1. **Investment Guidelines**

   See Attachment (A) – “Investment Guidelines”.

2. **Amendment to Investment Guidelines**

   The Investment Guidelines were reviewed and approved by the Trustees on May 15, 2017. See Attachment (B) – “Updates to Investment Guidelines”.

3. **Explanation of the Investment Guidelines**

   All of the State University Construction Fund’s (the Fund) investments are maintained by the Commissioner of Taxation and Finance pursuant to the provisions of Article 8-A of the Education Law. The Fund requires the Commissioner of Taxation and Finance to adhere to their “Investment Policy” and the Office of said commissioner is required to consult with the Fund prior to investing monies of the Fund. The Fund evaluates investment options after reviewing them with the Office of the Commissioner of Taxation and Finance and confirms each investment selection by letter. All investments of the Fund are restricted to the investments authorized by its Investment Guidelines and the Office of the Commissioner of Taxation and Finance is required to provide the Fund with written verification of investments and monthly reconciliations thereof.

   The Fund’s Trustees are provided with quarterly investment reports for their review. Further, the Fund is required to engage an independent public accounting firm annually to review its compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of the State of New York.

4. **Annual Independent Audit Report**

   See Attachment (C) – “Independent Accountants’ Report on Investment Compliance”.

5. **Investment Income of the Fund**

   $109,217

6. **Fees, Commissions and Charges Paid to Investment Bankers, Etc**

   New York State Department of Treasury Custodial Fees - $59,398.
STATE UNIVERSITY CONSTRUCTION FUND

GUIDELINES FOR INVESTMENT

Summary

Section 2925 of the Public Authorities Law requires the Board to adopt by resolution investment guidelines to apply to the investment of all monies of the State University Construction Fund (Fund).

Procedures

I. Objectives

A. The primary objectives of the Fund’s investment activities are:

   i. To protect each investment’s principal;

   ii. To maximize earnings, subject to the safety of investments, on the Fund’s monies that are not required for immediate use;

   iii. To conform with all applicable Federal, State and other laws and regulations; and

   iv. To maintain a system of adequate internal controls with an emphasis on safeguarding assets and accurate recordkeeping of investments.
II. Delegation of Investment Management

A. The Fund’s General Manager or designee shall be responsible for the Fund’s investments.

B. Pursuant to Section 377 of the Education Law, all investments are to be made for the Fund by the Commissioner of Taxation and Finance or his or her authorized representative.

C. The Department of Taxation and Finance is designated the sole custodian of the Fund’s investments.

III. Internal Control Procedures

A. The Office of Capital Finance is responsible for establishing and maintaining an internal control structure to provide reasonable assurance that investments are made in accordance with these Guidelines and that they are safeguarded against loss from unauthorized use or disposition.

B. The specific internal controls relating to collusion and separation of transaction authority and recordkeeping is maintained by the following:
   i. The designation of the Department of Taxation and Finance as the sole custodian of the Fund’s investments.
   ii. All records and documents relating to investments are independently summarized and reported on a periodic basis by the Fund’s Controller’s Office.
   iii. Warrants, including wire transfers, to enable disbursements must contain two signatures for authorization.

IV. Investment Procedures

A. The Commissioner of Taxation and Finance will consult with the Fund prior to any change in investments to evaluate investment options (investment type, term, required collateral, and rate of return) and the Fund’s cash flow requirements.

B. The Fund will formally confirm each investment selection by letter to the Commissioner of Taxation and Finance.

C. The Commissioner of Taxation and Finance will provide the Fund with written verification of each investment transaction and monthly account statements showing all transactions and investment balances held on behalf of the Fund.
V. Permitted Investments

A. Pursuant to Section 377 of the Education Law and Section 98-A of
the State Finance Law, the following investments are permitted:

i. Obligations of the United States Government and its
   Agencies with a maturity of twelve years or less.

ii. Repurchase agreements with a maturity of ninety days or
    less that are collateralized by obligations of the United
    States Government and its Agencies.

iii. Certificates of deposit purchased from banks or trust
    companies located within New York State with a maturity
    of five years or less. To the extent a certificate of deposit
    is not insured by the Federal Deposit Insurance
    Corporation, it must be collateralized by obligations of the
    United States Government and its Agencies.

iv. Commercial paper with a maturity of ninety days or less
    that carries the highest rating of two independent rating
    agencies.

VI. Diversity of Investments

A. The investments of the Fund shall be diversified by financial
   institution, investment instrument, rate of return, and maturity
   pursuant to policies established by the Commissioner of
   Taxation and Finance.

VII. Authorized Financial Institutions and Dealers

A. A list of Eligible Banking Institutions and Broker-Dealers
   authorized by the Commissioner of Taxation and Finance is
   contained in Appendix A. This list is subject to change in
   accordance with the policies and procedures established by the
   Commissioner of Taxation and Finance.

VIII. Collateral and Delivery of Securities

A. The Fund relies upon the policies and procedures of the
   Commissioner of Taxation and Finance to ensure that the market
   value of collateral and accrued interest, if any, shall equal or
   exceed the value of the secured investment and accrued interest
   at all times.

