Roy Lake State Park

Prospectus for
Lodging, Retail, Recreation
And Other Services
Marshall County, South Dakota

South Dakota Department of Game, Fish and Parks
Division of Parks and Recreation

DEPARTMENT OF GAME, FISH, AND PARKS
Foss Building
523 East Capitol
Pierre, South Dakota 57501-3182

March 4, 2016

Dear Prospective Concessionaire:

Within the Glacial Lakes Region of northeast South Dakota sits one of the most unique and popular outdoor destinations in the state. Roy Lake State Park has entertained outdoor enthusiasts since 1946. This lake offers some of the best fishing, camping, swimming and boating to be found anywhere.

Roy Lake Resort is situated lakeside within the Park's west unit. The Resort features several rental cabins, a 4-unit, year-around rental lodge, a main lodge with lodging rental units and a convenience store as well as courtesy docks and rental boats. The Resort also has the capacity to include varied levels food service. The setting is perfect for family vacations, fishing and hunting trips, or simply a place to relax.

The Resort is commercially operated under a lease with the South Dakota Department of Game, Fish and Parks. The facilities and equipment for the resort are owned by the current leaseholder, Jan Pitzl. Mrs. Pitzl has issued her intent to sell and has agreed to sell the concessionaire facilities under the terms and conditions outlined in this prospectus. The Department is advertising a new 10-year lease in conjunction with the sale transaction. The Department will consider all proposals that meet the terms covered under this prospectus.

I invite you to read the attached prospectus, visit Roy Lake State Park, and consider the opportunity of operating this resort in one of South Dakota's finest State Parks. If you have any questions, please call Sean Blanchette with the Division of Parks and Recreation at 605-773-3391. Questions and inquiries must be directed in writing to Sean Blanchette, Concessions Manager, or you may visit the Division of Parks and Recreation website at www.sdgfp.info/Parks for more information.

Sincerely,

Douglas Hofer, Director
Division of Parks and Recreation

ROY LAKE STATE PARK

Prospectus for
Lodging, Retail, Recreation
and other Services

South Dakota Division of Parks and Recreation

Date Issued: March 4, 2016

Offer Must be Received By: May 4, 2016
3:00 P.M. Central Standard Time

Address Proposals to:

Douglas Hofer, Director
South Dakota Department of Game, Fish and Parks
Division of Parks and Recreation
523 East Capitol
Pierre, SD 57501

Roy Lake State Park

Prospectus for
Lodging, Retail, Recreation
And other Services

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BUSINESS OPPORTUNITY

LODGING, RETAIL, RECREATION AND OTHER SERVICES AT ROY LAKE STATE PARK

South Dakota Division of Parks and Recreation

SUMMARY OF BUSINESS OPPORTUNITY

The purpose of this Summary is to provide a synopsis of the key elements of the Roy Lake State Park Draft Concession Agreement which is attached to this Prospectus. In the event on any inconsistency between the terms of the Draft Concession Agreement and this Summary, the Draft Concession Agreement prevails.

NATURE OF BUSINESS AND SERVICES PROVIDED

The Business Opportunity section of this Prospectus describes the commercial visitor services and essential improvements required within the Draft Concessions Agreement. The following visitor services are required:

Required Services for the New Concession Contract

1. A resort store offering grocery and food items, ice, fishing and camping supplies, fishing and park entrance licenses, basic first-aid supplies, state park souvenir sales, microwave food service and coffee bar, and miscellaneous items.
2. Cabin rental
3. Lodging room rental
4. Boat rental and basic operating instruction
5. Public access courtesy dock (not boat ramp dock).
6. Fishing bait and tackle sales.
7. Fishing and park entrance license sales.
8. Boat gas, oil and grease sales.
9. Minimum Resort season is daily operation beginning the Friday preceding Memorial Day through Labor Day of each year.

Gross Revenues by Year

2011	2012	2013	2014
$309,024.32	$347,921.09	$322,575.18	$358,719.99

PROPOSED MINIMUM FRANCHISE FEE

- 4 percent of gross receipts up to $200,000
- 5 percent of gross receipts in excess of $200,000

Required Minimum Repair and Maintenance Reserve

2.0 percent of annual gross receipts

Term of Draft Contract

10 years

Required Investment

Purchase of Main lodge building, Cabins, 4-plex, Docks, fuel sales pump, personal property and listed intangibles from Jan Pitzl (existing concessionaire)*	$1,195,000	Established by Concessionaire
Total	**$1,195,000**	

**A detailed list of assets, property and intangibles was provided by the Concessionaire and is included in Section 4 of this prospectus.*

The South Dakota Division of Parks and Recreation has determined that no preferred Offeror for this Draft Concession Agreement exists. This solicitation for commercial services is fully competitive.

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INTRODUCTION

The South Dakota Department of Game, Fish and Parks ("the State") seeks proposals for concession operations at Roy Lake State Park ("the Park"). This Prospectus describes in general terms the existing businesses operations and the future business opportunities for the facilities and services required by the State. Offerors are responsible for reviewing all sections of this Prospectus and, specifically, the terms and conditions of the attached Draft Concession Agreement, including its exhibits, to determine the full scope of a future concessionaire's responsibilities under the Draft Concession Agreement. The State is conducting this solicitation under the authority of ARSD 41:13 - Park Concession Leases. In the event of any inconsistency between the terms of this Prospectus and Draft Concession Agreement, the Draft Concession Agreement will prevail.

The term “concessionaire” as used in this Prospectus refers to the entity that will be the concessionaire under the Draft Concession Agreement. The term “existing concessionaire” refers to proprietor Jan Pitzl., the concessionaire under the existing concession contract (“Existing Lease”).

The purpose of the Department of Game, Fish and Parks is to perpetuate, conserve, manage, protect, and enhance South Dakota's wildlife resources, parks, and outdoor recreational opportunities for the use, benefit, and enjoyment of the people of this state and its visitors, and to give the highest priority to the welfare of this state's wildlife and parks, and their environment, in planning and decisions. The Department has the following divisions:

- **Division of Wildlife** manages South Dakota's wildlife and fisheries resources and their associated habitats for their sustained and equitable use, and for the benefit, welfare and enjoyment of the citizens of this state and its visitors.
- **Division of Parks and Recreation** provides diverse outdoor recreational opportunities, acting as a catalyst for a growing tourism economy and preserving the resources with which it is entrusted. This division seeks to accomplish this through efficient, responsive and environmentally sensitive management, and constructive communication with those whom its serves.

The South Dakota State Park system includes 13 state parks, 42 recreation areas, 5 nature areas, 1 historic prairie, 70 lakeside use areas, and 10 marina/resorts. In addition, the Division of Parks and Recreation manages the 114-mile Mickelson Trail, South Dakota’s Snowmobile Trail Program, 220 public water access areas and maintains 291 boat ramps with a total of 389 launching lanes.

Additional information on the South Dakota Department of Game, Fish and Parks can be found at http://www.sdgfp.info.

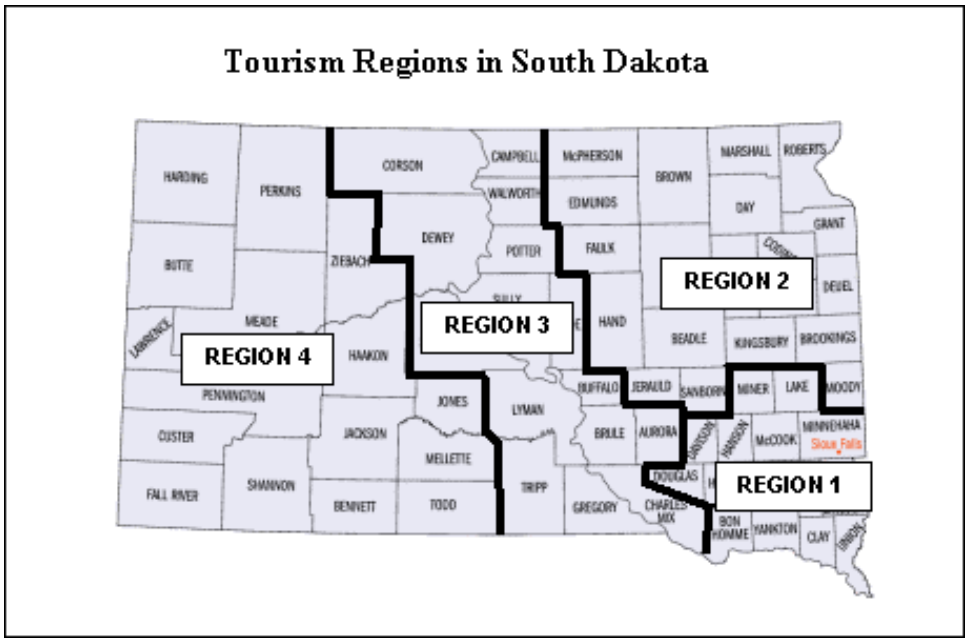
MARKET AREA OVERVIEW

SOUTH DAKOTA TOURISM MARKET

For tourism purposes, the South Dakota Office of Tourism has divided the state into four geographical sectors:

- **Southeast South Dakota (Region 1):** Located in the southeastern area of the state, this region contains Sioux Falls, South Dakota's largest city, a portion of the Lewis and Clark Trail along the Missouri River and many unique attractions.
- **Glacial Lakes and Prairies (Region 2):** Located in the northeastern area of the state, this region is named for the many small lakes left behind by glaciers millions of years ago. Roy Lake State Park is in Region 2 and located in Marshall County.
- **Great Lakes (Region 3**): Four dams built along the Missouri River created Lakes Oahe, Sharpe, Francis Case, and Lewis and Clark. This area is comprised of the counties bordering the Missouri River through the central region of the state.
- **Black Hills, Badlands & Lakes (Region 4):** Within this region lies Mount Rushmore National Memorial, Wind Cave National Park, Jewel Cave National Monument, Crazy Horse Memorial, and Custer State Park. All these attractions are surrounded by the Black Hills National Forest. Numerous private and public attractions are found throughout the region. This region generates the vast majority of out-of-state visitors coming to South Dakota.

Exhibit 1 South Dakota Tourism Regions



Source: South Dakota Department of Tourism

VISITOR SPENDING

A large proportion of public land in South Dakota is managed by recreation and/or environmentally focused federal government, state, tribal or municipal agencies. The large amount of publicly managed land offers increased opportunities for outdoor recreation and has helped tourism become South Dakota's second leading industry. According to the South Dakota Office of Tourism, approximately 34,000 jobs in 2006 could be traced to the state's tourism industry. The South Dakota Governor's Office of Economic Development estimates the 2006 annual economic impact of tourism to be $2.16 billion.

The South Dakota Office of Tourism regularly commissions studies to measure visitor economic impact. In 2013, tourism economic impact was $1.98 billion with total statewide visitor spending. This figure represents a 2.8 percent increase from 2012. The travel industry supports roughly 28,000 jobs in South Dakota.

