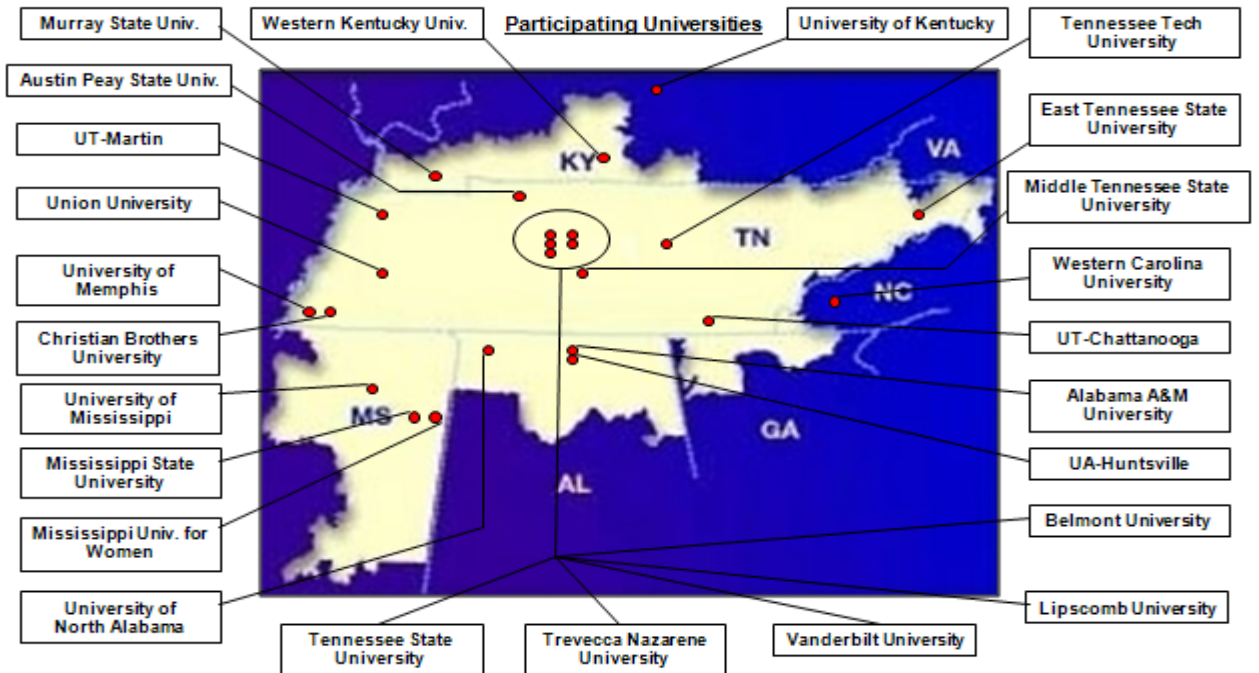
In 2003, TVA added six new schools to the Investment Challenge bringing the total number of schools to 25 and increased the total Investment Challenge portfolio to \$10 million after the success of the program demonstrated that student-managed portfolios performed competitively against their performance benchmark. The assets of the program were rebalanced in 2007.

Each school manages an average of approximately \$300,000 to invest in the stock market on behalf of TVA.

The Investment Challenge is part of TVA's Nuclear Decommissioning Trust Fund equity allocation. The Nuclear Decommissioning Trust Fund was created to meet the financial obligations for decommissioning TVA's nuclear units.

"I have no doubt that students who have participated in the TVA Investment Challenge have a better understanding of how our equity markets work. The hands on experience of managing a real portfolio compliments their academic study of investing in a profound way."

— Doug Timmons, Ph. D, Middle Tennessee State University



Measures of Success

TVA Investment Challenge Performance vs. Major Indices

Year	One-Year Average			Three-Year Annualized Average			Five-Year Annualized Average		
	Average Student Results	S&P 500	Difference	Average Student Results	S&P 500	Difference	Average Student Results	S&P 500	Difference
2008	-39.2%	-37.0%	-2.2%	-9.0%	-8.4%	-0.6%	-1.4%	-2.2%	0.8%
2007	9.8%	5.5%	4.3%	9.7%	8.6%	1.1%	14.7%	12.8%	1.9%
2006	12.9%	15.8%	-2.9%	11.8%	10.4%	1.4%	7.6%	6.2%	1.4%
2005	6.5%	4.9%	1.6%	17.0%	14.4%	2.6%	3.4%	0.5%	2.9%
2004	16.0%	10.9%	5.1%	6.2%	3.6%	2.6%	-2.1%	-2.3%	0.2%
2003	29.7%	28.7%	1.0%	-1.5%	-4.0%	2.5%	1.1%	-0.6%	1.7%
2002	-20.4%	-22.1%	1.7%	-15.7%	-14.5%	-1.2%			
2001	-7.5%	-11.9%	4.4%	0.8%	-1.0%	1.8%			
2000	-18.6%	-9.1%	-9.5%						
1999	36.1%	21.0%	15.1%						

Investment Challenge Contact Information

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About the Tennessee Valley Authority

With facilities that generate the electricity to serve 9 million people, the Tennessee Valley Authority is the nation's largest public power producer. This unique federal corporation provides affordable, reliable electricity to consumers in the seven-state Tennessee Valley region. But TVA does much more than generate power. It also works to support economic development in the Valley and serves as an environmental steward of the nation's fifth largest river system.

Many of TVA's power bonds are traded on the New York Stock Exchange bond market, and its Puttable Automatic Rate Reset Securities (PARRS) are traded on the New York Stock Exchange equity market under the equity symbols TVC and TVE.

For more information visit the TVA Web site at www.tva.com

