

TO: Steamboat Springs Realtors/Title Companies

FROM: Steamboat Grand Resort Hotel Condominium Association, Inc. Board of Directors

RE: Position Statement on Division of Quarter Share Estates into Alternating Quarter Share Estates

DATE: December 18, 2007

POSITION STATEMENT

The Steamboat Grand Resort Hotel Condominium Association, Inc., Board of Directors has determined, through the assistance of legal counsel, that the Declaration, specifically section 5.1, did not expressly permit quarter share owners to divide into alternating quarter shares (and, in fact, prohibited such after Declarant's reserved development rights were exhausted).

Pursuant to Section 5.1 of the Declaration, the Declarant (Grand Summit Resort Properties, Inc.) reserved the right to divide Residential Units into Quarter Share Estates (QSE) and Alternating Quarter Share Estates (AQSE) so long as Declarant:

1. holds a Development Right;
2. owns any condominium unit or quarter share estate;
3. holds a mortgage in any condominium or alternating quarter estate; or
4. for thirty (30) years after the date of recording the Declaration.

In no event, may an Owner divide a **Residential Unit** while Declarant meets any of these conditions, unless the Owner receives prior written consent of the Declarant. A Residential Unit is defined as:

“[a] Condominium Unit, other than the Commercial Unit or Parking Unit, to be used for residential purposes only.

A Condominium Unit is defined as:

“[t]he fee simple interest in and to a Unit, together with the undivided interest in the Common Elements appurtenant to the Unit...”

Based on these two definitions, a Residential Unit is the whole unit owned in fee simple by deed, and only a Residential Unit may divide into AQSEs with the Declarant's express consent. Therefore, under no circumstances may an Owner divide a QSE into an AQSE, regardless of Declarant control or not. In fact, section 5.1 also reads, "Thereafter [after Declarant control of not less than 30 years] any Owner may divide a Residential Unit into Quarter Share Estates with the prior written consent of the Association *but in no event may an Owner divide a Residential Unit or a Quarter Share Estate into Alternating Quarter Share Estates.*"

To extend the analysis even further, an Owner of four QSEs does not constitute a whole Residential Unit because the Owner owns four QSEs by four deeds to quarter share interests. In other words, the Owner in this scenario does not own a whole Residential Unit in fee simply by one deed. He/she owns four QSE interests through four separate deeds. Conversely, an Owner, which purchases an interest as designated in the deed, may, and in fact must, sell the same accordingly. For instance, if an Owner bought eight AQSEs (e.g. at the Declarant auction), the Owner must sell each interest as an AQSE. Such is not a division of an estate which would trigger Section 5.1 of the Declaration, nor may the eight AQSEs be sold as a whole Residential Unit.

Therefore, in order for a QSE Owner to divide the estate into an AQSE, the Declaration must be amended to permit such transaction. In order to amend the Declaration, specifically with regard to percentage ownership interest of a unit as outlined in Section 5.1, sixty-seven (67%) of the Association, including sixty-seven (67%) of the votes allocated to Units not owned by Declarant, must approve the amendment in accordance with Article 17 of the Declaration.

The Board determined, also at the advice of legal counsel, a vote by the Association to amend the Declaration permitting such division was the appropriate avenue to address this matter. A formal Association vote was held February 2007. Voter turnout on this issue was high; over 72 % of all Owners returned a ballot. The results indicated that 52% of those Owners who voted did not favor any division of quarter share interests (while approximately 24% voted supported such division). Therefore, the Declaration, section 5.1 specifically, was not amended and reads as originally drafted by the Declarant.

The Board has determined to adhere to the governing documents as interpreted as well as honor the results of this vote. Please coordinate your professional services accordingly.

Thank you for your assistance and cooperation.