Exhibit 2 South Dakota Annual Visitor Spending and economic values 2011 to 2013

South Dakota Tourism Bottom Line:

Measurement	2013	2012	2011	Growth '12-'13	Growth '11-'12	Perspective
Visitation and Expenditures						• *Visitation growth was spread nearly evenly across leisure, business and international.*
• Total Person-Stays	16.94 M	16.43 M	16.05 M	3.1%	2.4%	
• Total Tourism Expenditures	$4.10 B	$3.98 B	$3.81 B	2.9%	4.5%	
Economic Value (GSP)						• *South Dakota's nominal Gross State Product forecast to be flat in 2013*
• Core Tourism (direct)	$1.39 B	$1.36 B	$1.32 B	2.9%	2.8%	
• Total Impact (direct+indirect)	$1.98 B	$1.93 B	$1.86 B	2.8%	3.9%	
Wages & Salaries						• *Avg. annual direct tourism wages increased 2.5% to approx. $29,163*
• Core Tourism (direct)	$0.82 B	$0.79 B	$0.77 B	3.0%	2.8%	
• Total Impact (direct+indirect)	$1.18 B	$1.15 B	$1.10 B	2.8%	4.2%	
Employment ('000)						• *1 out of every 11 SD workers owes his/her job to tourism, largely unchanged from 2012.*
• Core Tourism (direct)	27.96	27.81	27.50	0.5%	1.1%	
• Total Impact (direct+indirect)	36.72	36.55	35.81	0.4%	2.1%	

Exhibit 3 South Dakota Travel Industry Economic Impact

Source: South Dakota Department of Tourism

LOCAL MARKET AREA

Northeast South Dakota's focal point is its Glacial Lakes and Prairies and the recreational opportunities that they provide. Most of the fishing, boating, swimming, sailing, camping, hunting, hiking, biking, and nature appreciation that occurs in the region can be attributed to these glacial lakes. Formed by the glaciers receding to the north over 20,000 years ago, they provide a diverse economic and recreational base. Access to the Northeast Region is excellent with Interstate 29 bringing folks into the Northeast and allowing visitors to exit and explore the region via major Highways 10 or 12. Roy Lake State Park is only a short 19 mile drive from the Sisseton Exit via Highway 10. According to the 2010 Census, the population of Marshall County was 4,656. In nearby Day County the population was 5,710, and Roberts County's population was 10,149. Major economic factors in the area are recreation, tourism, and agriculture.

Along with Roy Lake State Park, other major recreation areas are Fort Sisseton State Park, Pickerel Lake Recreation Area, Sica Hollow State Park, as well as the 50 plus tri-county public water access areas. All of which provide quality water-based outdoor recreation for the region. Fort Sisseton hosts many special events throughout the year, the largest is the annual Festival in June with event attendance reaching 12,000. Sica Hollow is known for its hiking trails and fall foliage. The area also features some of the best waterfowl hunting in the state. Other species sought after by hunters include pheasant, deer and turkey. Most of the public access land is managed by the Department of Game, Fish and Parks.

Roy Lake State Park sits near the center of the Coteau des Prairie, located 2 miles south and 1 mile west of Lake City. According to the 2014 GFP survey, Roy Lake has a watershed area of 9,614 aces. The surface area of the lake is 2054 acres. The maximum depth is 21 feet and the mean depth is 10 feet. The lake has three boat ramps; they are located within the Roy Lake State Park. Two within the West Unit (northwest portion of lake) and the other is on the northeastern shore within the Park's East Unit. The fishery is primarily made up of largemouth bass, northern pike, smallmouth bass, walleye and yellow perch. Other species include black bullhead, black crappie, bluegill, channel catfish, carp, green sunfish, and white sucker.

Attractions in the Roy Lake State Park area

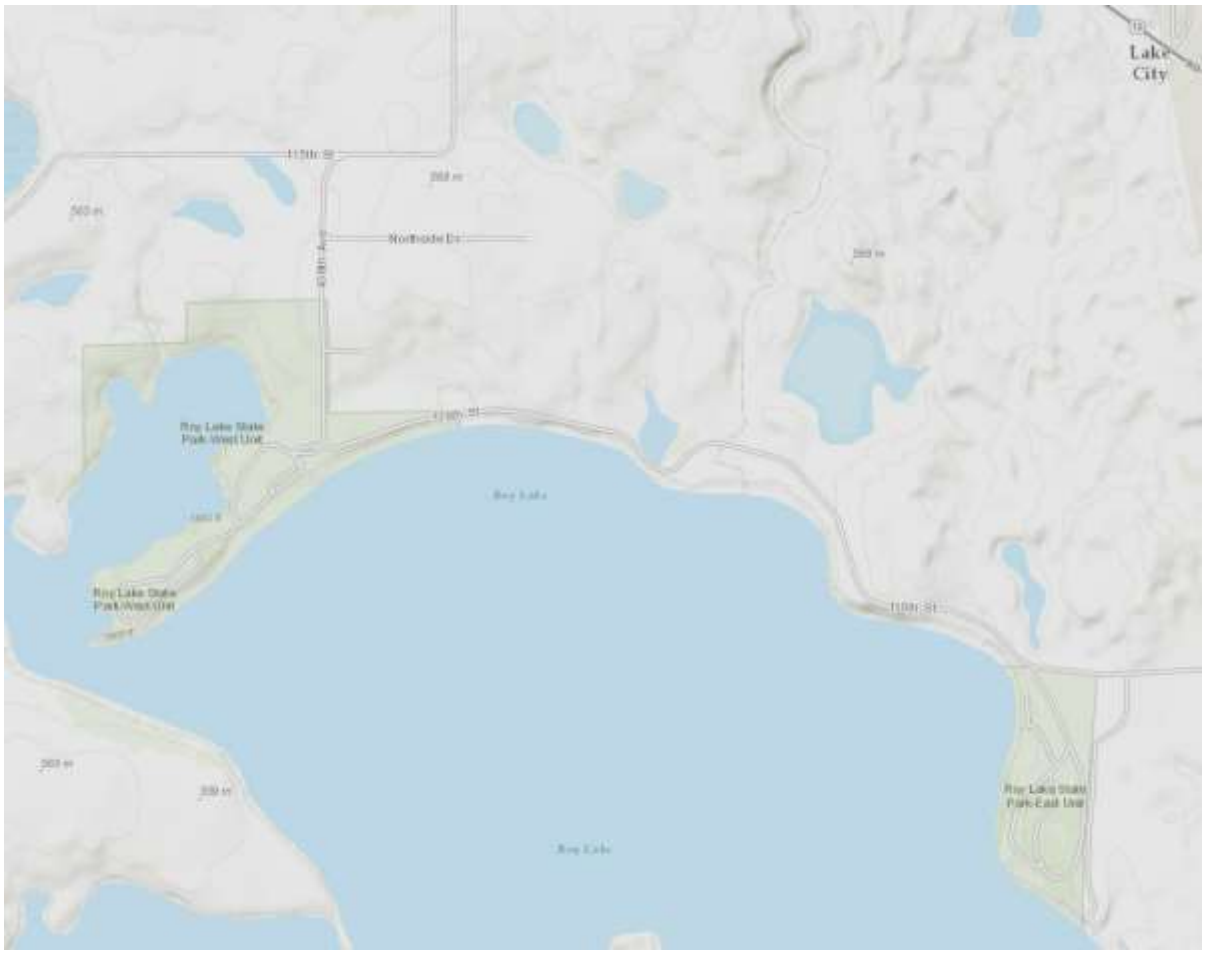
- The Joseph N. Nicollet Tower and Interpretive Center
- Stavig House Museum (National Register of Historical Places)
- Song to the Great Spirit Building
- Continental Divide
- Sica Hollow (National Registry of Natural Landmarks)
- Ancient River Warren Channel (National Registry of Natural Landmarks)
- Buffalo Herds
- Cottonwood Slough-Dry Run (National Registry of Natural Landmarks)
- Sam Brown Cabin and Museum
- International Vinegar Museum
- Blue Dog State Fish Hatchery
- Waubay Wildlife Refuge
- Sand Lake Refuge
- Marshall County Prayer Rock Museum
- Strand Theatre
- Day County Museum
- Museum of Wildlife, Science & Industry
- Waubay National Wildlife Refuge

PARK OVERVIEW

Located in the Glacial Lakes and Prairies Region of South Dakota, Roy Lake State Park is a popular site which provides access to Roy and surrounding glacial lakes and recreational services. Roy Lake is known for its excellent fishing, but you don't have to be an angler to enjoy all this park has to offer. Visitors will find sandy beaches, campgrounds, picnic areas, boat ramps and a variety of trails to keep them busy. The earliest known inhabitants of Roy Lake were members of the Woodland Culture, who built large burial mounds. Artifacts dating between 900 and 1300 A.D. have been found near the park. The Roy (or Roi) family is credited with building the area's first white settlement. Local American Indians called the crops planted along the lakeshore the "Roy Planting" and the name persisted. Roy Lake State Park consists of the following State-owned facilities:

- 2 lane boat ramp at the Park's West Unit
- Wheelchair accessible fishing pier
- Fish Cleaning Station
- 88 electrical camping sites
- 14 tenting sites
- 3 camping cabins
- 2 Comfort Stations
- Picnic Shelters
- 2 playground structures
- 2 swimming beaches
- Disc Golf Course
- Floating bridge hiking trail
- Welcome Center
- Canoe and Kayak Rentals
- Dump Station

Roy Lake State Park general area overview



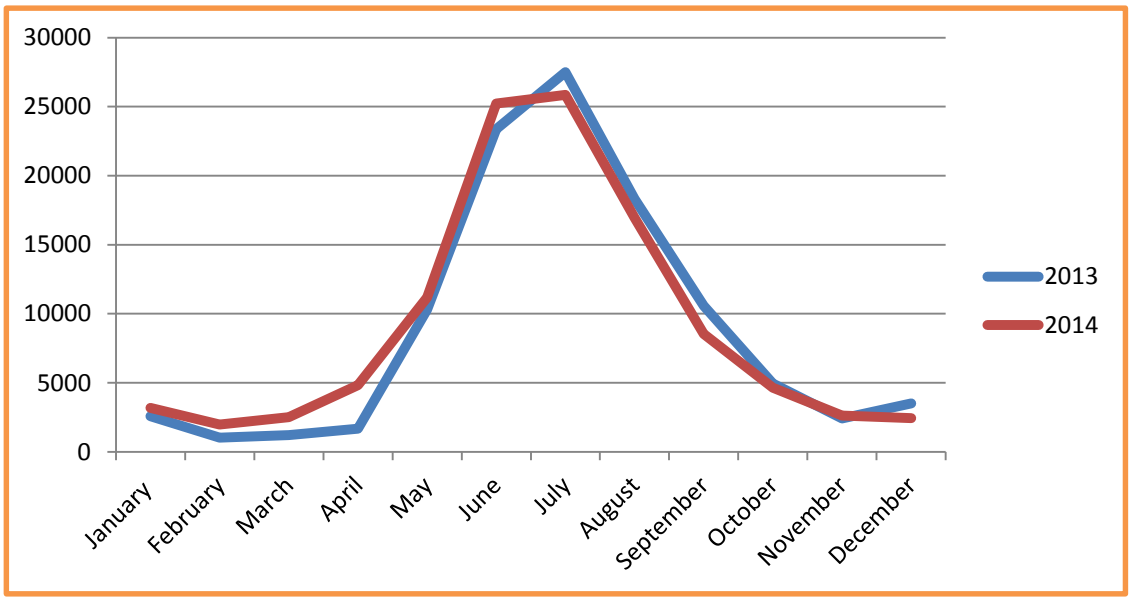
Source: State of South Dakota

Roy Lake State Park West Unit

VISITATION

Roy Lake State Park saw annual visitation in 2013 and 2014 of 107,999 and 109,893 respectively. Exhibit 4 displays total visitation by month for the previous two years. Peak months for visitation are June through August, with May and September considered shoulder months. The remaining months (October through April) are considered off-season, with low levels of visitation.

