

GRASS MESA HOMEOWNERS ASSOCIATION
(a Colorado nonprofit corporation)

RESOLUTION OF THE BOARD OF DIRECTORS
No. 2004-01

The undersigned, being all the members of the Board of Directors of the Grass Mesa Homeowners Association, a Colorado nonprofit corporation (the "Association"), pursuant to the authority vested in the Board as hereinbelow described, acting at its regularly scheduled and duly noticed meeting held on the 11th day of March, 2004, hereby approves and adopts the following resolution:

RECITALS:

WHEREAS, the Grass Mesa Homeowners Association is vested with the authority and duty to enforce the terms and conditions of the Articles, Bylaws and Declaration of Easements, Restrictions and Covenants for Grass Mesa Ranch ("Covenants"), recorded on June 7, 1983 with the Clerk & Recorder for Garfield County, Colorado, in Book 628 at Page 503 as Reception No. 342393 (and all duly approved, executed and recorded amendments thereto); and

WHEREAS, the Board of Directs is authorized to act on behalf of the Association; and

WHEREAS, the Board desires to expand and revise the definition of "indemnification" as set forth in the Articles of Incorporation for Grass Mesa Homeowners Association which Articles were accepted and filed by the Colorado Secretary of State on June 13, 1983; and

WHEREAS, such definition shall include the indemnification of committee members serving the best interests of the Grass Mesa Homeowners Association as provided in C.R.S. § 7-109107.

NOW, THEREFORE, BE IT RESOLVED:

1. The undersigned members of the Board of Directors of the Grass Mesa Homeowners Association unanimously consent to the adoption of the following language to be incorporated as a part of the Association's original indemnification provisions:

"Definition. The following terms shall have the meanings set forth below:

(a) "Liability" means the obligation to pay a judgment, settlement, penalty, fine (including an excise tax) or actual and reasonable expenses, including attorney fees, incurred with respect to a Proceeding.

(b) "Party" means any person who was, is, or is threatened to be made, a named defendant or respondent in a Proceeding by reason of the fact that such person is or was a Director, officer, committee member or employee of the Association, and any person who, while a Director, officer, committee member or employee of the Association, is or was serving at the request of the

Association as a Director, officer, committee member, partner, trustee, employee, fiduciary or agent of any other foreign or domestic entity.

(c.) "Proceeding" means any threatened, pending or completed action, suit or proceeding, or any appeal therein, whether civil, criminal, administrative, arbitral or investigative (including an action by or in the right of the Association) and whether formal or informal.

Indemnification. Except as provided below, the Association shall indemnify any Party to a Proceeding against Liability incurred in or as a result of the Proceeding if (i) such Party conducted himself or herself in good faith; (ii) such Party reasonably believed (a) in the case of a Director acting in his or her capacity as such, that his or her conduct was in the Association's best interests, or (b) in all other cases, that such Party's conduct was at least not opposed to the Association's best interests; and (iii) in the case of any criminal proceeding, such Party had no reasonable cause to believe his or her conduct was unlawful.

Termination of Proceeding. The termination of any Proceeding by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, is not of itself determinative that the Party did not meet the applicable standard of conduct set forth above.

Exemptions from Indemnification. Unless it is ordered by a court that, in view of all relevant circumstances, the Party is fairly and reasonably entitled to indemnification for such expenses as the court deems proper in accordance with applicable law, the Association may not indemnify a Party under this Resolution if either (i) in connection with a Proceeding in the right of or by the Association in which the Party is or has been adjudged liable to the Association for gross negligence or willful misconduct in the performance of the Party's duties, or (ii) in connection with any Proceeding charging improper personal benefit to the Party, whether or not involving action in his or her official capacity, in which the Party was adjudged liable on the basis that personal benefit was improperly received by the Party (even if the Association was not thereby damaged).

Expenses. Indemnification permitted under this Resolution in connection with a Proceeding by or in the right of the Association shall be limited to expenses incurred in connection with the Proceeding. If any claim by or in the right of the Association against a Party is joined with any other claim against such Party in a single Proceeding, the claim by or in the right of the Association (and all expenses related thereto) shall nevertheless be deemed the subject of a separate and distinct Proceeding for purposes of this Resolution.

Eligibility for Indemnification. Any indemnification under this Resolution (unless ordered by a court) shall be made by the Association only if authorized in the specific case after a determination has been made that the Party is eligible for indemnification in the circumstances because the Party has met the applicable standard of conduct set forth above under "Indemnification" and after an evaluation has been made as to the reasonableness of the expenses. Any such determination, evaluation and authorization shall be made by the Board of Directors by a majority vote, or, if one or all Directors are Parties, by a majority vote of a quorum of Lot Owners, which quorum shall consist of Lot Owners not Party to the subject Proceeding.

Indemnification of Success on Merits. Notwithstanding any other provision of this Resolution, the Association shall indemnify a Party to the extent such Party has been successful on the merits or otherwise, including without limitation, dismissal without prejudice or settlement without admission of liability, in defense of any Proceeding.

