

MUTUAL OPERATIONS

MUTUAL ACCOUNTS AND RESERVES

General Operating Procedures - Mutual Twelve, Effective _____

As the association is obligated under Civil Code Section 5510(b) to repair, restore, replace, or maintain major components for which the reserve fund was established, Mutual No. Twelve hereby adopts the following general operating procedures in relation to the restricted and non-restricted funds.

Restricted Reserve Funds

A RESOLUTION of Mutual Twelve's Board of Directors is necessary to authorize a contract or a transfer from or between any of these five funds. The President of the Mutual shall sign all contracts when funds are utilized from any of these five funds. Each of these funds to be maintained in accounts in keeping with Policy 7306.12 – Banking Resolution and Civil Code Section 5515(c).

1. Appliance Replacement Reserve Fund

The Appliance Replacement Reserve Fund is designated for repairs, restoration, replacement or maintenance of Mutual property and fixtures within the interior of the separate unit as defined in Policy 7622.12. Expenditures that exceed \$1,000 require Mutual Board authorization before the Service Maintenance Department may proceed with the repair/replacement order.

2. Infrastructure Reserve Fund

The Infrastructure Reserve Fund is designated for major projects which may require an outside contractor, such as, but not limited to, carport flooring, driveways, run-offs (swales), landscape irrigation systems, water distribution, plumbing, sewers, and other major projects. Following Board authorization, the GRF Supervisor of Physical Property or Supervisor of Service Maintenance is required to prepare Request for Bid specifications approved by the Mutual Twelve Physical Property Committee and initialed by the Mutual Twelve President before submitting to qualified contractors for these projects in accordance with Policy 7621.12.

3. Painting Reserve Fund

The Painting Reserve Fund is designated for painting of the exterior of all Mutual apartment buildings, carports exterior and interior, and laundry rooms exterior and interior, and any related expenses including wood repair. Following Board authorization, the GRF Physical Property Department is required to prepare Request for Bid specifications for painting projects in accordance with Policy 7621.12.

4. Roofing Reserve Fund

The Roofing Reserve Fund is designated for major roofing projects and related components which may require outside contractor bids. Following Board authorization, the GRF

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Supervisor of the Physical Property Department is required to prepare Request for Bid.

5. Emergency Contingency Reserve Fund

The Emergency Contingency Reserve Fund is designated for the unexpected occurrence, or chance happening or concurrence of events requiring urgent immediate action. Use of funds requires Board authorization on a case-by-case basis and in accordance with Policy 7621.12.

Non-Restricted Funds

1. Operation Fund

The Operation Fund shall be used to accumulate funding to supply cash to the general checking account to make payments for billings not covered by the above defined Restricted Reserve Funds. This fund shall also be:

- a) An interest-bearing money market account.
- b) Used for transferring money into the general checking account for billings with the concurrence of the Chief Financial Officer.
- c) Used to receive moneys from the carrying charge account and the general checking account when that account has a balance in excess of \$25,000.

2. Impound Fund

The Impound Fund shall be used to accumulate funds, as required and as determined by the GRF Controller, for the payment of real property taxes on individual shareholder separate interest as assessed by Orange County Property Tax. This fund shall also be:

- a) An interest-bearing money market account.

3. Repair and Tax Deposit Fund

When a Transfer of Membership is initiated, the Repair and Tax Deposit Fund is for the purpose of managing seller repair and tax deposits held until the unit is sold and the tax liability is relieved. This fund shall also be:

- a) An interest bearing money market account.

MUTUAL ADOPTION

TWELVE: 07-11-02

(Mar 16)

AMENDMENTS

04-10-03, 03-10-16