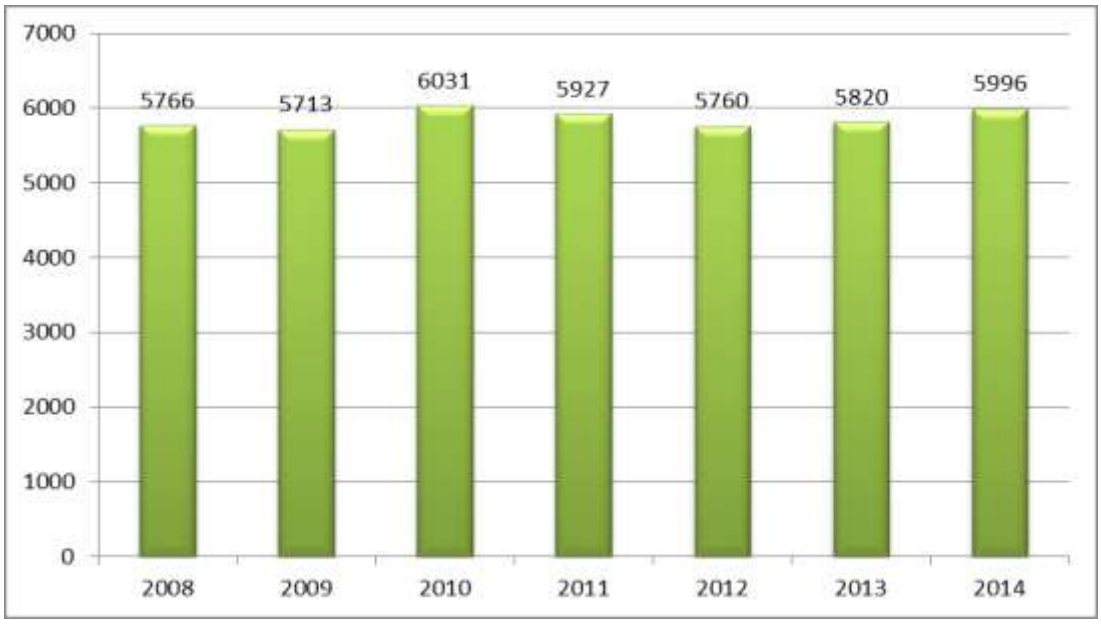
Exhibit 4 Roy Lake State Park visitation by month 2013 - 2014



Source: State of South Dakota

Exhibit 5 displays total annual camping numbers at Roy Lake State Park for the past 7 years. Camping levels remain steady over this time.

Exhibit 5 Roy Lake State Park total camping numbers 2007 - 2014



Source: State of South Dakota

EXISTING CONCESSION OPERATION

The exhibit below provides a summary of facilities and services currently offered within the Park.

Exhibit 6 Facilities and Services Summary*

Lodging	8 housekeeping cabins 6 condo style rental units
Food and Beverage	Resort has capacity for full kitchen, Current owner has pizza franchise
Retail	Convenience Store offering grocery and food items, ice, fishing and camping supplies, fishing and park entrance licenses, basic first-aid supplies, state park souvenir sales
Recreation	Boat Rental Fishing guide service
Other	Courtesy Docks Fueling Station (currently on water) Boat Ramp (state-owned)

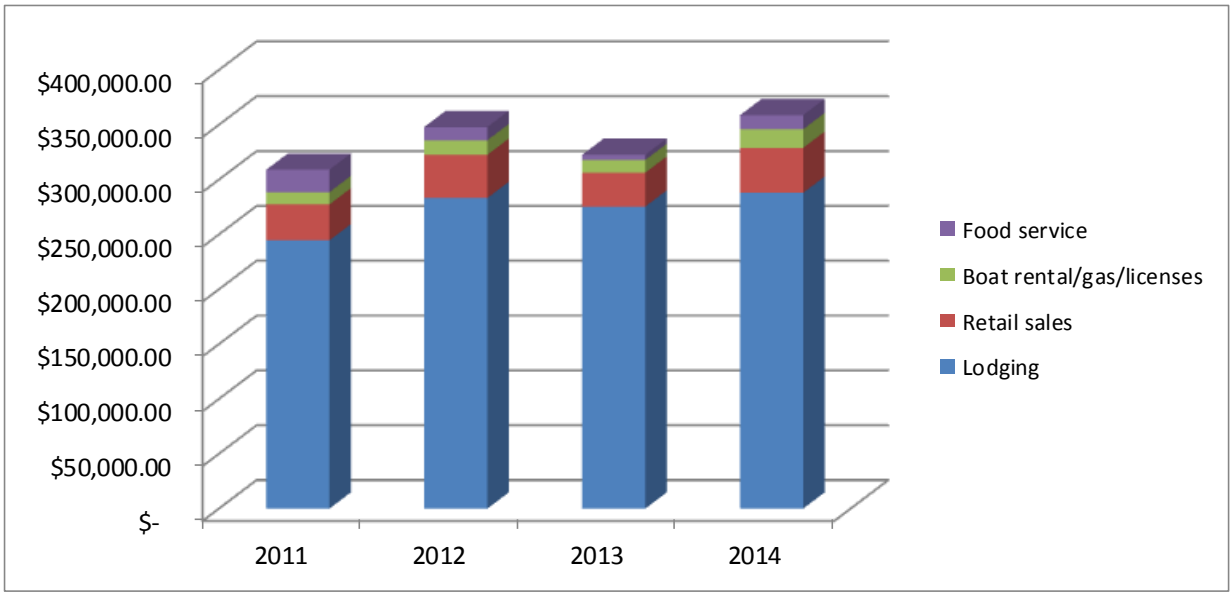
**Detailed business and building descriptions provided by the current concessionaire is included in Section 4 of the prospectus*

Source: State of South Dakota

Historical Contract Revenues

Exhibit 7 displays the revenue breakdown by major profit centers for the last 4 years of operation. Roy Lake Resort's major revenue source is lodging. Further explanation of these revenues is provided by the Concessionaire in Section 4 of the prospectus.

Exhibit 7 2012 - 2013 Revenue Breakdown for Roy Lake Resort



Source: State of South Dakota

Repair and Maintenance Reserve

The draft concession agreement requires the selected concessionaire to establish a Repair and Maintenance Reserve. The Offeror is directed to Section 14 of the draft concession agreement on the terms and conditions for the Repair and Maintenance Reserve. The Repair and Maintenance Reserve for this agreement will be a minimum of 2.0 percent of gross receipts for the term of the contract. Offerors are also required to submit a facility improvement plan aimed at upgrading, improving and renovating the existing concessionaire facilities on site. This plan must clearly show how the concessionaire intends to carry out this plan during the first full year of operation (2016), and include cost estimates for all components of the plan.

Franchise Fee

The minimum franchise fee for this agreement is:

4 percent of Gross Receipts up to $200,000

AND

5 percent of Gross Receipts in excess of $200,000

Site Visit

A site visit may be scheduled for intended bidders which will include a Park overview, on-site tour and inspection of resort facilities and property. Please contact Sean Blanchette for further details regarding a site visit.

Sean Blanchette
Concession and Lease Manager
South Dakota Department of Game, Fish and Parks
Division of Parks and Recreation
523 E Capitol Avenue
Joe Foss Building
Pierre, SD 57501
(605) 773-3391

Term and Effective Date of New Agreement

The agreement will be for a term of ten (10) years. The effective date of the concession agreement is estimated to be in late 2015 or early 2016. The effective date of the contract is subject to change prior to contract award if determined necessary by the State.

PROPOSAL PACKAGE INSTRUCTIONS

Proposal to Provide Lodging, Retail, Recreation, and Other Services
At Roy Lake State Park

South Dakota Division of Parks and Recreation

PROPOSAL INSTRUCTIONS

1) Submission of Proposal

a) Proposals must be received by the due date shown on the front page of this Prospectus.

b) All proposals must be submitted to Douglas Hofer, Director, Division of Parks and Recreation, 523 E Capital Avenue, Joe Foss Building, Pierre, SD 57501. Any information received in the proposals will be confidential and will not be released by the Division unless requested by the bidder to do so. Unsuccessful bids or bids received after the deadline will be returned to the bidder. Late bids will be returned unopened.

c) A draft concession agreement has been included in this Prospectus and sets forth the minimum terms and conditions under which the concession operation is to be conducted. Items left blank will be filled in consistent with the bid. Items included in the applicant's offer, if accepted as part of the proposal, will be incorporated into the final version of the lease agreement.

d) Two copies and an original, plus required electronic forms, must be submitted and signed by the authorized person in the organization.

2) Questions

a) If you do not understand something in the Prospectus, you must submit your questions in writing to the following person no later than April 15, 2016.
Sean Blanchette
Concessions and Lease Manager
South Dakota Department of Game, Fish and Parks
Division of Parks and Recreation
523 E Capital Avenue
Joe Foss Building
Pierre, SD 57501

b) The Division will respond to questions in writing, and will provide the questions and responses to all potential Offerors who have requested a Prospectus. Questions submitted after this date may not be answered.

3) Forms in Which Proposal Must be Submitted

a) Offerors must follow the format provided in the Proposal Package, including in its entirety without alteration the “Offeror’s Transmittal Letter,” in competing for the concession opportunity. Failure to submit the Offeror’s Transmittal Letter without alteration (except for filling in the indicated blanks) and a completed copy of the Proposal Package will make your proposal non-responsive.

b) Please number each page and section in your completed proposal. Add information to your proposal only to the extent that it is necessary and relevant to respond to the factor. Each page should have a heading identifying the selection factor and subfactor to which the information contained on the page responds. Stay within the organizational framework in the Proposal Package. However, in assessing an offeror’s response to a given selection factor, the Division may consider relevant information contained elsewhere in the proposal.

4) Evaluation of Offers

a) All proposals received by the deadline will be evaluated by the Division of Parks and Recreation based on the following factors:

- Managerial and operational experience – 25%
- Financial capabilities – 25%
- Franchise fee, repair and maintenance reserve and other benefits offered 20%
- Other factors, including sales and marketing – 20%
- The proposals attention to adherence to the instructions and requests included in this prospectus – 10%

b) The Division of Parks and Recreation reserves the right to reject or disregard any proposals submitted or to make counter proposals which it may consider reasonable or desirable, and it reserves the right to negotiate with the bidder making the proposal deemed best to achieve the most desirable Agreement.

c) The bidder, by submission of this proposal, agrees that if selected by the Department, to complete the negotiation and execution of an agreement within 60 days of notification by the Department.

5) Cautions to Offerors about Submission and Evaluation of Proposals

a) Offerors must follow the format provided in the Proposal Package, including in its entirety without alteration the "Offeror's Transmittal Letter," in competing for the concession opportunity. Failure to submit the Offeror's Transmittal Letter without alteration (except for filling in the indicated blanks) and a completed copy of the Proposal Package will make your proposal non-responsive.

b) All information regarding this Prospectus will be issued in writing. No Department or other State of South Dakota official is authorized to make substantive oral representations relating to this matter, and no Offeror should rely on any oral representations made by government officials with respect to this transaction.

c) The proposal includes the selection factors to be used by the Department to evaluate proposals. Under each factor, the Department identifies subfactors to ensure that all elements of the factor are considered. You, the Offeror, should ensure that you fully address all of the selection factors and related subfactors.

d) The information provided in this Prospectus, including the Appendices, is provided to allow Offerors to understand the operations and terms of the new concession agreement. Offerors are encouraged to thoroughly review all information and required submittal documents before beginning to prepare a proposal.

e) If you propose to make any financial commitments and considerations in response to any selection factor, your proposal will be closely reviewed and analyzed against your financial statements and supporting documents with appropriate review of feasibility. Such documents reviewed and analyzed will include but not be limited to the Business Organization and Credit Information, pro forma income statements, audited financial statements and balance sheets required in the proposal.

f) The proposal and related materials submitted should reflect the entire proposal you are making. The Department will consider your written submission as your full and final proposal in response to the Prospectus, and will make its selection based on the written information you have submitted and other appropriate information. Do not assume that the Department knows anything about you or your proposal. Do not assume that any information about you or your proposal, previous correspondence or previous submissions are in the possession of or will be considered by the Department. This is true even if you are the current concessionaire or have operated another concession within the State of South Dakota.

g) The draft concession agreement and its exhibits, which set forth the terms and conditions under which the concession operation is to be conducted, are attached. The Director may amend this Prospectus and/or draft concession agreement including extending date prior to the proposal due date. The Director may also cancel a solicitation at any time before the award of the concession agreement if the Director determines in its discretion that this action is appropriate in the public interest. No Offeror or other person will obtain compensable or other legal rights as a result of an amended, extended, canceled or reissued solicitation for this concession agreement.

h) Document delivery services, including overnight delivery, to some areas may not provide true overnight delivery. Offerors are encouraged to insure the timely submittal of proposals by contacting the delivery service of their choice regarding delivery availability for the specific location specified on the front page of this Prospectus.

i) Offerors are responsible for undertaking appropriate due diligence with respect to this business opportunity. All of the statements made in this Prospectus regarding the nature of the business and its likely future are only opinions of the Department. Offerors may not rely on any representations of the Department in this regard.

j) Offeror understands that, if selected, it is required to purchase existing concessionaire facilities as well as concessionaire's personal property in accordance with ARSD 41:13 (1990 Version) and that the price of the required purchase has been established by the existing concessionaire. Offeror further understands that the advertised lease will be subject to ARSD 41:13 (2005 Version) which provides that upon future sale, the required purchase will be limited to only concessionaire facilities of which the value will be established by an appraisal for sale to a future successor. Personal property purchased by the selected concessionaire pursuant to this prospectus may be sold in the future upon sale to a successor on negotiated terms but the future successor will not be required to purchase said personal property as part of a future prospectus.

