

**Management Contract
with
HILLTOP COMMUNITY EXECUTIVES**

The Board of Directors (**Board**) of BELLEFONTAINE (**Association**), hereby **appoints HILLTOP COMMUNITY EXECUTIVES (Agent)** as exclusive managing agent for the **Association**. The **Agent** is a management firm whose principle office is at 3737 Fifth Avenue, Suite 204, San Diego, CA, 92103. The **Association** is a 30-unit community association located at **2400 6TH Ave San Diego, CA. 92101**

This Agreement **begins** 03/10/03 and continues after that on a month-to-month basis. This Agreement **ends** upon thirty (30) days written notice by either party.

Agent will provide to the **Association** many of the services described in this Agreement as part of a basic monthly fee. Services marked by the abbreviation **ANAC** are "at no additional charge" to this basic monthly fee.

The parties agree to the following terms and conditions:

ACCOUNTS RECEIVABLE. ANAC **Agent** will send monthly statements to the mailing address of each owner for the collection of monthly assessments, special assessments, and rents due for rental of common areas. ANAC **Agent** will provide **Association** a monthly-itemized list of all delinquent accounts. **Association** shall appoint and pay attorneys employed for the collection of delinquent accounts. **Agent** will coordinate with attorneys to collect delinquent assessments under the **Association's** Collection Policy. Instead of charging hourly for coordination of delinquent collections, **Agent** will charge **Association** five dollars (\$5) per late unit per month. Legal fees and collection costs shall be paid by the **Association** and charged against the account of the delinquent owner. **Agent** shall receive a fee from **Association** of five dollars (\$10) for each returned check; said fee shall be charged to the homeowner's statement.

ACCOUNTS PAYABLE. ANAC **Agent** will pay **Association's** bills every other week under terms of this Agreement. **Association** shall provide **Agent** with a list of recurring payables for which **Agent** has the authority to pay without further authorization. Payables exceeding two hundred and fifty dollars (\$250) and not on the routine list shall have specific approval of the Board before payment by **Agent** (except emergency repairs or previously budgeted items). Verbal approval by an officer or board member of the **Association** shall be sufficient approval.

BANK ACCOUNTS. ANAC **Agent** will maintain an exclusive checking account for **Association** in a bank of **Agent's** choice. This checking account will be in a bank insured by the FDIC and will require two signatures to disburse funds. If checks are to be signed by an **Association** Board member, the Board member will come to **Agent's** office to sign checks. Checking account balance will not exceed Five Thousand Dollars (\$5,000.00). ANAC **Agent** will transfer amounts in excess to a savings account of **Association's** choice. **Agent** will not have signature authority over **Association's** reserve fund savings accounts. ANAC **Agent** will reconcile each bank statement received.

FINANCIAL STATEMENTS. The **Agent** shall provide to the **Association** ANAC the following financial reports each month:

- Cash Disbursements Journal by check number.
- Statement of Financial Operations (Operating Statement).
- Statement of Financial Position (Balance Sheet).
- Budget Comparison Report.
- Delinquent Owners List.
- Bank Account Reconciliation Statement.
- General Ledger of all transactions during past reporting period.
(Other periods available on request.)

FINANCIAL RECORDS. ANAC **Agent** will maintain a comprehensive system of office records and books of accounts. **Association** members or authorized representatives may examine records at reasonable business hours by appointment. Financial Statements and Ledgers will show assets, reserves, and owner assessments on an accrual basis. ANAC **Agent** will post expenditures on a cash basis. ANAC **Agent** will make allocations to reserve accounts using **Association's** budget. ANAC **Agent** will post bank account interest.

INSURANCE and INDEMNIFICATION. ANAC **Agent** will take reasonable steps to maintain **Association** approved insurance policies, unless cancelled by the insurance company. **Association** will, without cost to **Agent**, cause its insurance policies to be endorsed to specifically name Hilltop Community Executives as an additional insured party on **Association's** policies. **Association** agrees to hold harmless and defend **Agent** from any claims, including all costs of defense, arising because of **Agent's** employ by **Association**. **Agent** will maintain **Agent's** own fidelity insurance, liability insurance, and workers compensation insurance.

COMMUNICATIONS with the BOARD. Agent agrees to communicate fully and freely with the Directors of the Association in the performance of its duties. Association's principal means of directing the activities of Agent shall be the Association's Board meeting minutes and the Association's annual budget. Since the minutes and budget are directives from the Association to the Agent, the Association will have primary responsibility for their preparation. The Agent will assist in the preparation of the minutes and the budget as stated below. Agent's principal means of providing status to the Board shall be with a written Manager's Report as described below.

BUDGET. The budget is a major control under which the Association operates. If, because of an emergency, there is an overrun, Agent will notify Association as soon as possible.

EMERGENCY direction to the Agent may be verbal from the President or other person delegated by the Association. ANAC Agent will make available a 24 hour, 7 day per week answering service for emergency Association business. Agent will charge hourly for weekend and "off hour" calls which require Agent's assistance.

