

**POLICY FOR RESERVE STUDIES AND  
FUNDING THE ASSOCIATION'S RESERVE ACCOUNT  
(for Associations with a Reserve Study and a Reserve Account)**

The following policy was adopted by the Board of Directors of Woodgate Recreational Association, Inc. ("the Association") pursuant to Colorado law at a regular meeting of the Board.

**RECITALS:**

A. Colorado Revised Statute ("C.R.S.") 38-33.3-209.5(1)(b)(xi) provides that Colorado Common Interest Communities shall adopt a policy concerning the establishment and maintenance of a reserve study, as well as a policy of funding the Association's reserve account.

B. C.R.S. 38-33.3-303(2)(b) provides that Members elected to the executive Board by the Unit Owners will be liable for wanton or willful actions or omissions.

C. C.R.S. 7-128-401(2)(b) allows the Members of the Board of Directors to rely on information, opinions, or statements if presented by legal counsel, public accountant or other person as to matters the Board reasonably believes are within such persons expert competence in discharging their duties.

D. The Colorado Courts have applied the Business Judgment Rule in their review of actions taken by Boards of Colorado nonprofit corporations.

E. Without waiving the statutory duty of care applicable to Members of the Executive Board elected by Unit Owners, other than the Declarant, the Board would like to implement elements of the Business Judgment Rule with respect to adopting a policy for establishing and maintaining a reserve study and a policy for funding the Association's reserve account.

**THEREFORE, IT IS RESOLVED:**

The Association, acting through the Board of Directors, shall exercise business judgment in obtaining and maintaining a reserve account and funding the reserve account.

1. The Board of Directors shall reasonably investigate the Association's options to obtain periodic reserve studies for those portions of the common interest community that the Association is responsible to maintain, repair and replace. The Association has not historically obtained a reserve study, but has funded reserves through funds available while taking into consideration the condition of the Common Area. Although the Board anticipates the methods and frequency for obtaining reserve studies in the future will be substantially similar to past practices, the Board determines that the methods and frequency for obtaining future reserve studies should be governed not by

past practices, but by the Board's business judgment, the Association's future circumstances, and a vote of a majority of the Board Members serving the Association at that time.

2. The Board of Directors shall discuss the results of any reserve study and investigate the Association's options to affect the recommended maintenance, repair, and replacement of those items disclosed in the study. Following the investigation of said options, the Board will discuss the protocol for funding the maintenance, repair, and replacement of such items disclosed in the report.

3. In the event the Board lacks the necessary experience to determine the options available to the Association with regard to its maintenance, repair, and replacement obligations or the options to adequately fund the reserve account, the Board may retain experts and consider the opinions of its engineers, its legal counsel, its public accountant, or other person the Board Members reasonably believe are within that person's expert competence, provided the expert is insured against errors and omissions.

4. Upon the conclusion of the investigation, the discussion, and the opinions of experts (if necessary), the Board of Directors shall vote on how to effect the recommendations contained in the reserve study, including but not limited to the best means of funding the reserve account, each Member of the Board should vote in what they believe is in the best interest of the Association and a majority vote of the quorum shall control.

Policy adopted this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ by Resolution of the Board of Directors of Woodgate Recreational Association, Inc.

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By \_\_\_\_\_

Its \_\_\_\_\_