PROPOSAL PACKAGE

PROPOSAL TO PROVIDE LODGING
RETAIL, RECREATION AND OTHER SERVICES
AT ROY LAKE STATE PARK

South Dakota Division of Parks and Recreation

EXHIBIT 1: THE OFFER

Douglas Hofer, Director
South Dakota Division of Parks and Recreation
523 East Capitol Avenue
Pierre, SD 57501-3185

Dear Mr. Hofer:

I hereby agree to provide visitor services, facilities, and improvements at Roy Lake State Park in accordance with the terms and conditions specified in the prospectus, draft concession or lease agreement provided in the Prospectus; and to execute the draft concession agreement. I have attached, to support my offer, those items as described in Exhibit 2 (Certificate of Corporate Proponent) and 3 (Proposal) of the Prospectus

By submitting this Proposal I hereby agree, if selected for award of the next concession lease:

1. To commence operations under the next concession lease on the effective date of the lease
2. To the terms, conditions, and values included in the Settlement Agreement
3. To resolve any disputes that may occur in accordance with the Administrative Rules of South Dakota
4. (Include only if the Offeror is not to be the Concessionaire under the draft concession agreement) To provide the entity that is to the Concessionaire under the draft concession agreement with the funding, management, and other resources described in the proposal.

If selected by the Game, Fish and Parks Commission, I agree, within 30 days of notification and acceptance of my offer, to enter into negotiations with the South Dakota Department of Game, Fish and Parks for a concession agreement to furnish the accommodations and services as described in the prospectus.

Sincerely,

Signature

_____
Witness

(Seal)

_____
Company of Corporation

Address _____

_____

Phone Number_____

EXHIBIT 2: CERTIFICATE OF CORPORATE PROPONENT

I _____ certify that I am the _____ of the corporation named as proponent herein; that _____, who signed this proposal on behalf of the offer; was then _____ of said corporation; that said proposal was duly signed in behalf of the corporation by authority of its governing body and within the scope of its corporate powers.

_____

Title

EXHIBIT 3: PROPOSAL

PART 1: MANAGERIAL EXPERIENCE

STATE'S OBJECTIVES

The State is interested in appointing a concessionaire who has the relevant management and operational experience to manage the concession operation at Roy Lake State Park. The State wishes to understand the background of the Offeror in providing the same or similar types of services as those to be provided under the Concession Agreement.

QUESTIONS

Question 1.1 Resume and experience of key executive personnel

Demonstrate that your organization's key executive personnel have the experience and skills to effectively carry out the responsibilities of the Draft Concession Agreement.

a. Provide a resume to describe the qualifications of the corporate officer(s)/executives with responsibility for directly supervising the general manager or any other member of the management team for this concession agreement. Include relevant experience, minimum qualifications, certifications (if applicable), and education in a consistent format.

Question 1.2 Outline your organizational structure

Demonstrate that your organization is structured to effectively carry out the responsibilities of the Draft Concession Agreement by providing the following information:

a. Clearly outline the organizational structure you intend to use to manage and execute the services contemplated under the new Concession Agreement during peak and shoulder seasons.

Question 1.3 Outline management for Roy Lake Resort services

Demonstrate that your management team can effectively carry out the responsibilities of the Draft Concession Agreement by describing the qualifications of the person you would employ for the position listed below. Include relevant experience, minimum qualifications, certifications (if applicable), and education in a consistent format.

a. General Manager

Question 1.4 Prior experience

The State believes that past experience is an indication of future performance. Please provide example(s) of your experience in the operation and management of lodging, food and beverage, retail and other recreational facilities. The State will evaluate, among other factors, the length of experience, and the size and scope of the operation. For each operation discussed, provide the following information:

a. Provide the name and location of operation

b. Identify the owner or operator that you managed the project for including contact information (phone and email)

c. Describe the nature and tenure of the Offeror's involvement

d. Present information on the size of the operation: for example number of rooms, number of seats, retail square feet

e. Provide the total number of structures associated with the operation and the square footage

f. Describe the amenities and services offered

g. Gross revenues for the most recent three years of operation in which the Offeror was involved with the business

h. Provide service volume and annual operating performance metrics for the most recently completed operating year/season for each operation (e.g. occupancy, average daily rate, cover counts, average check, retail revenue per square foot, number of guests etc.)

i. Indicate the current status of the business (e.g., owned and operated by Offeror, sold, open but no longer operated by Offeror, closed, etc.)

j. Detail the number of full-time, part-time and seasonal employees

Question 1.5 Prior experience with external stakeholders

The Park has spent considerable time and effort to develop and foster good working relationships with the surrounding community: i.e., Chambers, tourism organizations, CVB and other associations interested in the well being of the Park. Please describe your experience with relationships with similar organizations and communities in and around locations where you currently have business operations. Please describe specific details regarding these relationships, including

a) nature of relationship (formal versus informal)

b) lead contact for the partner relationship including phone number and name

c) annual time commitment

d) funding relationships

PART 2: FINANCIAL CAPABILITIES

STATE'S OBJECTIVES

The State wishes to ensure that the future Concessionaire is financially able to meet the requirements of the Concession Agreement, and has a financial history that demonstrates the ability of the Offeror to operate the concession profitability and effectively.

QUESTIONS

Question 2.1 Financial statements

Demonstrate that you are financially sound and have a history of meeting your financial obligations by providing financial statements in accordance with Generally Accepted Accounting Principles for the two most recent fiscal years, with all notes to the financial statements. Financial statements should be provided for the Offeror AND all parent companies. Personal financial statements must be provided for any owners of a sole proprietorship or general partners within a partnership.

Question 2.2 Credit report

Provide a current credit report (within the last three months) from a major credit reporting company such as Equifax, Experian or Dunn & Bradstreet.

Question 2.3 Initial Investment Schedule

Demonstrate your understanding of the financial obligations of the draft Concession Agreement by providing your estimates of the acquisition and start-up costs of this business using the Acquisition and Startup Cost form included at the end of this section and on the excel spreadsheet provided in the appendix. Explain fully the methodology and the assumptions used to develop the estimate. The information provided should be of sufficient detail to allow a reviewer to fully understand how the estimates were determined.

Question 2.4 Sources of capital

Demonstrate your ability to obtain the required investment funds detailed above. Identify the source(s) of the funds and provide compelling documentation of your ability to obtain the funds from these sources. Explain fully the financial arrangements you propose, using the following guidelines:

a. Document each source and availability of all funds with your current audited financial statements, financing agreements, letters of commitment, or similar supporting documents.

b. If funds are to be obtained from lending institutions (banks, savings and loans, etc.), include a letter (addressed to the lender and containing all appropriate bank contact information) permitting the lender to release any information to the State concerning the financing arrangements of this opportunity. Include the contact name on the letter.

c. If funds are to be obtained from an individual, or a corporation whose primary fund source is an individual, provide the following as appropriate:

- Current personal financial statement for the primary source of funds.
- Documentation of any assets to be sold.

Question 2.5 Prospective financial statements

Demonstrate that your proposal is financially viable. Using the excel spreadsheets provided in the appendix (samples of these forms are located at the end of this section) and following the guidelines below, provide estimates of prospective revenues and expenses of the concession business in the form of annual prospective income and cash flow statements for the term of the Concession Agreement. Please clearly provide the following in support of your estimates:

a. State and incorporate the annual inflation rate and estimates of real growth you anticipate.

b. You may expand on the information requested on the form, but do not provide less, do not reduce the captions called for, and do not change the order of items.

c. Do not add or eliminate columns or rows on the Excel spreadsheets provided in the appendix. If you wish to provide additional information, do so in additional spreadsheets, outside of the ones provided. If additional information is provided, clearly identify how it fits into the income statement, cash flow, and/or assumption tables.

d. Identify the fiscal year beginning and end dates (month and day) that the offeror proposes to operate within.

e. Provide a clear and concise narrative explanation of the method(s) used to prepare the estimates and the assumptions on which your projections are based. Information must be sufficiently detailed to allow a reviewer to determine the basis for the estimates and make a determination of whether or not the projections are realistic.

f. If you intend to assess a Management Fee, or other form of corporate overhead and profit, you must CLEARLY describe what this fee is comprised of (Officer salaries, human resources, accounting, marketing, profit, etc.).

g. Clearly identify your estimates for real property repair and maintenance reserve.

h. Provide workforce estimates in Full Time Equivalents (FTE) for each operating department identified.

PART 3: FRANCHISE FEES AND OTHER BENEFITS

STATE'S OBJECTIVES

The State seeks to balance visitor services and resource protection with financial returns which are reinvested back into the facilities at Roy Lake State Park; and concessionaire re-investment.

QUESTIONS

Question 3.1 Franchise fee

The minimum franchise fee acceptable to the State is 4% percent of gross receipts up to $200,000 and 5% of Gross Receipts in excess of $200,000.

The offer of a higher franchise fee than this minimum is generally beneficial to the State and accordingly will generally be more favorably evaluated. However the State will balance consideration of revenue with its objectives of protecting, conserving, and preserving resources of the park area and of providing visitor services to the public at reasonable rates.

State the franchise fee that you propose. Such fee must at least equal the minimum franchise fee set forth above. Express this fee as a percentage of annual gross receipts.

_____percent of annual gross receipts up to $200,000

-AND-

_____percent of annual gross receipts in excess of $200,000

Question 3.2 Repair and Maintenance Reserve

As outlined in the Business Opportunity section, the State believes that well maintained facilities at Roy Lake State Park are an integral part of the visitor experience. The Draft Agreement specifies a Repair and Maintenance Reserve Program of at least 2.0% of annual gross receipts. In addition, the State believes that the minimum continued re-investment in repair and maintenance throughout the term of 2.0 percent of Gross Receipts will assist in preserving a high level of appearance and functionality that is integral to the visitor experience.

Given the State's objectives and the requirements discussed in the Business Opportunity section and clarified in Section 14 of the Draft Agreement, please elaborate on your plan for facility repair and maintenance. Your plan should include the following:

1. Brief description of the plan, including a strategy to make immediate improvements in the first year of operation
2. Preliminary observations of items to be renovated (i.e. flooring, walls, windows, access, etc.), your expected schedule, and prioritization plan
3. Estimated costs (if available)

4. Policies and samples of replacement schedules currently used

Express this fee as a percentage of annual gross receipts:

_____percent of annual gross receipts

PART 4: OTHER CRITERIA

STATE'S OBJECTIVES

In addition to managerial capability, financial capabilities, and franchise fee and other benefits, the State has identified the following items as being critical to the success of operations at Roy Lake State Park

- Sales and Marketing
- Other facilities and services offered

QUESTIONS

Question 4.1 Sales and Marketing

The State realizes the prominent role that outdoor recreation plays in our economy, and the value of attracting additional tourism activity to the area. Additionally, the state believes that the glacial lakes area of northeast South Dakota with its abundance of natural beauty and recreational opportunity, is well established as a major recreational destination in the state. Promotion is just one part of the successful marketing efforts that a concessionaire will need to undertake in order to maximize the public perception and awareness of this resource.

Please provide a sample marketing plan for Roy Lake Resort that will provide for the maximum public use, business growth, and fulfillment of the obligations outlined in the draft concession agreement. This plan should include at a minimum the following items

a. Background and overview

b. Identification and segmentation of target market segments

c. Strategy for marketing to each segment, including trends associated with each segment, an estimation of resources to be allocated to each segment, and comparable mix of business to other similar business operations

d. Your philosophy on customer service, meeting visitor expectations, and expanding the customer base.