MINUTES and MEETINGS. Association's principal means of directing Agent will be by means of the minutes of the meetings of the Board of Directors. ANAC Agent will attend General Membership and/or Board Meetings each month. ANAC Agent will type (if minutes are on Agent's approved format) and distribute (under Association's policy) minutes recorded by Association. If no recording secretary is available, Agent will also record the minutes ANAC.

MANAGER'S REPORT. Agent's principal means of providing status to the Board shall be with a written Manager's Report. ANAC Agent will provide Board a written report for each regularly scheduled Board Meeting. This report will outline significant information, problem areas, and recommended solutions within Agent's responsibility.

COMMUNICATIONS with OWNERS and RESIDENTS. ANAC Agent will maintain cordial, helpful, businesslike relations with Homeowners and non-owner residents on all routine Association matters. These matters include complaints, owner's statement balances, and rules and regulations. ANAC Agent will report complaints of a serious nature to the Board with appropriate recommendations. ANAC Agent will prepare correspondence to owners at the direction of the Board. Agent will ANAC send notice to any member of the Association regarding violations of Rules and/or CC&R's. ANAC Agent will type and mail Association Newsletters as composed and edited by Association.

COMMUNICATIONS with VENDORS and GOVERNMENT AGENCIES. Under Board direction, **Agent** will ANAC prepare correspondence to vendors and government agencies for areas within the **Agent's** scope of responsibility. ANAC **Agent** shall contract for and coordinate with vendors for routine services, subject to the approved annual budget. All such contracts shall be in the name of the **Association** and signed by a Board member. Coordination for Special Projects and major repairs (over \$1,000) shall not be considered routine. **Agent** will bill Special Projects hourly.

INFORMATION MANAGEMENT. Lists of owners, residents and telephone numbers are confidential. **Agent** will not disclose these lists to persons other than members of the Board except as required for **Association** business or by law. **Agent** will charge a fee for storing **Association** records. ANAC **Agent** will maintain the following information as provided by the **Association** and/or its members:

- Home and office telephone numbers for owners as well as for non-owner residents.
- Emergency contact information for owners as well as for non-owner residents.
- Alternate locations for keys to provide emergency access to units.
- Tenant registration certificates, if required by the **Association**.
- Pet registration certificates, if required by the **Association**.
- Parking assignments and/or parking sticker numbers.
- Building directory listings and intercom lists (if on **Agent's** format, installed by others).
- Mailbox and lobby directory listings (if on **Agent's** format).
- Smoke detector certificates.
- Preventive maintenance routines as prescribed in the **Association's** minutes.
- Key control lists and key tags.

CAI. **Agent** agrees ANAC to maintain membership in the Community Associations Institute (CAI). The **Association** agrees to maintain its own membership in the Community Associations Institute.

AWARDS PROGRAM. At the Board's request, the **Association** will budget for an Awards Program to recognize the efforts of its volunteers. ANAC **Agent** will assist the **Association** in maintaining a recognition program for the **Association's** volunteers.

EMPLOYEES, ASSOCIATION'S ON-SITE EMPLOYEES. On the basis of job descriptions and wage rates previously approved by the **Association**, ANAC **Agent** will hire, supervise, discharge and ensure that payroll is processed for **Association** employees. Such personnel shall be employed by the **Association**, and not by **Agent**.

SPECIAL PROJECTS. The monthly duties of the **Agent** include coordination of routine maintenance services and minor repairs. Special Projects not included in the monthly fee and for which **Agent** will bill hourly:

- Court Appearances or Depositions or Coordination relating to lawsuits or communications with attorneys.
- Insurance Claims after the first hour of coordination.
- Coordination (or securing bids or specifications) for projects or repairs exceeding or estimated to exceed one thousand dollars (\$1,000). Coordination of routine maintenance and vendors (e.g. landscape, insurance, and elevator contracts) is not a Special Project.
- Coordination with Developer and/or original General Contractor of the project (when the **Association** believes that the work is the responsibility of the Developer and/or General Contractor) is considered a Special Project.
- Emergency Services: services or coordination where **Agent** must provide service outside normal business hours (Monday through Friday, 9am to 12N, 1pm to 5pm, except holidays).
- Research jobs, work orders, correspondence, minutes, or accounting records more than twelve (12) months old.

SITE INSPECTIONS. ANAC **Agent** will inspect and report on common areas twice per month. **Agent** will use a checklist provided by the **Association**, if desired.

CONFLICTS of INTEREST, DISCLOSURES. **Agent** will not accept rebates or "kickbacks" from vendors. **Agent** will pass to **Association** any vendor rebates offered to **Association**. **Agent** will not require **Association** to use particular vendors. **Agent** does not have and will not have any financial interest in any vendor working for **Association** except as disclosed to **Association**. Mondo Condo Corp., a California corporation, owns Hilltop Community Executives.

