

HILLTOP COMMUNITY EXECUTIVES

Practices, Principles and Philosophies for the Management of Community Associations

"Hilltop provides extraordinary service."

Revised June 2003

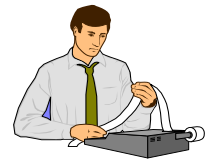
HILLTOP COMMUNITY EXECUTIVES (HCE) is proud of the effective, personalized management services provided by our experienced managers. This document sets forth some of the guidelines we follow.

ACCOUNTS RECEIVABLE. Monthly Billing. **HCE** sends out monthly statements to each owner. This regular reminder pays for the time and postage involved by bringing in funds promptly. This results in fewer delin-



quencies and lessens the need for costly legal action. The owner's previous payment and check number appears on the statement with the date received by **HCE**. Complete detail of any balance forward amount is immediately available to the owner or the board on request. Owners receive a preaddressed reply coupon and a security return envelope. Statements usually contain reminders about future meetings and other important information. We mail out our own statements which allows us to insert newsletters, flyers and other "mail outs" without incurring additional postage. Owners of more than one unit in the same association receive all of their statements in one envelope. Checks from owners are made payable to the Association's separate checking account.

ACCOUNTS PAYABLE. Evaluation and Control. **HCE** carefully monitors and punctually pays all vendor payments, insurance premiums, and other payables. The association manager must approve invoices and at least two managers or two board members (at board's discretion) must sign all checks.



AGENDAS. **HCE** will prepare a proposed agenda for each board meeting and each membership meeting and then revise it as the board desires. Agenda items will be cross-referenced to the management report by job number.



ANSWERING SERVICE. Our emergency line, (619) 298-4170 is available 24 hours per day, 7 days per week. One of our managers is always accessible by pager ("beeper") for emergencies through the answering service. Emergency service is available at an hourly rate. There is no charge for leaving a message with our service after hours.



AUDITS. We have heard of a management company that provides the annual audit as free service! This is a conflict of service. When you think of who can most easily mishandle the funds of a homeowners association, it is the management company. The audit must be independent of the management company *and* the Board of Directors. **HCE** helps keep the auditor's fees low by having easy-to-follow audit trails and year-to-date general ledgers. We welcome the opportunity to have our work examined by your auditors.



AWARDS PROGRAM.

Community Associations are dependent on the volunteer efforts of its members. We assist associations in setting up, maintaining, and budgeting for a comprehensive awards program to recognize the efforts of the volunteers.



BANK ACCOUNTS. There is no commingling of funds. Each Association has a separate checking account in addition to a separate savings account(s). Only the Board of Directors has signature authority over the savings (Reserve) account(s). We use only FDIC insured banks for the checking accounts. Two persons must sign each check. Boards may want to put additional restrictions on cash disbursements. We will be happy to work out specific details that will meet the needs of all parties.



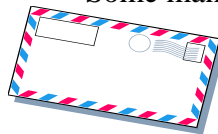
CAI COMMUNITY ASSOCIATIONS INSTITUTE is an organization devoted to professionalism in the condominium association community. **HCE** has been an active member of CAI since 1979. We encourage our associations to join CAI, and we encourage board members to attend CAI sponsored seminars. **HCE's** policy is to attend all of the local CAI seminars.

CALIFORNIA ASSOCIATION of COMMUNITY MANAGERS is the organization in California for certification of community association managers. Our managers have passed all certification requirements.



CORRESPONDENCE.

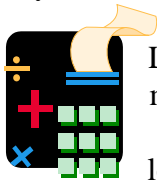
Some management companies send out all correspondence under their letterhead. **HCE** sends out all correspondence under the name of the association.



FILES. A file is maintained for each tasking from the Board. **HCE** organizes the job files by a serial number that we reference in our written Management Report, Agenda, Minutes and Ledgers. We keep files for each financial transaction organized by the transaction number (folio number) and this number is noted on each general ledger line. Minutes, Management Reports and Financial Reports are periodically sent to Board Members in accordance with our contract. Beginning in 2003, all files will be scanned to eliminate paper archives.



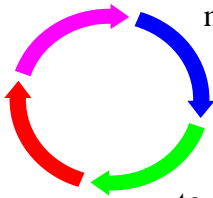
FINANCIAL STATEMENTS and LEDGERS are complete, timely and accurate. Supporting documents for each entry in the financial records are cross-



referenced to the General Ledger by a transaction number making the books easy to audit. Year-to-date and prior year ledgers are available

immediately on request. Following the Board's approval of the annual audit, all financial records will be scanned to eliminate paper archives.

FOLLOW UP. Most complaints about management companies seem to focus on a lack of follow-up on small problems. **HCE** uses MONDO CONDO Software to track problems. Each



problem, tasking, or complaint receives a serialized job number. We log all progress on that job in the system under the same job number. We include the status of each job in the periodic written Management Report furnished to the Board of Directors. Meeting Minutes and Meeting Agendas are also cross-referenced to the job number.

HISTORY of our firm. **HCE** is a subsidiary of MONDO CONDO CORPORATION. We have been in business since 1974. We started managing condos in 1978. We first incorporated in 1985 and we reorganized in 1995 as MONDO CONDO CORP. dba Hilltop Community Executives. We are members of the Community Associations Institute and our managers are members of the California Association of Community Managers.