Question 4.2 Other Facilities and Services Offered

Please describe any additional facilities and services that you propose that will expand, enhance and improve the visitor experience at Roy Lake State Park.

ACQUISTION AND STARTUP COSTS FORM

Acquisition Cost [1]		$ _____
Possessory Interest	$ _____	
Other Incumbent Concessionaire Property		
Personal Property	$ _____	
Inventory	$ _____	
		$ _____
Immediate Purchase of New Items		
Personal Property (Year One and Two total)	$ _____	
Merchandise and Supplies	$ _____	
		$ _____
Initial Improvements		
Initial Improvements in facilities [2]	$ _____	
Deferred maintenance [2]	$ _____	
Other Soft Costs [2]		$ _____
Initial Working Capital [2]		$ _____
Total Acquisition Cost		$ _____

(1) All Offerors must include their estimate of the value of all property intended, whether planned for acquistion or currently owned, for use in the new Agreement

(2) Provide detail

SAMPLE INCOME STATEMENT

Refer to Part 2: Question 2.5 Prospective financial statements

Company Name

Location Roy Lake Resort

Prospective Income Statement

	Year 1	%	Year 2	%	Year 3	%	Year 4	%	Year 5
Food and Beverage									
Lodging									
Boat Rental									
Retail									
Other									
Total Gross Revenue	0		0		0		0		0
Total Gross Receipts (if Different)									
Cost of Sales									
Lodging		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Boat Rental		#REF!		#REF!		#REF!		#REF!	
Retail		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Other		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Total Cost of Sales	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0
Gross Profit	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0
Direct Expenses									
Lodging									
Wages		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Taxes and Benefits		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Other Direct (specify line items in assumptions)		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Boat Rental									
Wages		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Taxes and Benefits		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Other Direct (specify line items in assumptions)		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Retail									
Wages		#REF!		#REF!		#REF!		#REF!	
Taxes and Benefits		#REF!		#REF!		#REF!		#REF!	
Other Direct (specify line items in assumptions)		#REF!		#REF!		#REF!		#REF!	
Other (Describe)									
Wages		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Taxes and Benefits		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Other Direct (specify line items in assumptions)		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Total Direct Expenses	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0
Undistributed Expenses									
Administrative and General-Payroll, Taxes and Benefits		#DIV/0!		#DIV/0!	0	#DIV/0!		#DIV/0!	
Administrative and General-Other		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Marketing		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Repair and Maintenance		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Utilities		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Management Fee		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Total Undistributed	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0
Fixed Expenses									
Property Taxes		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Insurance		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Franchise Fees		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Repairs and Maintenance Reserve		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Capital Lease		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Personal Property Replacement									
Other		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Total Fixed Expenses	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0
EBITDA	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0
Interest Expense		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Depreciation		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Amortization		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Net Profit Before Taxes	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0
Income Tax		#DIV/0!		#DIV/0!		#DIV/0!		#DIV/0!	
Net Income	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0	#DIV/0!	0

ASSUMPTIONS SAMPLE

Refer to Part 2: Question 2.5 Prospective financial statements

Company Name

CONCID **Roy Lake Resort**

Assumptions

General
Contract Start Date
Revenue Inflation
Expense Inflation

Revenue Build Up	Year One	Year Two	Year Three	Year Four	Year Five
Lodging Revenue					
Number of Units					
Price per night					
Number of nights					
Annual Revenue					
Boat Rental					
Number of Units					
rate					
Annual Revenue					
Retail					
Describe, including revenue estimates					
Food and beverage					
Describe, including revenue estimates					
Other Departmental Revenue					
Describe, including revenue estimates					

CASH FLOW SAMPLE

Refer to Part 2: Question 2.5 Prospective financial statements

Company Name

CONCID **Roy Lake Resort**

Prospective Cash Flow Statement

Operating Activities	**2015**	**2016**	**2017**	**2018**	**2019**
Net Income					
Adjustment to Reconcile Cash Flow					
Depreciation					
Amortization					
Gain/Loss on Sale of Fixed Assets					
Change in working capital					
Other (describe)					
Net Cash Provided by Operating Activities	-	-	-	-	-
Financing Activities					
Dividend					
Notes Payable					
Other (describe)					
Net Cash Used in Financing Activities	-	-	-	-	-
Investment Activities					
Purchase of Possessory Interest					
Creation/Acquisition of New Possessory Interest					
Proceeds from sale of Possessory Interest					
Proceeds from Sale of Personal Property and Inventory					
Other (describe)					
Net cash used in investing activities	-	-	-	-	-
Total Cash Flow	-	-	-	-	-
Cash begining of year					
Cash end of year					

Roy Lake Resort & Lodge

Intent to Sell Packet

LOI, Brief Description, Asset List, & Purchase Options

Jan Pitzl- Proprietor
Prepared by Charles Thames

March 2015

Roy Lake Resort and Lodge

Boat Rentals Lodging Bait Groceries

www.RoyLakeResort.com

11571 Northside Dr. Lake City, SD 57247

Roy Lake Resort and Lodge
Boat Rentals Lodging Bait Groceries
www.RoyLakeResort.com

Doug Hofer, Director of Parks & Recreation
South Dakota Game, Fish and Parks
523 East Capitol Avenue
Pierre, SD 57501

Subject: LETTER OF INTENT TO SELL- ROY LAKE RESORT March 16, 2015

Dear Mr. Hofer,

Outlined in this letter and the attached packet is the letter of intent to sell regarding Roy Lake Resort located inside Roy Lake State Park- West Unit at 11571 Northside Dr. Lake City, SD 57247.

I would like to formally authorize this letter as my intent to sell the property formally known as "Roy Lake Resort" and offer the answers to any questions that may arrive in the future. I may be reached by telephone at 605-448-5498 or by electronic mail at jan@roylakeresort.com *(please CC all e-mail correspondences to charles@roylakeresort.com for record keeping.)*

Produced within this packet you will see a brief description of the property and a detailed asset list that outlines the assets and building values that includes two (2) particular purchase options- we are offering our consultation services with the sale at a described price listed in *Asset List "A"* or without our consultation services at a lesser price. Of course the option chosen will be up to the buyer.

Please take the time to review these items and produce them accordingly into the Roy Lake Resort prospectus. We look forward to working with you and your team during the sale and thank you for the many years of an amazing working relationship together. Furthermore, an electronic PDF of this packet is available both with and without the *Letter of Intent* for its inclusion in the prospectus.

Sincerely,

Janice K. Pitzl

Janice K. Pitzl
Owner/Proprietor
Roy Lake Resort & Lodge

▪ BRIEF DESCRIPTION OF PROPERTY ▪

ROY LAKE RESORT & LODGE

Welcome to the picturesque hills and lakes of the Glacial Lakes of South Dakota. Located in the rising Coteau des Prairies Hills a full 1,000 feet higher in elevation than the neighboring prairie in Northeastern South Dakota, Roy Lake Resort & Lodge is an established 14-unit limited and multi-service lake resort that offers guests, families, sportsmen, corporate businessmen and women an abundance of exciting and peaceful amenities, first-class lakeside accommodations, and the passion of serving guests with warmhearted South Dakota hospitality.

Roy Lake Resort is situated on Roy Lake a 2,054 acre glacial lake located 1 mile south of Lake City, South Dakota, inside Roy Lake State Park's West Unit and is surrounded on three sides by water at the end of a peninsula. The resort features eight (8) individual, lakefront, stand-alone cabins with modern amenities, six (6) lakefront, year-round condominiums and a main lodge. The main lodge was newly renovated along with other capital improvements made in the Spring of 2014 with another phase of improvements underway in March and April of 2015.

The resort has several different profit-centers in addition to its main revenue of lodging. Additional revenue of the resort comes through ancillary sales with boat rentals, retail store/convenience store sales, boat gas sales and a restaurant that currently hosts a well-known pizza franchise but can be converted easily to a full-service, fine-dining or casual dining restaurant with no additional investment. Restaurant-hours liquor licenses are also available for procurement from the county that would host an additional stream of currently untapped revenue with the addition of a wet-lounge.

Located within 25 minutes of 45 different glacial lakes and being its own premier trophy walleye and smallmouth bass lake Roy Lake Resort has gained national notoriety for being *THE* lodging headquarters for sportsmen from around the U.S. as well as many high-profile TV fishermen personalities whom visit and film fishing shows at the resort annually.

Roy Lake Resort & Lodge's lodging accommodations include four-2 bedroom, 1 bath lakefront cabins; one- 2 bedroom, 1 bath cabin with a four seasons porch; two- 1 bedroom, 1 bath lakefront cabins; one-1 bedroom, 1 bath cabin with a four seasons porch; four- 2 bedroom, 1 bath condos with

walkout balconies and terraces; one- 2 bedroom, 2 bath condo with 2 private walkout balconies and Jacuzzi; one- 1 bedroom, 1 bath condo with walkout terrace. All units have their own linens, kitchens, appliances, flat screen TVs and satellite television. With these 14 exceptional and beautiful lakefront units the resort can host up to 93 people at its maximum sleeping capacity.

Roy Lake Resort & Lodge Accommodations

	Description	Max Sleep Cap.	~SqFt	Nightly Rate
Cabin 1	2 bd 1 ba	6 persons	500	$ 185.00
Cabin 2	2 bd 1 ba	6 persons	500	$ 185.00
Cabin 3	1 bd 1 ba	3 persons	300	$ 155.00
Cabin 4	1 bd 1 ba	3 persons	300	$ 155.00
Cabin 5	2 bd 1 ba	6 persons	500	$ 185.00
Cabin 6	2 bd 1 ba	6 persons	500	$ 185.00
Cabin 7	2 bd 1 ba	6 persons	561	$ 165.00
Cabin 8	1 bd 1 ba	3 persons	435	$ 135.00
Condo 9	2 bd 1 ba	10 persons	900	$ 205.00
Condo 10	2 bd 1 ba	10 persons	900	$ 205.00
Condo 11	2 bd 1 ba	10 persons	900	$ 205.00
Condo 12	2 bd 1 ba	10 persons	900	$ 205.00
Condo 14	1 bd 1 ba	6 persons	750	$ 169.00
Condo 15	2 bd 2 ba	8 persons	1000	$ 215.00

***Some units may be able to sleep up to more than 6 people however; we only allow a max of 6 unless authorized by management.**
****Nightly rates were raised March 1st, 2015 to the current rates shown in the table above.**

It's time to take action and make your goals a realization. Now is the time to start your family legacy or make your business investment in one of the most beautiful places South Dakota has to offer- immersed by stunning sunsets, incredible lake views and be surrounded by some of the most charming and hospitable people from across the country. Roy Lake Resort is an amazing family-orientated business on one of South Dakota's best lakes and most gorgeous parks. This investment and business opportunity is priced to sell and is expected to sell fast. There is only one available and it may never end up back on the market again. You will not find another business that comes close to parallel that everything this proven lakefront resort has in location, assets and area for the set asking price. Make your American Dream a reality right now in the heart of the Glacial Lakes of South Dakota.

