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HOMEOWNERS ASSOCIATION

RESOLUTION 24-05 CORONADO CAYS INVESTMENT POLICY

Whereas Article V, Section 9 of the Bylaws for the Coronado Cays Homeowners Association provides that the Treasurer shall deposit all monies and other valuables in the name and to the credit of the Association with such depositaries as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Association as may be ordered by the Board of Directors, and shall render to the Board of Directors whenever requested, an account of all transactions and of the financial condition of the Association.

Now therefore, the Board of Directors hereby adopts the Investment Policy (Policy) under action taken at their meeting on the 30th day of May 2024. The Finance Advisory Committee (FAC) of the Association will review the Policy at least on an annual basis and make written recommendations to the Board of the Association. The Board will review such written recommendations and then vote to approve any changes to or deviations to the Policy.

PURPOSE

The Policy is designed to provide written guidelines for the individuals authorized and responsible for the management and investment of the Association's Reserve Funds. Reserve funds invested by the Association represent monies that are necessary in both the near term and longer term for major repair or replacement of Association common area real and personal property components identified in the annual Reserve Study.

INVESTMENT OBJECTIVES

It is the intent of the Policy to state both general and specific objectives and guidelines and clearly communicate the investment philosophy. It is important that the Policy be sufficiently specific, yet appropriately broad to allow practice implementation to navigate variable market conditions. The primary investment objectives are preservation of capital and income (safety first), with a critical secondary objective of growth (yield) to help mitigate inflationary erosion of the Association Reserve funds over the long term. It is essential that assets in the Reserve Fund be invested to achieve the following goals as listed in order of priority:

1. Safety - Promote and ensure the preservation of principal and realization of income.
2. Liquidity - Maintain sufficient liquid funds and structure maturities to meet anticipated expenditures as and when due.
3. Yield - Returns are to be appropriate in terms of the safety and and liquidity objectives.
4. Growth - Meaningful capital appreciation of managed portfolio assets while balancing risks by prudent asset allocation,

diversification and rebalancing.

It is intended that all fixed income investments will be held to maturity except for CMO's collateralized by GNMA mortgage securities (described below) which historically have been realized in advance of their maturity date. Liquidating other term maturities prior to maturity and generating any given gain or loss is only permitted to manage liquidity requirements specified by this Policy.

In the 2025 Reserve Study, the Board approved the recommendations of the FAC and the Reserve Analyst for the utilization of 4.0 percent investment earnings rate based on current market conditions and a 4.0 percent inflation rate. The goal for the annual rate of return and inflation rate will be reviewed at least annually by the FAC and the Board.

PORTFOLIO GUIDELINES AND CONCENTRATION LIMITS

The following are potential types of investments. The Board will be kept informed at monthly meetings regarding the current investments based on prior determinations regarding those current investments.

1. Interest-bearing bank money market accounts within FDIC-insured limits, including FDIC-insured deposit programs with daily liquidity.
2. Money market mutual funds including Prime, U.S. Treasury and /or Government funds with daily liquidity.
3. Certificates of Deposit in amounts less than or equal to the maximum FDIC-insured limits, including but not limited to callable, step-up, variable rate, inflation protected, and market linked Certificate of Deposit offerings.
4. U.S. Treasury securities, inclusive of TIPS, and obligations of any U.S. government Agency.
5. U.S. Government Agency mortgage-backed securities and collateralized mortgage obligations (CMO's). Outstanding face value of investments in CMO's may not exceed 5% of the total Replacement Fund balance at the time of purchase of the investment, and a maturity not to exceed 5 years.
6. Municipal Bonds insured as to principal and interest and having an underlying rating of AAA by at least one reputable rating service (Standard & Poor's, Moody's, etc). Market value of municipal bonds may not exceed 5% of the total Replacement Fund at the time of the purchase of the investment. The 5% rule applies to number 5 and 6 and refers to the total amount of purchases.

