

**RESOLUTION 01-03-43**

**WHEREAS**, the Maintenance and Construction Committee of this Corporation recognizes the need to define the policies of United Laguna Hills Mutual regarding the repair and replacement of specific major appliances maintained within the Mutual's dwelling units;

**NOW THEREFORE BE IT RESOLVED**, March 11, 2003, that the Board of Directors of this Corporation hereby adopts the attached United Laguna Hills Mutual Appliance Policies (February 13, 2003); and

**RESOLVED FURTHER**, that the officers and agents of this corporation are hereby authorized on behalf of the corporation to carry out the purpose of this resolution.

# **UNITED LAGUNA HILLS MUTUAL APPLIANCE POLICIES**

**March 11, 2003**

## **1.0 PURPOSE & SCOPE**

### **1.1 PURPOSE**

The purpose of this document is to define the policies of United Laguna Hills Mutual regarding the repair and replacement of specific major appliances maintained within the Mutual's dwelling units.

### **1.2 SCOPE**

Major appliances maintained within the Mutual's dwelling units incorporated within this policy include refrigerators, cook tops, hoods and ovens. The Mutual will maintain and replace dishwashers in the dwelling units following the guidelines set forth in this policy.

## **2.0 DEFINITIONS**

### **2.1 STANDARD BRAND**

The Board establishes a particular manufacturer (or brand) of appliances to be installed by the Mutual in the dwelling units.

### **2.2 STANDARD ISSUE**

The Board establishes for each appliance category a specific model to be installed within the dwelling units.

### **2.3 UPGRADED**

An appliance is considered "upgraded" if it is of the same brand name as the Mutual standard brand appliances, but is a model whose features exceed those of the Mutual standard issue appliance.

### **2.4 DIFFERENT**

An appliance is considered "different" if it is of the same brand name as the Mutual standard issue appliances, but has features unlike those included on the standard issue models (e.g. special color, reduction in size).

## **2.5 SERVICEABLE LIFE**

**2.5.1** The Board establishes the serviceable life of an appliance. The Mutual's replacement reserves are based upon the established serviceable life for each appliance.

**2.5.2** The serviceable life established by the Board for each appliance category is as follows:

- Cook tops                      20 years
- Hoods                            20 years
- Ovens                            20 years
- Refrigerators                20 years
- Dishwashers                 12 years

**2.5.3** The serviceable life of a standard brand appliance begins on the date of installation.

**2.5.4** The serviceable life of a standard brand dishwasher not installed by the Mutual begins on the date of permit issuance, the date of purchase or installation as indicated by verifiable documentation, or as indicated by the manufacturer based upon the serial number and model number.

**2.5.5** Up to 90 days after the adoption of this policy, the presence of existing standard brand dishwashers may be reported to the managing agent to be accepted into Mutual records upon verification through inspection that the dishwasher is installed in accordance with Mutual standards. Thereafter permit fees and inspections will be required.

## **3.0 REPLACEMENT**

**3.1** Mutual appliances are replaced at Mutual cost upon failure, non-reparability, excessive cost to repair as compared to value of the appliance's remaining serviceable life, or upon request at the end of the serviceable life.

**3.2** Appliances replaced by the Mutual will be standard issue appliances. The Mutual Member may opt to upgrade from the standard issue appliance by initiating a contract for cost participation.

**3.3** Upon replacement of an appliance, either by the Mutual or the individual Mutual Member, the appliance being replaced must be returned to the Mutual.

- 3.4** Appliances installed within the dwelling units by the Mutual remain the sole property of the Mutual. Mutual Members are responsible for ensuring the appliances owned by the Mutual are present in the manor at the time of resale inspection and resale escrow closure. If the Mutual Member has changed any or all of the appliances, replacement appliances manufactured no earlier than the appliances on record must be present. If the appliances are not Standard brand, they will be considered alterations and will be subject to the Mutual's alteration policies.

#### **4.0 PRORATED APPLIANCE REPLACEMENTS**

The Mutual Member may opt to replace any of the Mutual's appliances within the dwelling units at any time during the applicable serviceable life, with associated costs shared by both the Mutual and the Mutual Member (cost participation).

