

## CONSTRUCTION DEFECTS RESERVE FUND INVESTMENT POLICY

WHEREAS, the Village at Deer Creek Homeowners Association has received significant payment from insurance companies following litigation against the subdivision developer over deficient construction in The Village at Deer Creek; and

WHEREAS, sound investments of these funds will produce a benefit to the Association, if interest earnings increase the amount of funds available, to repair construction defects; and

WHEREAS, the homeowners, at a specially designated meeting, approved by a 65% margin to allow up to 20% of the available funds to be invested in equities, and 80% in federally insured investments; and

WHEREAS, the Board of Directors desire to manage these funds as good stewards of the Association funds.

THEREFORE, BE IT RESOLVED that the following Reserve Fund Investment Policy be adopted.

### OBJECTIVES

These insurance settlement funds shall be invested in an effort to achieve the following objectives:

- A. Minimize risk of principal
- B. Ensure that adequate funds will be available for repair of defective construction
- C. Achieve an advantageous long- term investment performance

### INVESTMENT STRATEGY

- A. On an annual basis, the Board of Directors will review the upcoming year to determine the anticipated funds required for expenditures to repair defective construction
- B. Current and new funds will be invested in the following manner:  
20% will be managed by a Trust Company, currently Midwest Trust .  
80% will be invested in federally insured investments.
- C. The funds will be overseen by an Investment Committee which will make recommendations to the Board of Directors. The Investment Committee will consist of two Board Members and three Home Owners not on the Board.

### REVIEW AND CONTROL

- A. All investments will be purchased in the name of the association.
- B. Signatures of the president and/or treasurer are required for withdrawals or transfer of reserve funds.
- C. Directors will review regular financial statements and make adjustments as needed to insure objectives are met.
- D. Directors will review the association's cash flow needs for construction defect repairs and make adjustment as needed to insure adequate liquidity to support those repairs.

E. Funds and interest earned from these litigation settlements for construction defects will be used only to repair defects of construction in the subdivision.

Adopted this \_\_\_\_\_ of \_\_\_\_\_, 2013 by the Board of Directors of the Village at Deer Creek Homeowners Association, Inc.

\_\_\_\_\_  
President

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
( printed name)

\_\_\_\_\_  
( printed name)

Policy Approved on September 12, 2013