Asset List "A"

Broad breakdown of Value for Roy Lake Resort Including Purchase Price & Options

Roy Lake Resort is a 14-Unit Multi-Service Resort- Lodging, Restaurant, Retail, Boat Rentals

Tangible Assets (4 Main Categories)

	Value
Main Lodge "Building A" (including Condos 14 & 15, Manager Residence, Restaurant, Housekeeping, FF&E, tools and Inventory) ~6200 SqFt	$ 500,000.00
Condominium Building "Building C" (Inludes 4 condos and 2 laundry rooms with common furnance/utility room, hallways, FF&E) ~4200 SqFt	$ 460,000.00
Cabins 1-8 "Building B" (8 individual/Stand-Alone buildings- 6 directly on the water, 2 park and lake-view, all FF&E)... ~3600 SqFt	$ 400,000.00
Outdoor Assets- Floating Dock Systems, Vehicles, Boats & Motors (Including Lifts and Trailer(s))	$ 89,800.00
Total Tangible Asset Value	***$ 1,449,800.00***

Intangible Assets

(all intangible assets are included with sale and are shown to show worth)	**Value**
Website & Social Media Accounts + Ownership of www.roylakeresort.com domain including e-mail @roylakeresort.com domain	$ 25,000.00
6,500 + person Customer list (including addresses and phone numbers)	$ 10,000.00
1,000+ Customer Marketing E-mailing list	$ 10,000.00
Digital Logo, Business Card designs and hundreds of documents, templates associated w/RLR- including digitized photos	$ 15,000.00
Use of Roy Lake Resort/Roy Lake Lodge/Roy Lake Resort & Lodge name, reputation goodwill	$ 50,000.00
Point-of-Sale Reports for last 10 years	$ 30,000.00
Total Intangible Asset Value	**$ 140,000.00**
Total Tangible & Intangible Asset Value	***$ 1,589,800.00***

Additional Asset Option

(Not necessary for sale; available for business to smoothly operate during 1st year of transition phase)	**Value**
Owner & Managing Partner Consultation for 1 year from Sale Date (Jan Pitzl & Charles Thames) ● Includes 24/7 Phone Calls, E-mails and On-Site visits - Travel Expenses Add'tl at expense of buyer	$ 50,000.00
Total Ease of Transition Asset	**$ 50,000.00**
Grand Total of all Assets including Ease of Transition Asset	**$ 1,639,800.00**

Purchase Options (2 Available Options)

Priced to sell with purchase price(s) well under total asset value.

Purchase Option 1- Purchase Price *without* Owner/Managing Partner 24/7, 1-year Consultation -	$ 1,195,000.00
Purchase Option 2- Purchase Price *with* Owner/Managing Partner 24/7, 1-year Consultation -	$ 1,245,000.00

Asset List "B"

FF&E Breakdown of the four (4) Main Tangible Asset Categories- Main Lodge, Condos, Cabins, Vehicles and Boats

List of *major* items that are included with the sale and their respected value minus building value

Main Lodge (Building A)

Restaurant, Front Desk, Retail, Housekeeping Dept, Maintenance Dept., Condos 14 & 15, Manager Residence, Office

Office			**Value**	
	Item			
	Computer Desk		$	200.00
	Document Shredder		$	100.00
	Computer Battery-Up		$	250.00
	Dell Multi-Function Laser Printer/Fax/Scanner/Copier		$	600.00
	3- 5 Drawer Vertical, Locking Filing Cabinets		$	750.00
	Bookcases		$	50.00
	2 Compartment Heavy Duty Digital Fire Safe w/Employee Drop		$	1,100.00
	19 inch Flat Screen TV		$	25.00
	Various Office Supplies (Stapplers, Copy Paper etc.)		$	100.00
Notes:		**Office Total**	**$**	**3,175.00**

Office Computer will be exempt from sale and retained by current owner- All agreed upon files will be copied to a flash drive for buyer

Retail & Retail Inventory			**Value**	
	Item			
	Grocery Shelving Unit		$	750.00
	Dell Public All-In-One Windows 8.2 Computer and Printer		$	1,200.00
	Stand-up, Adujustable Computer Work Station		$	300.00
	Slat-Wall Display Prongs/Hooks		$	50.00
	RLR Promotional Items i.e. shirts, mugs, hats etc…		$	1,600.00
	RLR Promotional Item Display Case		$	200.00
	Angled Hanger Rack Display		$	50.00
	120 Gal Fresh Water Aquarium w/Roy Lake Pan Fish & all tools		$	3,000.00
	Glass/Stainless Steel Custom Sneeze Guard		$	1,200.00
	3 Size Disposable cup dispenser		$	250.00
	S/S Refrigerated Countertop Topping Merchandiser		$	350.00
	Food Warming Merchandiser		$	300.00
	Various Food/Display Racks		$	20.00
	Douwe Egbert Coffee Extract Machine		$	1,200.00
	Countertop Cabinets		$	1,000.00
	Custom Aquarium Stand		$	200.00
	50" Flat Screen Plasma TV & DVD player		$	750.00
	2 RLR Logo signs displayed on the side of building		$	700.00
	2 Highway RLR Logo Signs displayed on Hwy. 27 and Roy Lake Rd.		$	900.00
	Storage Room Shelving Units		$	150.00
	All Retail Inventory for sale	*Revolving Value*	$	2,000.00
	Corner Shelving Unit		$	50.00
	New LED Track Lighting Systems & Ceiling Fans		$	4,000.00
	Self-Contained 80 gal Freshwater Bait Aquarium for Retail Bait		$	3,500.00

Retail & Retail Inventory continued from previous page-

Vinyl Plank Floors		$	6,000.00
Mini-Fridge for Retail Bait		$	35.00
Taxidermy Proud Angler Fish- Yellow Perch, Bluegill,		$	700.00
17lb Northern Pike, Largemouth Bass	**Retail Total**	**$**	**30,455.00**

Notes:

Taxidermy Deer Buck Head is on a no-cost loan from Dana Nelson- Lake City, SD

A&W Single door and double door cooler merchandisers are owned by American Bottling Co.- On Loan

Good Humor Ice Cream Bar Freezer is owned by Cass-Clay Creamery- On Loan

Following Items are exempt from sale and will be retained by current owner:

Vintage Coca-Cola Cooler

Custom Metal Work- Walleye

Some Personal Photos at owner's discretion, Custom Painted Saws

Front Desk		**Value**	
Item			
Point-of-Sale Computer, Software & HP Printer		$	1,500.00
Front Desk		$	400.00
Baked Goods Merchandiser		$	120.00
Key Tags for Unit Keys/Keys		$	100.00
Brochures Inventory		$	500.00
Misc. Supplies and Equipment		$	200.00
2- Wet Stone Countertop Water Features		$	650.00
2- Computer Battery Back-ups		$	325.00
	Front Desk Total	**$**	**3,795.00**

Notes:

POS Software is setup for CC Processing under current owner's Account, buyer will need to have their own account previously set up for seamless transaction at date of sale or determined date. Current Software is ComCash.

Restaurant- Commercial Kitchen, Dining Room/Lounge, Outside Dining/Patio & Deck		**Value**	
Dining Room	**Item**		
	2- Couches w/matching pillows; Couch & Love Seat	$	1,200.00
	Taxidermy Mounts- Bass & Bluegill, 2- Walleye Mounts, Deer Butt Mount	$	1,000.00
	Unautographed TV Fishermen photos taken at RLR	$	200.00
	High Quality Synthetic Plants	$	1,500.00
	Geraniums	$	100.00
	Fireplace Bookshelf w/heat	$	300.00
	55" Philips Flat Screen TV	$	750.00
	2- 10 Gal Freshwater Aquariums w/small aquarium fish	$	150.00
	5- 4 top Cherry Finished Tables (3 more in storage in Condo Utility Room)	$	800.00
	20 matching chairs with black leather and cherry wood (12 more in storage)	$	800.00
	Washed stone/exposed stone concrete patio designed with footings in place	$	15,000.00
	Patio Furniture	$	500.00
	Wooden Deck *Included w/patio*	$	-
	Dining/Patio Total	**$**	**22,300.00**

Notes:

Exempt from sale are the following personal items on loan and will be retained by owner:

Autographed photos and military photos/flags, aloe plants, jade plant, coyote & pheasant mount, crappie mount, 2-duck mounts, paintings & painted saws, 2 vintage lounge chairs, 2- cherry narrow corner cabinets

Restaurant- Commercial Kitchen, Dining Room/Lounge, Outside Dining/Patio & Deck

	Item		Value	
Commercial Kitchen	Commercial Range (48" Flat top/4 burner range/double oven) (LP)		$	4,000.00
	Vulcan 40 Gal Deep Fryer (LP)		$	1,000.00
	Countertop Charbroiler (LP)		$	1,000.00
	Broiler/Salamander (220V Infared)		$	750.00
	Soft-Serve Ice Cream Machine		$	3,000.00
	2- Ice Cream Cone Dispenser		$	100.00
	2- Dry Topping Dispenser		$	80.00
	Microwave		$	30.00
	72" 3 door Beveragair Counter Cooler		$	2,100.00
	48" 2 door cold prep/sald/pizza prep Beveragair cooler		$	1,800.00
	Double Door Subzero S/S Reach-In Freezer		$	2,200.00
	Double Door Refrigerated Reach-In Cooler		$	1,700.00
	72" Deep Freeze Chest Freezer		$	600.00
	48" Deep Freeze Chest Freezer		$	150.00
	Single Door Upright Reach-In Freezer		$	400.00
	Residential Refer/Freezer		$	50.00
	S/S French Door Refer w/ bottom Double Drawer freezer		$	1,500.00
	Commercial Dry Storage Rack		$	250.00
	72" Double Overhead Shelf w/Vulcan Infrared Warmer		$	600.00
	1000+lb Scotsman Ice Maker/Bin		$	2,000.00
	18/0 Silverware and Servingware		$	500.00
	Plates, Misc. Holloware, platters, containers		$	700.00
	Baking and Cutlery		$	500.00
	12" Blade Power Meat Slicer		$	900.00
	Pots & Pans		$	500.00
	18" Deck Lincoln Impinger Conveyor Oven (LP)		$	4,000.00
	S/S Equipment Stand/Work Table		$	250.00
	S/S Shelving Units		$	400.00
	Hobart S/S Sanitzing Dish Washer (90 second wash)		$	2,000.00
	All Dry & Cold Storage Inventory	*Revolving Value*	$	9,500.00
	Misc. Equipment (i.e. food processor, immersion blender etc…)		$	2,000.00
	Wine Glass Dishwashing racks		$	150.00
	Approx. 50 Red and White Long Stemmed Wine Glasses		$	200.00
	Employee Time Clock & Time Cards		$	400.00
	10ft Exhaust Hood w/Grease Traps and Exhaust Fan		$	3,500.00
	Commercial (Grease-Rated) Fire Suppression System		$	2,500.00
		Kitchen Total	**$**	**51,310.00**

Notes:

Exempt from sale are the following personal items on loan and will be retained by owner:
Previously discounted from the above totals- Misc. Equipment, cooking wares, pots & pans.

Continued on next page-

Housekeeping		Value
	Item	
	2- Front Loading Washing Machines- Main Building	$ 1,500.00
	2- Front Loading Dryers- Main Building	$ 1,000.00
	Supplies & Inventory- *All* Buildings	$ 1,000.00
	Bedding for *all* units (Comforters, Blankets, Pillows, Sheets, Pads Etc.)	$ 8,000.00
	2- Top-Loading Washing Machines- Condo Building	$ 1,200.00
	2- Front-Loading Dryers- Condo Building	$ 1,000.00
	2- Extra-Deep Utility Sinks- Condo Building	$ 400.00
	Dyson Animal Complete 65 Vacuum	$ 500.00
	~4 Panasonic Commercial Vacuums	$ 1,000.00
	Storage Shelving Systems	$ 400.00
	Rug Doctor Carpet Cleaner/Shampooer	$ 500.00
	Housekeeping Total	**$ 16,500.00**

Notes:

Maintenance/Grounds		Value
	Item	
	Tools (Hand tools and power tools, wrenches, sockets, saws etc.)	$ 1,000.00
	2- Briggs & Stratton Motor Mowers 21inch decks	$ 500.00
	Weed/Edge Trimmer	$ 120.00
	14- Heavy-Duty Commercial Picnic Tables	$ 3,500.00
	Touch Up Paints/Stain	$ 1,000.00
	Instant Hot Water Furnace (Electric) Heating Source	$ 4,000.00
	Main Lodge Hot Water Heater (LP)	$ 400.00
	1- Garbage Dumpster	$ 700.00
	4- Underground Septic Tanks & Lift Station	$ 5,000.00
	Briggs & Stratton Power Washer	$ 400.00
	Maintenance Total	**$ 16,620.00**

Notes:

All powertools and handtools marked with "Thames" or "Charles Thames" are personal property and are not included in the sale

Manager's Residence		Value
	Item	
3 bedroom/1 bath residence with private walkout balcony and backyard.	Public and Private/Internal Server and Networks	$ 200.00
	Battery Backup System for Networks	$ 200.00
	Corner Cabinet and Network supplies	$ 100.00
	Residence Total	**$ 500.00**

Notes:

All property located in the Manager's Residence is exempt from sale with the exception of the items listed above.

