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FILE

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July 1, 2003

Sand Castle Improvement Association, Inc.
c/o Cuellar Realty
3620 N. 3rd Street
Phoenix, AZ 85012

RE: Ownership of Balconies and Patios

Dear Members of the Board:

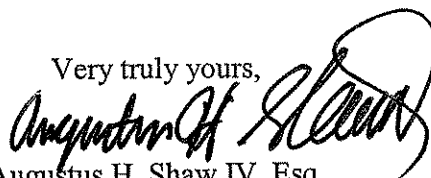
We have been asked to provide guidance regarding who owns the patios and balconies attached to the Apartments of the Association and who has the maintenance responsibility for said patios and balconies.

On June 23, 2003, I inspected the patios/balconies of the Association. Upon inspection of the balconies, I have determined that my opinion, as stated in my letter of June 2, 2003 regarding the ownership status of the patios/balconies still stands. Said opinion being that:

1. The patios/balconies of the Association are included in the term "Apartment Unit;"
2. The patios/balconies are the responsibility of Apartment Unit Owners to fully maintain, repair and replace;
3. Damaged caused by an Apartment Unit Owner's failure to fully maintain, repair and replace their patios/balconies is the responsibility of the Apartment Unit Owner, not the Association;
4. If damage occurs to a lower Apartment Unit whose roof borders the upper Apartment Unit balcony and said damage is a result of the upper Apartment Unit Owner's failure to fully maintain, repair and replace his patio, the remediation of the damage is the responsibility of the upper Apartment Unit Owner; and
5. The Association should not get involved in damage disputes that are based on a failure to maintain a patio/balcony.

If you have any questions or comments, please do not hesitate to contact Scott Carpenter or me.

Very truly yours,



Augustus H. Shaw IV, Esq.

for

CARPENTER HAZLEWOOD, PLC

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June 2, 2003

Sand Castle Improvement Association, Inc.
c/o Cuellar Realty
3620 N. 3rd Street
Phoenix, AZ 85012

RE: Ownership of Balconies and Patios

Dear Members of the Board:

We have been asked to provide guidance regarding who owns the patios and balconies attached to the Apartments of the Association and who has the maintenance responsibility for said patios and balconies.

We have been made aware that currently, the Association is paying for the maintenance and certain repairs to patios and and/or balconies attached to the Apartments. A question has been posed regarding whether the Association should pay for maintenance and certain repairs on the patios and/or balconies if they are owned by the Apartment Unit Owner.

Under Paragraph 2, Section C of the Declaration Submitting Property to Horizontal Property Regime Together with Covenants, Conditions and Restrictions for Sand Castle (the "CC&Rs"), the term "Apartment Unit" is defined as:

An Apartment together with those other components appurtenant to an Apartment all of which components bear the same number as the Apartment to which they are appurtenant and which said components are more fully described and defined on the Plat.

Thus, if the patios and balconies are considered "components appurtenant to an Apartment all of which components bear the same number as the Apartment to which they are appurtenant and... are more fully described and defined on the Plat," then patios and balconies are included in the term "Apartment Unit." The importance of patios and balconies being included in the term "Apartment Unit" will be more fully discussed below.

There is a strong argument that patios and balconies are "components appurtenant to an Apartment" and thus are included in the term "Apartment Unit." According to the Plat Map of the Association located at Book 176 of Maps, page 45, records of Maricopa County, Arizona (the "Plat Map"), it appears that patios and balconies are contained within the general description of Apartment Units. This is because the patios and balconies are identified with a number that is identical to the Apartment number listed on the Apartment Unit. This is important because, under

the definition of "Apartment Unit," "components (that) bear the same number as the Apartment to which they are appurtenant" will be included in the term "Apartment Unit." Additionally, the Plat Map does not clearly differentiate between the boundaries of the Apartment Unit and the patio and balconies. As such, it appears that the patios and balconies are one "unit."

Thus, after evaluating the Plat Map and after conversations with representatives from North American Title Company, we have concluded that patios and balconies are included in the term "Apartment Unit."

Adding patios and balconies into the term "Apartment Unit" changes the maintenance responsibility regarding patios and balconies. Under Paragraph 7, Section A(1)(iii) of the CC&Rs:

The responsibility of the Apartment Unit Owner shall be as follows... to maintain, repair and replace at his expense all portions of his Apartment Unit except the portions to be maintained, repaired or replaced by the Association.

Paragraph 7, Section A(1) of the CC&Rs does not require the Association to maintain patios and balconies. As such, Paragraph 7, Section A(1)(iii) requires Apartment Unit Owners to fully maintain, repair and replace their balconies and patios.

The determination that Apartment Unit Owners are responsible for the maintenance and repair of their patios and balconies alleviates the question of who owns the patios and balconies. Ownership is not relevant because the maintenance responsibility is on the Apartment Unit Owner and as such, must be accomplished.

Also, the determination that Apartment Unit Owners are responsible for the maintenance and repair of their patios and balconies also raises a number of questions, which are:

1. If damage results from a failure to maintain or repair a balcony or patio, who is responsible?;
2. May the Association be reimbursed from the Unit Owners for the cost of maintaining or repairing balconies?

The above questions are case specific and must be addressed on a case by case basis.

Currently, the Association maintains and repairs the patios and balconies. As a result of our determination in this letter, we recommend that the Association no longer maintain and repair the patios and balconies. Further, we recommend that the Association send the Apartment Unit Owners a letter informing them that under the CC&Rs they have a maintenance responsibility regarding their patios and balconies and on a date certain, the Association will no longer maintain, repair or replace patios or balconies. We can assist the Association with such a letter if desired.

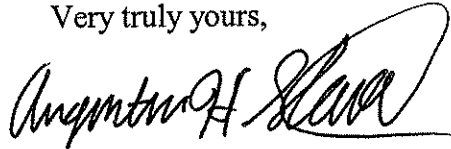
Carpenter Hazlewood, PLC

June 2, 2003

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If you have any questions or comments, please do not hesitate to contact Scott Carpenter or me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Augustus H. Shaw IV". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Augustus H. Shaw IV, Esq.

for

CARPENTER HAZLEWOOD, PLC