TIMELY REPORTS. Realizing that the **Association** and its Board require timely reports and statements to function properly, **Agent** will use reasonable efforts to provide reports and statements as follows:

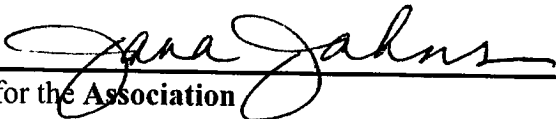
- Management Reports. **Agent** will mail Management Reports to Board members at least three (3) calendar days before regularly scheduled Board Meetings.
- Financial Reports. **Agent** will mail Financial Reports to Board members at least three (3) calendar days before regularly scheduled Board Meetings.
- Bank Reconciliation Statements. **Agent** will mail reconciled Bank Statements to Board members before the next Board Meeting after receipt of Bank Statement.
- Billing Statements for Owner Assessments. **Agent** will mail Owner Statements before the twenty eighth (28th) day of the month before assessment due date.

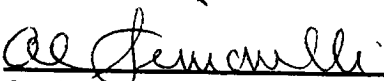
GENERAL. Authority and duties of **Agent** to act on behalf of the Board involves the common area and facilities of the **Association** and not management of living units, except where problems in an individual unit affect the **Association**. **Association** will make available to **Agent** a complete set of the plans and specifications of the project as finally approved. **Association** will make available to **Agent** copies of guarantees and warranties still in force at the time of execution of this Agreement. This Agreement is the entire Agreement between the contracting parties. Modifications of this Agreement must be in writing, executed and approved in the same manner as this Agreement. **Agent** has the proper licenses under the laws of California to carry out its obligations under this Agreement. **Association** will hold **Agent**, its employees, officers and directors harmless from any claims, costs, expenses, and demands from third parties arising out of **Agent's** duties under this Agreement. This includes but is not limited to suits by way of cross complaint brought by third parties. In case of litigation or arbitration between the parties of this Agreement, the prevailing party shall be entitled to attorney's fees. Disputes that may arise between the parties are subject to arbitration at the option of either party.

COST of LIVING INCREASE. On the annual anniversary of this contract, the Monthly Fee and Hourly Rate shall be adjusted by the percentage of increase or decrease in the General Labor rates for the San Diego County area as published by the US Department of Labor.

PAY to AGENT shall be a monthly fee of \$480 (Four Hundred & Eighty dollars) payable in advance on the 1st day of each month. Special services, hourly fees and other charges are in the attached Schedule of Fees and Services.

Date 3-24-03


for the **Association**


for the **Agent**
Mondo Condo CORPORATION, d.b.a.
HILLTOP COMMUNITY EXECUTIVES

SCHEDULE of FEES and SERVICES

The term "included" means "included at no additional charge."

FINANCIAL

Statements of Financial Condition and Operations	included
Cash Disbursements Journal (w/complete General Ledgers)	included
Budget Comparison Report	included
Bank Reconciliation	included
Paying Bills	included
Delinquent Owners List, Aging Report	included
Homeowner Statements, monthly	included
Coordination Delinquent Unit Collection	\$5/late unit/month
Pay or Lien Letter (if by Agent)	\$25 each
Pay or Lien Letter (if by attorney)	at cost
Returned check processing (paid by Association , but charged to the owner)	\$10 each
Reserve Study	by others
Budget Preparation	usually by Finance Committee (\$150 if by HCE)
Audits, 1099's, and Income Tax Returns	by others

MEETINGS

Manager's Written Report for each regularly scheduled Board Meeting	included
Attendance at Board/Annual Meetings each month (Monday to Thursday only, maximum 2 hours)	included
Recording, Typing and Mailing Board Meeting and Annual Meeting Minutes	included
Coordination of Annual Meeting, Proxies, Sign-in	included

ASSET MANAGEMENT

Coordination of Repairs (except emergency after-hours calls)	included
Preventive Maintenance Scheduling	included
Site Inspections, twice per month	included
Key Control, Key Tags, Key Lists	included
Smoke Detector Certificate Coordination	included

COMMUNICATIONS to OWNERS and RESIDENTS

Receiving Inquiries, Complaints from Owners or Residents _____ included
Answering Service for Emergency Line, continuous _____ included
Correspondence, required within scope of contract _____ included
Violation Letters to Owners _____ included
Newsletter composing, editing _____ by Association
Newsletter typing, mailing _____ included

MISCELLANEOUS

Agent's Mileage to Association _____ included
Courier Service _____ by others
Resale Coordination (charge through escrow) _____ \$215 each
Change of Resident (billed to owner, no additional charge for new owner) _____ \$15 each
Refinance Coordination (charge through escrow) _____ \$45 each
Cancelled Escrow (charge through escrow) _____ \$45 each
Copies and laser printouts (machines at HCE office) _____ 12 cents per page
Copies/Printing/Collating/Stapling (outside vendor) _____ at cost
FAX (facsimile pages) _____ outgoing \$1 per page, incoming is 15 cents per page
Postage _____ cost plus 5%
Office Supplies _____ cost plus 5%
Long Distance Telephone Calls _____ cost plus 5%
Records storage _____ \$1/bankers box/month

EMERGENCY - EXTRAORDINARY - SPECIAL SERVICES

Special Projects (as defined in this Agreement) _____ hourly
Set-up Fee, in advance _____ \$240
Hourly Rate for items not included in basic fee _____ \$45/hour