Affirmation and Agreement to Repay. The Association shall pay for or reimburse the expenses, or a portion thereof, incurred by a Party in advance of the final disposition of the Proceeding if the Party furnishes the Association a written affirmation of such Party's good faith belief that he or she has met the standards of conduct described above under "Indemnification" and the Party furnished the Association a written undertaking to repay the advance if it is ultimately determined that the Party did not meet such standard of conduct. The undertaking must be an unlimited general obligation of the Party, but need not be secured and may be accepted without reference to financial ability to make payment.

Request for Indemnification. The Association shall promptly act upon any request for indemnification, which request must be in writing and accompanied by the order of court or other reasonably satisfactory evidence documenting disposition of the Proceeding in the case of indemnification under the above "Indemnification of Success on Merits" or by the written affirmation and undertaking to repay as required under the above "Affirmation and Agreement to Repay" in the case of indemnification under such paragraph. The right to indemnification and advances granted by this Resolution shall be enforceable in any court of competent jurisdiction if the Association denies the claim, in whole or in part, or if no disposition of such claim is made within one hundred twenty days after written request for indemnification is made. A Party's expenses incurred in connection with successfully establishing such Party's right to indemnification, in whole or in part, in any such Proceeding shall also be paid by the Association.

Notice. Any indemnification of or advance of expenses to a Director (but not to any other Party) in accordance with this Resolution, if arising out of a Proceeding by or on behalf of the Association, shall be reported in writing to the Lot Owners with or before the notice of the next meeting of the Lot Owners.

Insurance. By an action of the Board of Directors, the Association may purchase and maintain insurance in such amounts as the Board of Directors deemed appropriate against any Liability asserted against or incurred by a Party, whether or not the Association would have the power to indemnify such person against such Liability under applicable provisions of law or this Resolution. The Association may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such sums as may become necessary to effect indemnification as provided herein.

Conditions to Indemnification. The Association shall have the right to impose, as conditions to any indemnification provided or permitted in this Resolution, such reasonable requirements and conditions as may appear appropriate to the Board of Directors in each specific case and circumstances, including but not limited to one or more of the following: (a) that any counsel representing the Party to be indemnified in connection with the defense or settlement of any Proceeding shall be counsel mutually agreeable to the Party and to the Association; (b) that the

Association shall have the right, at its option, to assume and control the defense or settlement of any claim or Proceeding made, initiated or threatened against the Party to be indemnified; and (c) that the Association shall be subrogated, to the extent of any payments made by way of indemnification, to all of the indemnified Party's right of recovery, and that the Party to be indemnified shall execute all writings and do everything necessary to assure such rights of subrogation to the Association.

Additional Rights. The indemnification provided by this Resolution shall be in addition to any other rights which a Party may have or hereafter acquire under any law, provision of the Articles of Incorporation, any other or further provisions of the Bylaws, vote of the members or Board of Directors, agreement or otherwise.

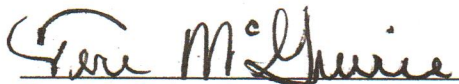
Continuing Indemnification. The indemnification provided in this Resolution shall be applicable to acts or omissions that occurred prior to the adoption of this Resolution, shall continue as to any Party entitled to indemnification under this Resolution who has ceased to be a Director, officer, committee member or employee of the Association or, at the request of the Association, was serving as and has since ceased to be a Director, officer, committee member, partner, trustee, employee, fiduciary or agent representatives of each such person. The repeal or amendment of this Resolution or of any paragraph or provisions hereof that would have the effect of limiting, qualifying or restricting any of the powers or rights of indemnification provided or permitted in this Resolution shall not, solely by reason of such repeal or amendment, eliminate, restrict or otherwise affect the right or power of with respect to any facts or omissions that occurred prior to such repeal or amendment. All rights to indemnification under this Resolution shall be deemed to be provided by a contract between the Association and each Party covered hereby.


Agents. The Association shall have the right, but shall not be obligated, to indemnify any agent of the Association not otherwise covered by this Resolution to the fullest extent permissible by the laws of Colorado. Unless otherwise provided in any separate indemnification arrangement, any such indemnification shall be made only as authorized in the specific case in the manner provided above under "Eligibility of Indemnification."


Severability. If this Resolution or any paragraph or provision hereof shall be invalidated by any court on any ground, then the Association shall nevertheless indemnify each Party otherwise entitled to indemnification to the fullest extent permissible by law or any applicable provision of this Resolution that shall not have been invalidated."

2. The undersigned members unanimously recommend that the members of the Association ratify and approve the adoption of this language, if such adoption requires membership approval.


IN WITNESS WHEREOF, the undersigned, being all of the duly-elected members of the Board of Directors of the Grass Mesa Homeowners Association, unanimously approve this Resolution No. 2004-01, as of the Effective Date identified above.


Tere McGuire, President and Member,
Board of Directors


Holly Steinhoff, Member, Board of Directors


Jeffrey C. Lange, Member, Board of Directors

ATTEST:


Cheri Chartier, Secretary/Property Manager
for the Association