Memo

To: Hot Springs Village Board of Directors
From: Lesley Nalley, Chief Executive Officer
Date: September 20, 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>$36,291,681</td>
<td>$23,514,888</td>
<td>$22,875,129</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bad Debt Expense</td>
<td>(2,233,646)</td>
<td>(2,461,420)</td>
<td>(1,735,071)</td>
<td></td>
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</tr>
<tr>
<td>Net Revenue (1)</td>
<td>34,058,035</td>
<td>21,053,467</td>
<td>20,140,058</td>
<td>223,376</td>
<td>12,993,968 62%</td>
</tr>
<tr>
<td>Operational Expense (2)</td>
<td>(29,364,649)</td>
<td>(18,482,905)</td>
<td>(17,637,531)</td>
<td>824,672</td>
<td>10,902,646 63%</td>
</tr>
<tr>
<td>Excess (Deficit) Before Dep.(3)</td>
<td>$4,682,756</td>
<td>$2,570,562</td>
<td>$5,037,497</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

With August being 67% into the year, overall expenses are tracking slightly behind budget. Considering that the bi-monthly billing schedule for water, waste water, and sanitation accounts for 7 months thus far, the related revenues are tracking better than budget. Golf and assessment revenues are both tracking behind budget, with spending being held accordingly, pending September and October golf play and assessment delinquency litigation results.

Building Property Owner Trust & Support Enterprise Goal

In today’s meeting, Chairman Weidert will appoint an ad hoc comprehensive master plan steering committee, which will act as the conduit for building a shared community vision. Next week, the Board and Governance Committee will host an inaugural “Welcome to the Board Room” session, an opportunity to discuss governance and board member recruitment.

Through these two public activities, we hope to continue strengthening our property owner relationships.

Another goal under this pillar is a review of committee alignment with our growth strategy. The Property Owners’ Association has evolved significantly from original community inception to Cooper Communities, Inc. turning over ACC control and closing out their real estate development and sales efforts here, to resulting staff restructures. Linda and I are meeting to consider committee restructures and charter updates and have asked all staff and board liaisons to consider the same. We anticipate bringing those recommendations to the board in December or January, coinciding with comprehensive master plan strategies. Committees remain an integral part of this community and will continue to evolve to best meet today’s needs, just as they have over our 47-year history. I invite all Committee Chairman to meet with me or their board or staff liaisons to share their recommendations in this regard.
Our social media strategy continues to produce strong exposure for the community. August marked the release of our 9th and final resident testimonial video. All videos are now live on the explorethevillage.com website.

Resident Testimonial Overview

- Number of videos posted: 9
- Total people reached: 154,987
- Total views: 103,000
- Total likes: 1,498
- Total shares: 932
- Total comments: 120

Financial Health Enterprise Goal: Monetizing Community Growth

Our current results include:

- Property sales: 2017 target of 22 lots - 13 POA lots have been either sold or are currently awaiting closing, which is 59% of the goal.
- Developed property growth: 2017 target of 60 additional improved properties - Year to date, there are 24 more residential neighbors, as compared to December 2016, which is 40% of the goal. As mentioned in the financial package, one home was removed from this count due to fire loss.

Protect Community-wide Property Owner Value & Life Style Enterprise Goal

Gates: As of last week, the “free exit” functionality at Hwy 5/East, Danville, and Balboa were completed. Glazier Peau’s is in process this week. The gate project team is beginning to prep sites for the software and hardware upgrades approved in April’s Board meeting. Installation and testing are projected to begin in November, with membership rollout to follow.

Pickleball: Stacy Hoover will present a recommendation for the pickleball project today. Next month, we will ask the Board to approve a “not to exceed” amount for this project.

Pool: The pool subcommittee continues its work to bring forth a project recommendation, which we anticipate receiving later this year.

Funding for both the pool and pickleball projects is dependent upon the forthcoming appeals court decision, which we expect within a few weeks following oral arguments on September 27th.