Condos 14 & 15		Value

A total FF&E value will be assigned rather than a specific value for each individual item.

All units have DirecTV® Satellite Programing with Boxes and Remotes

	Item	
	Décor (All paintings/pictures/artwork)	-
	2- 48" LED Flat Screen TVs	-
	4- Mirrored Dressers	-

Continued from previous page-		-
	Jacuzzi Jet Tub	-
	2- Walk-In Showers	
	2- Microwaves	-
	4- Full Size Reach-In Refrigerators	-
	Plates, Cups, Pots, Pans & Utensils	-
	4 full-size Mattresses, frames, box springs	-
	2- twin-size mattresses, frames, box springs	-
	King-Size Headboard	-
	2- Black Leather Couches- Sofa and Love Seat	-
	2- Electric ranges w/ovens	-
	2-Cabinet Mounted Microwaves	-
	2- Single Vanities w/Sinks	-
	1- Large Double Vanity w/Sink	-
	Lighting Fixtures/HVAC	-
	3- Standard Comodes	-
	2- Private Walkout Balconies	-
	2- Coffee Tables	-
	2- Kitchen Tables and chairs	-
	4- twin-size Rollaway Beds	-
	2- Charcoal Grills	-
	Carpeting and Linoleum Floors	-
	2- Hot Water Heaters (Electric)	-
	Total FF&E 14 & 15	**$ 29,000.00**

Cabins 1-8 (Buildings B)

Cabins 1,2,5,6- 2bd 1ba; Cabins 3,4- 1bd 1ba, Cabins 7- 2bd 1ba w/four seasons; Cabin 8- 1bd 1ba w/four seasons

All units have DirecTV® Satellite Programing with Boxes and Remotes

Cabins 1, 2, 5, 6		**Value**
	Item	
	8- Full-size mattress, frames, box springs	-
**Cabins 1,2,5,6 are 2*	8- twin-size custom bunks, custom mattresses and covers	-
Bedroom 1 Bath units	New lighting fixtures	-
with built on decks.	New Floors in all units	-
Cabins 5 & 6 also	4 Sets- Full Kitchen Cabinets	-
have covered decks.	4- Microwave	-
All Include Fire Pits.	4 Sets- Kitchen tables and chairs	-
	4-LP/Electric Ignite 4 range and oven	-
	4- LP Furnaces; 4- Electric Hot Water Heaters	-
	Pots, Pans, Utensils & Appliances	-
	4- Charcoal Grills	-
	4- Full Size Reach-In Refrigerators	-
	4 Sets- Deck Furniture and Tables	-
	4- Custom Cherry Closet Systems	
	4- A/C Units	-
	Décor- Paintings/Pictures/Lamps	-
	4- 24" Vizio 1080p HD Flat Screen TVs- Wall Mounted	-
	4 Sets- 3 Piece Bathroom	-
	Total FF&E C-1,2,5,6	**$ 64,000.00**

Cabins 3, 4	Item	Value
	2- Full-size mattress, frames, box springs	-
*Cabins 3 & 4 are 1	2- twin-size custom bunks, custom mattresses and covers	-
Bedroom 1 Bath units	New lighting fixtures	-
with built on decks.	New Floors in all units	-
All Include Fire Pits.	2 Sets- Full Kitchen Cabinets	-
	2- Microwave	-
	2 Sets- Kitchen tables and chairs	-
	2-LP/Electric Ignite 4 range and oven	-
	2- LP Furnaces	-
	Pots, Pans, Utensils & Appliances	-
	2- Charcoal Grills	-
	2- Full Size Refrigerators	-
	2 Sets- Deck Furniture and Tables	-
	2- Electric Hot Water Heaters	
	2- A/C Units	-
	2- Custom Cherry Closet Systems	
	Décor- Paintings/Pictures/Lamps	-
	2- 24" Vizio 1080p HD Flat Screen TVs- Wall Mounted	-
	2 Sets- 3 Piece Bathroom	-
	Total FF&E C-3 & 4	**$ 24,000.00**

Cabin 7	Item	Value
	2- Full-size mattress, frames, box springs	-
*Cabins 7 is a 2	2- twin-size custom bunks, custom mattresses and covers	-
bedroom 1 bath unit	New lighting fixtures	-
with a built on Four-	New Floors in all units	-
Seasons Porch.	1 Sets- Full Kitchen Cabinets	-
Includes Fire Pit.	1- Microwave	-
	1 Sets- Kitchen tables and chairs	-
	1-LP/Electric Ignite 4 range and oven	-
	1- LP Furnaces	-
	Pots, Pans, Utensils & Appliances	-
	1- Charcoal Grills	-
	1- Full Size Refrigerators	-
	1 Set- Outside Furniture and Tables	-
	1- A/C Units	-
	Décor- Paintings/Pictures/Lamps	-
	1- 32" TV	-
	1- 3 Piece Bathroom	-
	Total FF&E C-7	**$ 12,000.00**

Continued on next page-

Cabin 8	Item	Value
Cabins 8 is a 1 bedroom 1 bath unit with a built on Four-Seasons Porch. Includes Fire Pit.	1- Full-size mattress, frames, box springs	-
	2- twin-size custom bunks, custom mattresses and covers	-
	New lighting fixtures	-
	New Floors in all units	-
	1 Sets- Full Kitchen Cabinets	-
	1- Microwave	-
	1 Sets- Kitchen tables and chairs	-
	1-LP/Electric Ignite 4 range and oven	-
	1- LP Furnaces	-
	Pots, Pans, Utensils & Appliances	-
	1- Charcoal Grills	-
	1- Full Size Refrigerators	-
	1 Set- Outside Furniture and Tables	-
	1- A/C Units	-
	Décor- Paintings/Pictures/Lamps	-
	1- 32" TV	-
	1- 3 Piece Bathroom	-
	Total FF&E C-8	**$ 8,000.00**

Condominium Building (Building C)

Condos 9,10,11,12- 2 bedroom, 1 bath Condos with 2 Laundry Rooms and Utility/Furnace Room with Storage
All units have DirecTV® Satellite Programing with Boxes and Remotes

Condos 9, 10, 11, 12	Item	Value
Cabins 9, 10, 11, 12 are 2 Bedroom 1 Bath units (2 full-size beds in ea. bedroom) with walkout balconies and terraces. All Include Metal Ring Fire Pits.	16- Full-size mattress, frames, box springs	-
	8- twin-size custom bunks, custom mattresses and covers	-
	4 Sets- Full Kitchen Cabinets	-
	4- Cabinet Mounted Microwave	-
	4 Sets- Kitchen tables and chairs	-
	4-LP/Electric Ignite 4 range and oven	-
	Baseboard Electric Heat w/Individual Thermostats/Unit	-
	Pots, Pans, Utensils & Appliances	-
	4- Charcoal Grills	-
	4- Full Size Reach-In Refrigerators	-
	4 Sets- Deck Furniture and Tables	-
	4- Mitsubishi A/C Units	-
	Décor- Paintings/Pictures/Lamps	-
	4- 48" 1080p HD Flat Screen TVs- Wall Mounted	-
	4- Oak Bookcases	-
	4 Sets- 3 Piece Bathroom	-
	2- Large Electric Hot Water Heaters	-
	2- Housekeeping Top-Loading Washing Machines	-
	2- Housekeeping Top-Loading Dryers	-
	Total FF&E C-9,10,11,12	**$ 100,000.00**

Dock Systems, Boats & Vehicles

Outdoor Assets		Value
	Item	
	EZ Dock Floating Dock Systems & Tools	$ 20,000.00
	Shoremaster Floating Dock Systems & Tools	$ 15,000.00
	Dock Parts and Replacement Parts	$ 700.00
	Several Galvanized 4" Pilings and Augers	$ 400.00
	3- 6HP Mercury Outboard Motors	$ 4,500.00
	4- 14' Aluminum Boat Hulls	$ 1,200.00
	1- TMC 13-Person Capacity Pontoon Boat w/40HP Merc. BigFoot Motor	$ 17,000.00
	1- Pontoon Boat Lift	$ 4,000.00
	1- Tandem Axle Pontoon Trailer	$ 3,000.00
	1- 17' Lund Pro Angler Fishing Boat w/90HP Merc. Motor	$ 9,000.00
	1- Single Axel Fishing Boat Trailer	$ 1,500.00
	2002 Dodge Ram Pickup Truck 1500 Quad Cab 4X4	$ 6,500.00
	EZ-GO Golf Cart (Gas Powered)	$ 2,500.00
	Gas Dock/500 Gallon Gas Tank with Pumps & Hoses for Boat Gas Sales	$ 3,000.00
	Gas Inventory *Revolving Value*	$ 1,500.00
	Total Outdoor Assets	**$ 89,800.00**
Total- FF&E Assets of Buildings- DOES NOT INCLUDE OUTDOOR ASSETS		$ 381,655.00
Total- FF&E Assets of Buildings "A," "B," & "C" including Outdoor Assets, Vehicles and Fuel Inventory		***$ 471,455.00***

Continued on next page…

Building-Only Value Based on Purchase Price

Breakdown of FF&E per Building/Asset Category

Building "A"		Breakdown
Value of Building "A" including FF&E (Taken from "Tangible Assets" in Asset List "A")		$ 500,000.00
Total FF&E of Building "A"	-	$ 173,655.00
Building-Only Value (Building "A")		***$ 326,345.00***

Buildings "B"		Breakdown
Value of Building "B" including FF&E (Taken from "Tangible Assets" in Asset List "A")		$ 400,000.00
Total FF&E of Buildings "B"	-	$ 108,000.00
Buildings-Only Value (Buildings "B")		***$ 292,000.00***

Building "C"		Breakdown
Value of Building "C" including FF&E (Taken from "Tangible Assets" in Asset List "A")		$ 460,000.00
Total FF&E of Buildings "C"	-	$ 100,000.00
Building-Only Value (Building "C")		***$ 360,000.00***

Building-Only Total (Buildings "A", "B", "C")	**$ 978,345.00**
Total- Outdoor Assets- Dock Systems, Boats & Vehicles	**$ 89,800.00**
Total- Buildings & Outdoor Asset Value (DOES NOT INCLUDE FF&E)	**$ 1,068,145.00**
Grand Total- Value of Buildings, FF&E and Outdoor Assets	***$ 1,449,800.00***
Owner & Managing Partner Consultation for 1 year from Sale Date (Jan Pitzl & Charles Thames) -	**$ 50,000.00**
Total Intangible Asset Value -	**$ 140,000.00**
Grand Total of Assets -	***$ 1,639,800.00***

Purchase Options (2 Available Options)

Priced to sell with purchase price(s) well under total asset value.