LIQUIDITY AND ASSET ALLOCATION

Reserve funds shall be maintained in allowable investments with liquid funds available for scheduled Replacement Fund cash expenditures. Based upon the parameters of the most recent Reserve Study cashflow projections, incorporating the most recent Reserve Study cash expenditure budget, a portion of available Replacement Fund assets shall be maintained in liquid accounts. Additionally, Replacement Fund assessment income and investments maturing each year shall be sufficient to cover at least 110% of planned Replacement Fund expenditures and shall be scheduled to ensure availability of funds when needed.

The target allocation of the Replacement Fund investments would fall within the following allowable ranges as approved by the Board:

| | |
|---------|--------------------------|
| 5%-100% | Cash |
| 0%- 95% | Fixed Income to 4 years |
| 0%-40% | Fixed Income 4-5years |
| 0%- 5% | Municipal Bonds or CMO's |

The association's Replacement Fund fixed income portfolio will be structured on a laddered basis with investments that mature in successive periods. No security will be purchased with an effective maturity of greater than five (5) years.

The Association's Replacement fund equity investment portfolio will use the long-term strategic asset allocation guidelines recommended by the Investment Advisor to be the most appropriate given changing Market conditions. The Board will consider approving the asset allocation guidelines recommended by the Investment Advisor, the Finance Committee and the Treasurer. The maximum actual amount to be invested within the allowable equity investment range will be determined by the Association's long-term balance not required to meet Replacement fund cash expenditure needs in the next five (5) years, as reflected by the forecasted annual ending balances in the most recent Reserve Study (2024), adjusted on an annual basis with the approval of the Board.

INVESTMENT ADMINISTRATION AND REPORTING

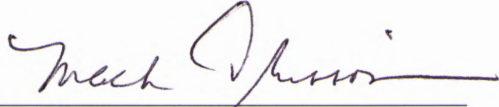
The Board will select and approve a Financial Advisor and/or Investment Advisor to assist with investment actions under this policy.

The Association has engaged the services of Wells Fargo Wealth Advisors to act as Investment Advisor and Managing Agent (Investment Consultant). The Managing Agent, subject to applicable law, is authorized to open and maintain Replacement Fund investment accounts with financial institutions required to implement action subject to this Policy and has the authority to approve non-discretionary investment recommendations which are consistent with the provisions of this Policy.

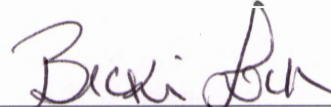
The Investment Consultant shall meet with the FAC at least annually and with the Board if so needed, The Investment Consultant will propose to the FAC and the Board the maximum amount of the Replacement Fund allocated to the growth strategy each year. The written investment recommendations from the Investment Consultant on the fixed income strategy and the written recommendations from the FAC shall be furnished to the Board for their review and approval. The Investment Consultant shall be responsible for carrying out investment decisions under the parameters of this Policy approved by the Board. The Board may authorize the President and Treasurer of the Board to open and maintain accounts in the name of the Association with financial institutions as required to carry out the investment decisions approved by the Board. The Investment Consultant shall prepare and furnish written investment reports on at least a quarterly basis to the Board, the FAC and the General Manager. Such reports shall include, but not be limited to, summary by investment type in dollar and concentration percentage, weighted average yield (interest rate) and scheduled maturity dates. In addition, the board shall have ready access to all records pertaining to all investments made for the Association. The Investment Consultant shall prepare and furnish monthly account statements to the General Manager of the Association. The General Manager will then furnish such statements to the Board and the FAC. Such statements shall include, but not be limited to, the detail of each investment including adjusted cost basis, acquisition date, maturity date, market value, unrealized gain or loss, accrued interest, estimated annual income, and estimated yield (interest income). The General Manager of the Association shall review the Replacement Fund monthly statement and generate an investment

summary to be presented to the Board. The Board shall review and approve the account statements and reconciliations, the Replacement Fund investment summary, and expenses exceeding \$10,000 monthly.

Approved by the Board of Directors this 30th day of May, 2024.



Mark Crisson, President



Becki Lock, Secretary