

MUTUAL OPERATIONS

MUTUAL RESERVES

Replacement Reserve Fund

I. Information

The Original Regulatory Agreement (FHA Form 3225) requires that the Mutual shall establish and maintain a reserve fund for replacements by the allocation to such reserve fund in a separate account. The amount determined by the Replacement Reserve Study is available to replace the following items:

1. Range and Oven, Electric (original)
2. Refrigerator, Electric (original when determined it cannot be repaired)
3. Kitchen Sink, Faucet and Fittings (original)
4. Bathroom Sink, Faucet and Fittings (original)
5. Toilet and Valves (original) (excluding toilet seat)
6. Bathtubs (original only), Shower Stalls, Fitting (original)
7. Laundry Room Washers
8. Laundry Room Dryers
9. Hot Water Heaters, electric (original) (apartments and laundry rooms)
10. Garbage Disposals (original only and must not have been abused)
11. Heaters, Electric Radiant (in ceiling and thermostat controller)
12. Roofing, Built-up or Shingle
13. Flashings, Gutters, Downspouts, GI
14. Electric Fixtures (original ballasts, but excluding bulbs)
15. Ventilating Fans and Blowers (original)
16. Window Screens, Aluminum (original)
17. Clothesline (between laundry room areas)
18. Cabinets and Doors (original) (can be fixed by Service Maintenance)
19. Countertops (original)

Non-Standard items are not covered by the Appliance Reserve Fund. Maintenance of non-standard items is arranged and paid for by the shareholder. Non-standard items are noted in pre-listing inspections and are listed for subsequent buyers on the inspection report furnished at the time of the new buyer interview.

II. Use of Fund

Whenever the Mutual Board determines that an item on the above list needs to be replaced, the procedure is as follows:

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1. Authorize the work to be done and payment to be made, upon completion.
2. Adopt a resolution certifying that the work covered by the receipted bills has been completed, and authorize the Finance Department to reimburse from the Appliance Fund or from a specific Reserve Replacement Fund in the amounts enumerated and the items specified. Further, authorize an officer of the corporation to execute the authorization for payment.
3. Mutual Two maintains an Appliance Fund and several specific reserves: Roofing, Infrastructure and Paint. In addition, there is an Operating Fund and an Emergency Reserve.
4. Depending on the specific repair, any of the Reserve Funds can be sourced for payment depending on the specific need and specific reserve or fund. The majority of repairs will be sourced from the Appliance Fund, except if roofing repairs are needed those repairs will be funded from the Roofing Reserve.
5. Board approval is needed for any contracted repairs such as Re-roofing or Major Infrastructure repairs and any changes to the contract over \$1,000.

MUTUAL ADOPTION**AMENDMENTS**

TWO: 04-21-16

(Apr 16)