B. The Fund's Controller's Office verifies the market value of
   collateral on a monthly basis using the bid or closing price as
C. The interests of the Fund are protected by the physical delivery of purchased securities to the Commissioner of Taxation and Finance, or, in the case of book-entry transactions, on the crediting of purchased securities to the Commissioner's Federal Reserve System account.

IX. Reporting Guidelines

A. The Fund's Trustees are hereby deemed its Investment Committee and they shall be provided with quarterly investment reports for their review and action in accordance with Section 2925(5) of the Public Authorities Law.

B. The Fund's annual financial statements shall contain all disclosures related to investments as required by the Governmental Accounting Standards Board (GASB).

C. The Fund shall submit an annual investment report to the Division of Budget with copies to the Office of the State Comptroller, the Senate Finance Committee, and the Assembly Ways and Means Committee as required by Section 2925(7) of the Public Authorities Law that shall include the following:

i. The investment guidelines and any amendments to such guidelines since the last report;

ii. An explanation of the investment guidelines and amendments;

iii. The results of the annual independent audit;

iv. The investment income record of the Fund; and

v. A list of the total fees, commissions or other charges paid since the last report.

X. Audit Procedures

A. The fund shall obtain an annual independent audit of its investments in accordance with Section 2925(3)(f) of the Public Authorities Law that shall determine whether the Fund complied with these Investment Guidelines, as well as applicable Federal, State, and other laws and regulations.
B. The independent auditor shall submit a written audit report presenting the results of their independent audit that shall include:

   i. A description of the scope and objectives of the audit;
   ii. A statement attesting that the audit was conducted in accordance with generally accepted government auditing standards;
   iii. A description of any material weaknesses in the internal controls;
   iv. A description of all non-compliance with the Fund’s Investment Guidelines as well as applicable Federal, State, and other laws and regulations;
   v. A statement of positive assurance of compliance on the items tested; and
   vi. A statement on any other material deficiency or finding identified during the audit.

C. The audit report shall be filed within 90 days after the close of the Fund’s fiscal year with the Office of Budget and Policy Analysis of the Office of the State Comptroller.

XI. Annual Review and Revisions to Guidelines

   A. These Investment Guidelines shall be reviewed annually by the Board of Trustees who may, from time to time, amend the same.

XII. Effective Date

   A. These Guidelines are effective immediately.
Appendix A
Department of Taxation and Finance
Approved Eligible Banking Institutions and Broker-Dealers
as of March 21, 2017

For Federal and State Government Obligations:
Bank of America Securities
Citigroup
Deutsche Bank Securities
HSBC
JP Morgan Securities
Mizuho Securities USA
Morgan Stanley Smith Barney
Key Bank
Royal Bank of Canada
Wells Fargo

For Certificates of Deposit:
Adirondack Bank
Adirondack Trust Company
Alliance Bank, NA
Ballston Spa National Bank
Bank of Akron
Bank of America
Bank of Castile
Bank of Utica
Chemung Canal Trust Co.
Citibank NA
Citizens and Northern Bank
Citizens Bank, NA (formerly Charter One Bank)
Community Bank, NA
Delaware National Bank of Delhi
Elmira Savings Bank, FSB
Evans National Bank
Five Star Bank
Genesee Regional Bank
Glens Falls National Bank and Trust Company
HSBC Bank USA, National Association
JPMorgan Chase Bank
KeyBank National Association
Lyons National Bank
Manufacturers & Traders Trust Company
NBT Bank, NA
Northwest Savings Bank (formerly Jamestown Savings Bank)
Path Finder Bank
Oswego County National Bank
Seneca Federal Savings & Loan Assoc.
Solvay Bank
Steuben Trust Company
TD Bank (formerly TD Banknorth N.A.)
Tioga State Bank
Tompkins Trust Company
Upstate National Bank
State University Construction Fund
Updates to Investment Guidelines (March 2017)

The Fund’s modifications to investment guidelines are as follows:

1. None
Report on Compliance With the Requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York

Board of Trustees
State University Construction Fund
Albany, New York:

We have examined the compliance of the State University Construction Fund (the Fund), a component unit of the State of New York, with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of the State of New York during the fiscal year ended March 31, 2017. Management is responsible for the Fund's compliance with these requirements. Our responsibility is to express an opinion on the Fund's compliance with the requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Fund complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Fund complied with the specified requirements referenced above. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Fund's compliance with the specified requirements.

In our opinion, the Fund complied, in all material respects, with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York during the year ended March 31, 2017.

In accordance with Government Auditing Standards, we are required to report certain findings of deficiencies in internal control, instances of noncompliance with provisions of laws, or regulations, contracts or grant agreements, and instances of fraud and abuse that are direct and material to the Fund's compliance with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Fund complied with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulation of the State of New York and not for the purpose of expressing an opinion on the internal control over compliance with those requirements, compliance with the provisions of other laws, regulations, contracts or grant agreements or the other matters referred to above; accordingly, we express no such opinion. The results of our tests disclosed no matters that are required to be reported under Government Auditing Standards.
This report is intended solely for the information and use of Fund management, the Board of Trustees, and New York State and is not intended and should not be used by anyone other than those specified parties.

Albany, New York
August 8, 2017