Memo

To: Hot Springs Village Board of Directors
From: Lesley Nalley, Chief Executive Officer
Date: October 18, 2017
Re: Monthly Board Meeting Updates

Financial Review

Please note the full financial package included and the YTD summary here:

<table>
<thead>
<tr>
<th></th>
<th>17 Budget</th>
<th>17 Actual</th>
<th>16 Actual</th>
<th>Over/(Under) Prior Year</th>
<th>Budget Remaining</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Revenue</td>
<td>$36,291,081</td>
<td>$25,936,199</td>
<td>$24,985,010</td>
<td></td>
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<tr>
<td>Bad Debt Expense</td>
<td>(2,239,640)</td>
<td>(2,721,929)</td>
<td>(1,728,830)</td>
<td></td>
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<tr>
<td>Net Revenue (1)</td>
<td>34,057,441</td>
<td>23,214,270</td>
<td>23,256,174</td>
<td>(41,903)</td>
<td>10,843,135 65%</td>
</tr>
<tr>
<td>Operational Expense (2)</td>
<td>(29,364,649)</td>
<td>(20,547,470)</td>
<td>(19,841,387)</td>
<td>706,083</td>
<td>8,917,179 70%</td>
</tr>
<tr>
<td>Excess (Deficit) Before Depri.(3)</td>
<td>$4,692,792</td>
<td>$2,666,800</td>
<td>$3,414,787</td>
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</tbody>
</table>

With September being 75% into the year, overall expenses are tracking slightly behind budget, with certain spending held to offset revenue shortfalls. Assessment revenues are tracking behind budget and are projected to be under budget by $750k unless delinquency settlements are realized by the end of the year. Considering that the bi-monthly billing schedule for water, waste water, and sanitation accounts for 7 months thus far, the related utility revenues are tracking better than budget.

Financial Health Enterprise Goal: Monetizing Community Growth

Our current results include:

- Property sales: 2017 target of 22 lots - 13 POA lots have been sold, which is 59% of the goal.
- Developed property growth: 2017 target of 60 additional improved properties - Year to date, there are 25 more residential neighbors, as compared to December 2016, which is 42% of the goal.
- 100 fewer properties are considered delinquent between December 2016 and this month.
- Village Homes & Land has given 121 referrals to other realtors
- September marked the first joint contract (awaiting closing) on a resale home, with Village Homes & Land bringing a buyer to another realtor’s listing.
- Cheryl has made nearly 2,000 personal contacts since launching Village Homes & Land in April and sends an eblast once a month to the 12,500 “interested registrants” who’ve requested to receive her communications.
**Protect Community-wide Property Owner Value & Life Style Enterprise Goal**

In addition to the nearly 2,000 acres owned by Cooper Communities, HSVPOA owns 2,951 lots covering nearly 1,000 acres, and there are another 7,400 unimproved lots sprinkled throughout the community. Along with revitalization efforts of existing areas, these undeveloped areas are the focus of our upcoming comprehensive master planning (CMP) efforts.

Property owners will want to “save the date” for two upcoming opportunities to take part in our successional development. The first is a Public Kickoff Meeting October 23rd, which will include a Q&A session. The second opportunity is the public charrette during the weeks of November 27th and December 4th. Watch the weekly CMP eblast for the latest details. Everyone is invited to reach out to any of the CMP Steering Committee members for more information or make an appointment to use my conference room and review related contracts and information.

Because local and national spotlights are beginning to shine on our efforts, I strongly encourage the use of informed opinions from which to engage in spirited (yet civil) debates. After all, we will attract what we project.

**Building Property Owner Trust & Support Enterprise Goal**

Today, the Board will adopt a Board Member Recruitment Policy and Chairman Weidert will appoint a Recruiting Committee. The Board’s efforts to align property owner expectations and governance activities is a significant step in building trust and support, as well as providing operational stability and improving employee engagement.

We are thrilled by the stellar reputations and long-standing community service history of each of the property owners appointed to the inaugural Recruiting Committee. We appreciate the new committee for engaging individuals from all social circles to take an active role in enhancing the board’s effectiveness, individuals who may either chose to run for the Board themselves or encourage community leaders they know to do so from a long term, strategic perspective.

The board’s leadership in encouraging a shared, long-term vision is sincerely appreciated by our entire team.