INFORMATION MANAGEMENT.

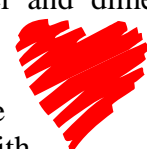
HCE's in-house computer system keeps track of the Association's information. This includes accounts receivable, delinquencies, vendors, financial statements, ledgers, parking



assignments, vehicle licenses, keys, telephone lists, and emergency contact information. Lists of owners and/or non-owner residents are available as labels, envelopes, or inside addresses for personalized letters. We believe we keep track of much more information than most management companies. This can prove invaluable in case of an emergency. For example: we keep track of home and office telephone numbers for non-owner residents as well as owners. We record if residents have left a spare key with a neighbor or relative. We keep track of emergency contact information for friends or relatives. **HCE** periodically sends all owners and residents a confirmation form to ensure the information we have is accurate.

I NSURANCE and BONDING. State Farm Insurance Company carries the insurance for **HCE**. We have Employee Dishonesty coverage and our employees are covered by Workers Compensation coverage. Our agent is Ken Olson, telephone 475-8883.

KISS. We try to keep it simple. We will not bother the Board with "nickel and dime" decisions. We use fax memos and email whenever possible to speed up communications. We try to resolve disputes with practical solutions and personal contact, rather than with attorneys, fines, and formality.



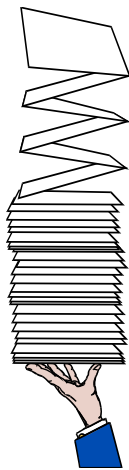
MANAGEMENT FEES. Full-Service



Management is in the range of \$12 to \$30 per unit per month. This includes bookkeeping, accounting, and computer expense. Some management companies quote these important items as add-on charges. Larger complexes should expect fees to be at the lower end of the range because of the "economies of scale." We clearly state any additional charges for special services in our contract. This includes special projects, insurance claims and lawsuit coordination.

MANAGEMENT REPORTS. We provide

written management reports (via email) to the Board of Directors periodically. In these comprehensive reports we address each area of our responsibility, discuss current problems and offer recommended solutions. We also provide notes to the financial statements and budget, relate all significant communications with owners and vendors, and report on all previous tasking from the Board.



MANAGEMENT ONLY. We view our job as management only. This includes organizing, planning, coordinating, communicating, and taking responsibility. We view ourselves as problem solvers. And while sometimes it may look easy, it is difficult to find volunteers to do what we do as a profession. We do not have any in-house vendors such as landscapers or handyman. All services are provided by independent contractors.

MEETINGS. An HCE manager is available to attend your Board meetings either at your complex or in our in-office conference room.




MINUTES. We believe that the Association Manager should be totally involved in the process of the board meeting and not be distracted by the responsibility for accurately recording the minutes. We therefore prefer



that a recording secretary take the minutes. HCE will train the recording secretary, provide easy forms for recording the minutes, and type and distribute the minutes recorded by the secretary. If no recording secretary is available, HCE will record, type and distribute the minutes. Regardless of who records the minutes, HCE will type, format, and distribute the minutes. Our computerized minutes software automatically updates the work order files and formats the minutes for quick distribution.

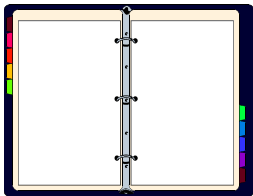
NEWSLETTERS. We believe that associations should have a regular newsletter. Ideally each association would have a volunteer editor who would write the newsletter which HCE then types, proofs, prints, and distributes. If there are no volunteers for the job of editor, we will write your newsletter for you at our hourly fee. We routinely send copies of the newsletter to non-owner residents in addition to owners. We have high quality digital cameras and color printers in order to enhance the appearance of newsletters.

ON-SITE EMPLOYEES. Our experience is that independent contractors produce better results at lower overall cost than employees. They require less supervision, work more efficiently, and do not have the payroll tax and insurance overhead. When the Association prefers employees, **HCE** coordinates the payroll details.

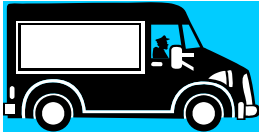
PERSONAL SERVICE. We are a small  firm and our staff is always in touch with owners and residents. We make it a practice to follow up telephone calls with a written record. We bring all significant communications with owners to the attention of the Board.

PROXIES. Often, owners will mistakenly give proxy power to the Property Manager. If this happens, **HCE** will register the proxy for quorum purposes, but not exercise the right to vote.

REPORTS. We format all reports for 8 1/2 x 11 paper for ease in filing in 3-ring binders. You do not have to deal with unmanageable 11 x 14 reports.



STAFF. We are fortunate to have a truly nice group of people (and one dog) on our staff.

VENDORS. We will shop for the most cost effective vendors and the least expensive supplies. We insist that vendors providing services to the Association do a good job,  whether cutting the grass, providing legal services, or repairing the roof. If not, we will find someone better and recommend the new vendor to the Board. We will not solicit nor accept "kick-backs" from vendors. Many associations have current vendors they are happy with and wish to retain, and this is no problem for **HCE**.