- 4.1** The Mutual reserves for replacement of appliances based on the established serviceable life. The Mutual will participate in the cost of replacement to the extent of the depreciated materials and installation costs of the appliance being replaced. The Mutual Member participates in the cost of the new appliance by assuming the responsibility for the existing appliance's remaining depreciation expense. To receive a prorated credit, replacement must be completed through the Mutual's agent and the existing Mutual owned appliances must be returned to the Mutual.
- 4.2** The methodology for calculation of the prorated cost participation is explained in Appendix 1.

#### **5.0 UPGRADED OR DIFFERENT APPLIANCE REPLACEMENTS INSTALLED BY THE MUTUAL**

- 5.1** The Mutual Member may select standard brand appliances that are considered upgrades or different from the specification of the Mutual standard issue appliances.
- 5.1.1.** The Mutual Member is responsible for the cost differential between the standard issue appliance and the selected upgraded or different appliance.
- 5.1.2.** The upgraded or different appliance remains the property of the Mutual and must remain with the dwelling unit upon transfer of ownership, subject to the resale policies.

- 5.2** The Mutual Member may choose to purchase any appliance through any supplier at their sole expense. The Mutual will not issue any credit for depreciated serviceable life for any appliances not replaced through the Mutual's agent. Repair services for appliances installed by the Mutual Member may be provided, subject to the Mutual's Policy Section 8.0.
- 5.3** Appliances installed by the Mutual Member are subject to the Mutual's Alteration policies.
- 5.3.1** At the time of the resale of a dwelling unit, the Mutual Member must remove any appliances that were installed by the Mutual Member and not accepted as an Alteration by the Buyer. At no time will a transfer of ownership to the Mutual of the Mutual Member's appliances be made.
- 5.3.1.1** An exception to this policy is the first installation of a standard brand dishwasher.
- 5.3.2** If the appliances installed by the Mutual Member are not acceptable to the Buyer, the Mutual Member may undertake prorated replacements for each of the appliances with standard brand appliances. The date of the Mutual's last installation of each appliance type will be used for the proration calculations.
- 5.4** The Mutual's agent will not install any appliances not purchased through the Mutual's appliance programs.

## **6.0 INSTALLATION**

- 6.1** The Mutual is responsible for all costs associated with installation of standard appliances, inclusive of any costs for cabinet modifications, excluding Mutual Member altered cabinets, required for accommodating changes in the dimensions of the Mutual standard issue appliances.
- 6.2** The Mutual Member is responsible for all costs associated with cabinetry modifications required for accommodating the dimensions of any upgraded or different appliances.
- 6.3** The Mutual Member is responsible for all costs associated with installation of upgraded or different features. For example, the Mutual Member is responsible for the installation of the water line for an icemaker upgrade to a refrigerator.
- 6.4** The Mutual Member is responsible for all costs associated with the installation of an appliance purchased outside of the Mutual.

## **7.0 OWNERSHIP**

**7.1** All appliances provided by the Mutual are the property of the Mutual.

**7.2** All appliances installed by the Mutual Member are the property of the Mutual Member. A transfer of ownership to the Mutual of the Mutual Member's appliances cannot be made.

**7.2.1** An exception to this policy is a first installation of a standard brand dishwasher.

## **8.0 SERVICE AND REPAIRS**

**8.1** Appliance repair services through the Mutual's agent will only be provided for standard brand appliances. The Mutual Member is solely responsible for repair and replacement of non-standard brand appliances.

**8.2** The Mutual's agent will not perform repairs to or service any appliances during the period in which the appliance is under warranty by the manufacturer, as servicing a unit while under warranty would void the manufacturer's warranty.

**8.2.1** Arranging for repairs with the warranting manufacturer during the warranty period is handled directly by the Mutual Member. The Mutual does not provide coordination of warranty service.

**8.3** Mutual standard appliances and various parts are held in stock for emergency repairs and replacements.

### **8.4 Charges to the Mutual:**

**8.4.1** Normal labor and service charges for repairs to all standard operational features of standard brand appliances unless necessary repairs are determined by the Mutual's agent to result from user negligence.

**8.4.2** Parts for the repair and replacement of standard operational features of an appliance.

**8.4.3** Repair and replacement of standard non-operational items worn through normal use as determined by the Mutual's agent.

**8.6.1** The Mutual will provide removal of an existing appliance at the time of replacement by the Mutual.

### **8.5 Charges to the Mutual Member**

- 8.5.1** For upgraded or different appliances, repair and replacement of all parts that differ from those used in the standard issue appliance.
- 8.5.2** Repair and replacement of non-operational parts when the Mutual's agent determine that such repairs and replacements have resulted from user negligence.
- 8.5.3** All costs determined by the Mutual's agent to result from user negligence.
- 8.5.4** All costs associated with assembly of existing parts disassembled by the Mutual Member.
- 8.5.5** All costs necessitated by the presence of alterations.
- 8.5.6** All costs necessitated by the work of outside vendors
- 8.6** The Mutual will service a standard brand appliance installed by, and thus belonging to, the Mutual Member in accordance with repair policy.
  - 8.6.1** If the cost of a repair should exceed the replacement cost of an appliance, the Mutual will not perform the repairs. The Mutual Member is then responsible for the replacement costs in accordance with replacement policies.

## **9.0 NOTIFICATION**

- 9.1** In a written statement signed at the close of escrow, each Mutual Member shall be notified of the Mutual's appliance policies.
- 9.2** Prior to the close of escrow, all non-standard and upgraded or different appliances in the dwelling unit for which the Mutual Member is responsible will be disclosed in writing. Mutual Members have the right to request standard appliances in place of non-standard appliances, see Prorated Appliance Replacements section 4 for details.
- 9.3** Copies of all policies will be available to all Mutual Members.

## APPENDIX 1

### PRORATED REPLACEMENT COST CALCULATIONS

The age of an appliance is determined by the difference between the installation date and the estimated replacement date (calculated to be 60 days from the date of the replacement request).

For example, if an appliance was installed January 10, 1994 and the Mutual Member requested replacement on March 20, 2002, the age of the appliance would be 8 years, 4 months and 9 days old.

- March 20, 2002 + 60 days = May 19, 2002
- May 19, 2002 – January 10, 1994 = 8 years, 4 months, and 9 days

The prorated cost calculation is applied to the material cost of the replacement unit to determine the prorated material cost.

The prorated cost calculation is applied to the labor portion of a standard installation (based on standard hours and the current annual billing rate for the electrical/appliance work center) to determine the prorated installation cost.

A service charge is applied to each prorated replacement request.

The estimation of prorated costs is done through a computerized system that calculates the costs; no manual calculations are provided. This system was devised to minimize errors and afford all Mutual Members equal and unbiased information.



## APPENDIX 2

### APPLICATION FOR APPLIANCE CHANGES

The following excerpts are included in the Application for Appliance Changes contract drafted for each appliance replacement request during the serviceable life of the appliance (Prorated Appliance) and for each Upgraded Appliance request.

The undersigned Mutual Member agrees to the following Mutual Policy regarding appliance replacements: (1) Any new appliances installed in response to this request are the property of United Laguna Hills Mutual; (2) the new appliance will be installed in lieu of the appliance replaced, the appliance removed will be returned to the property inventory (warehouse) and remuneration of this item will be credited to the inventory account; and (3) the new appliance will remain within the manor regardless of any change of occupancy of or sale of interest in the manor, except as expressly authorized by United Laguna Hills Mutual.

Fluctuations in appliance prices may result in materials cost variations. The undersigned will be responsible for the prorated portion of the actual materials cost for the appliance. Any electrical cords, receptacles, etc. that may be necessary for mounting and/or hookup of the new appliance will be added to the final cost. The undersigned will also be responsible for costs associated with installation, as shown below. Upon receipt of the appliance in the warehouse an installation appointment will be scheduled with the undersigned. A billing statement for the appliance and all applicable charges will be mailed to the undersigned following the installation of the appliance.

*Special Note:* If the requested item is an UPGRADE, the Mutual Member is responsible for any required cabinetry modification work. The appliance manufacturer charges a 25% restocking fee for each item returned to their warehouse; this fee is the sole responsibility of the Mutual Member upon Mutual Member's cancellation of this order. Applicable costs for parts for non-standard items are also the responsibility of the Mutual Member.