Purchase Option 1- Purchase Price without Owner/Managing Partner 24/7, 1-year Consultation -	**$ 1,195,000.00**
Purchase Option 2- Purchase Price with Owner/Managing Partner 24/7, 1-year Consultation -	**$ 1,245,000.00**

Roy Lake Resort & Lodge

▪ Satellite Photos with Descriptions ▪

Roy Lake
Resort & Lodge

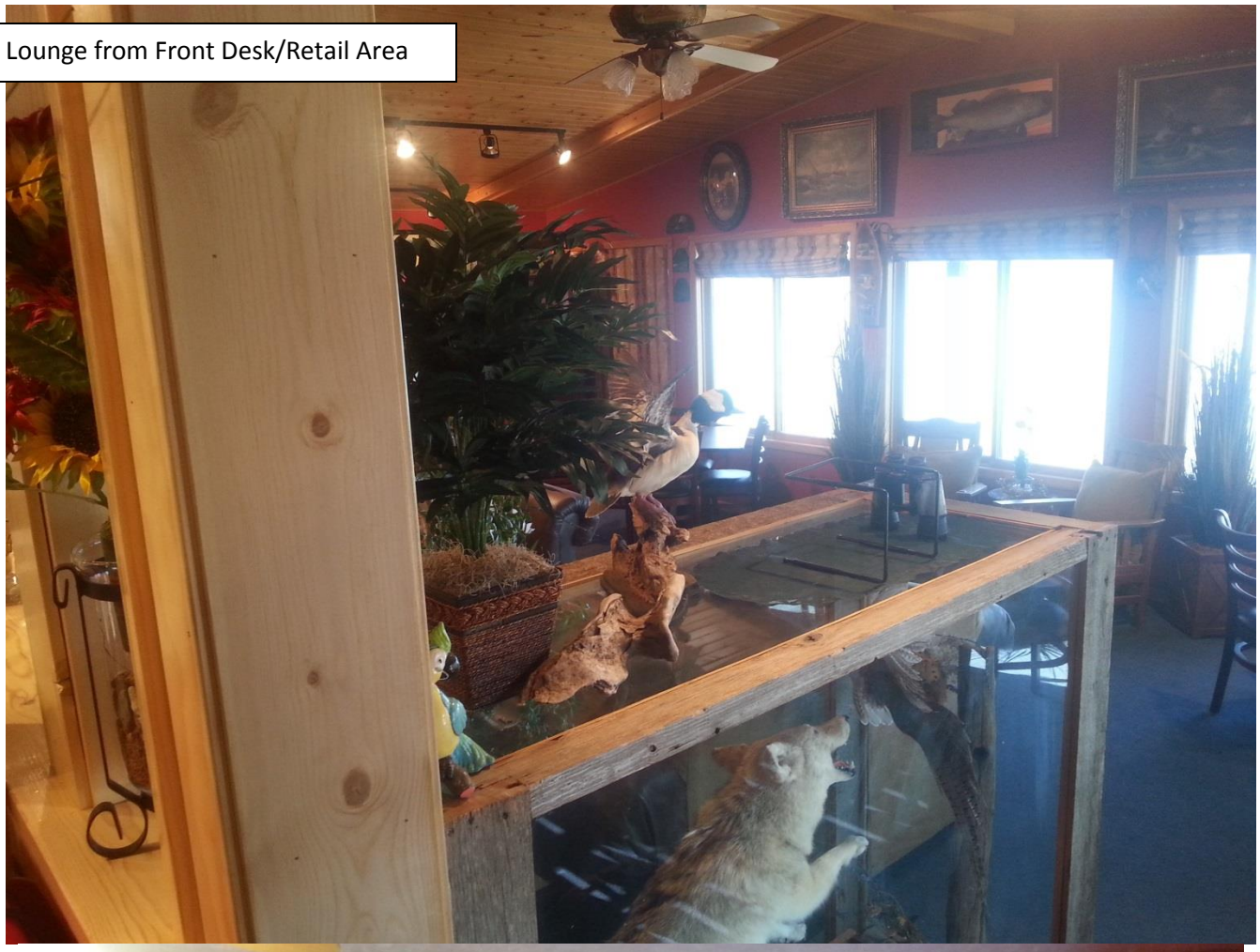
Roy Lake Resort & Lodge
* Courtesy of Google Earth
Cabins 7 & 8
Condos 9-12 & Parking
Boat Rental Floating
Dock/ Pontoon & Lift
Back Bays
Paved Roads & Parking
Roy Lake
Resort & Lodge
Main Lodge/Condos 14
& 15/Lake Front Dining
Lakefront Cabins 1 - 6
Gas Dock/Courtesy Dock
Public Fishing Pier
Public Boat Ramp
Main Lake

Photos of the Property

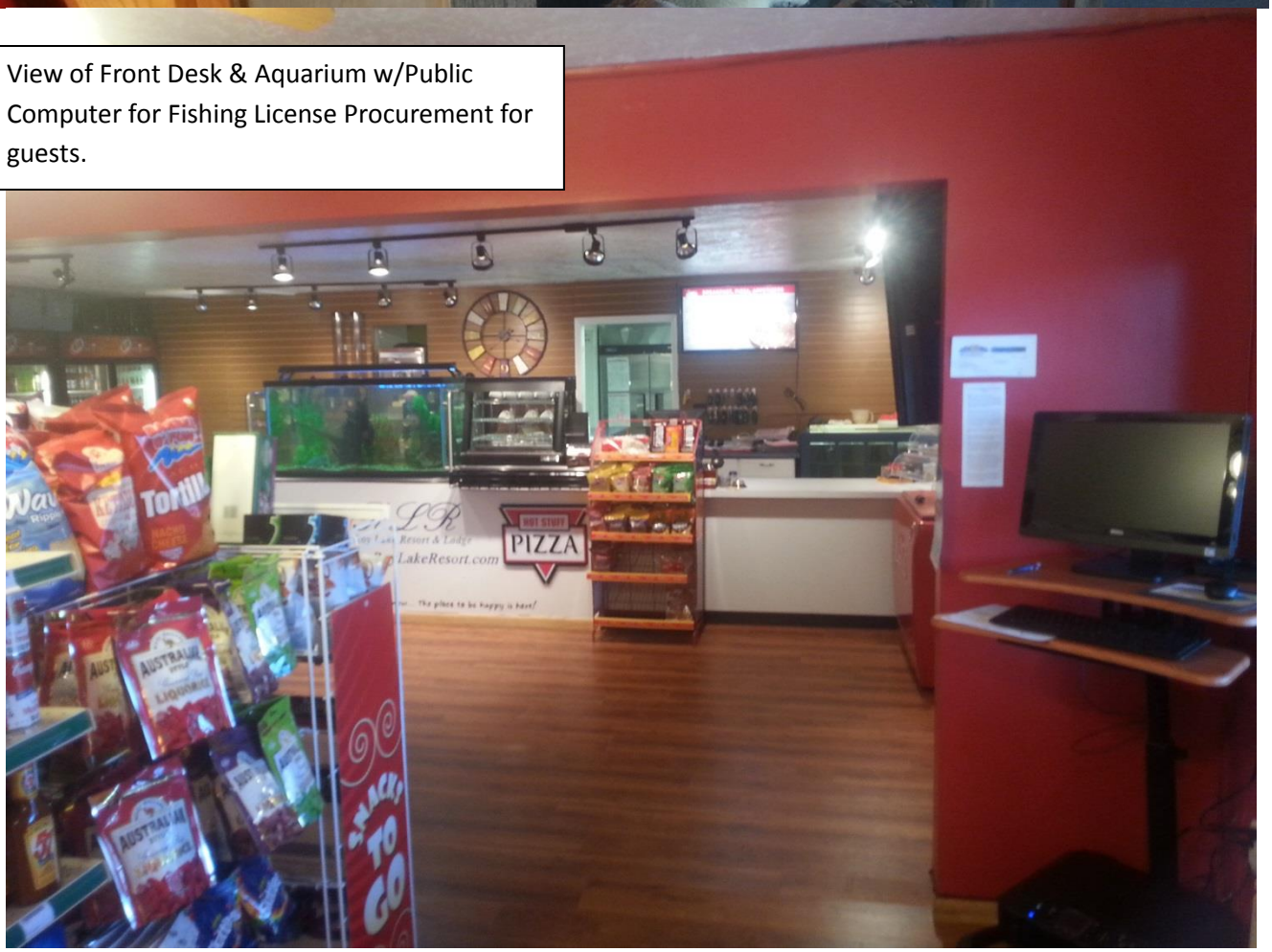
Fishing Pier- ADA Accessible

Front Desk & Retail w/ 120Gal Freshwater Aquarium

Lounge from Front Desk/Retail Area



View of Front Desk & Aquarium w/Public Computer for Fishing License Procurement for guests.



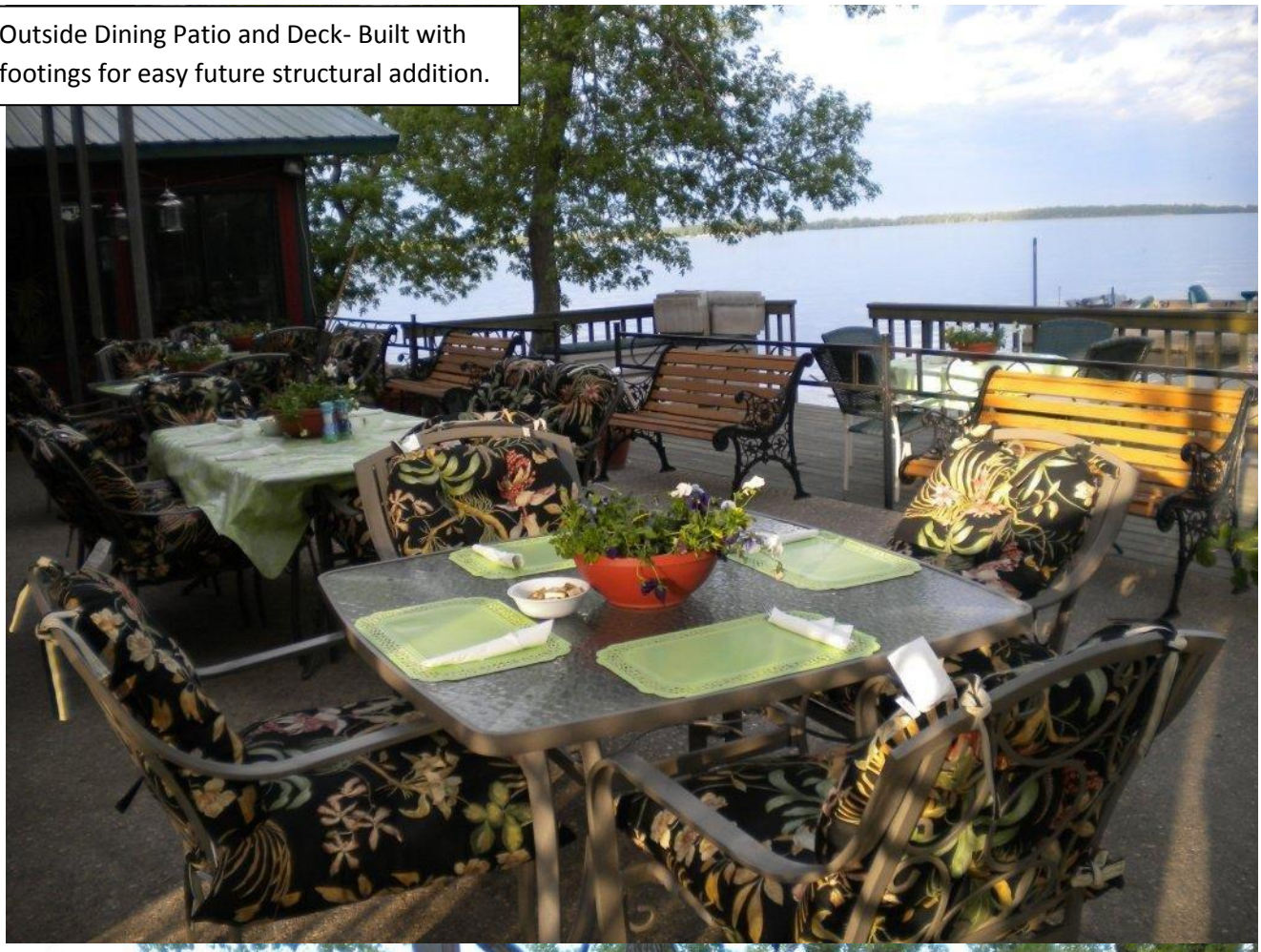
Dining Room/Lounge- Outside Dining located through here

Commercial Stainless Steel Kitchen/Staff Training

*Sandwich & Pizza Franchise with Orion Food Systems- Can be setup with new owners or terminated if franchise is not wanted by new owners. No fees or royalties associated with franchise, only purchase of food product with no minimums under a negotiated modified agreement with Orion. Menu also includes breakfast sandwiches and burritos as well as hamburgers and chicken sandwiches and appetizers.

*Note the soft Serve Ice Cream machine- Extremely profitable and popular during the summer months.

Outside Dining Patio and Deck- Built with footings for easy future structural addition.

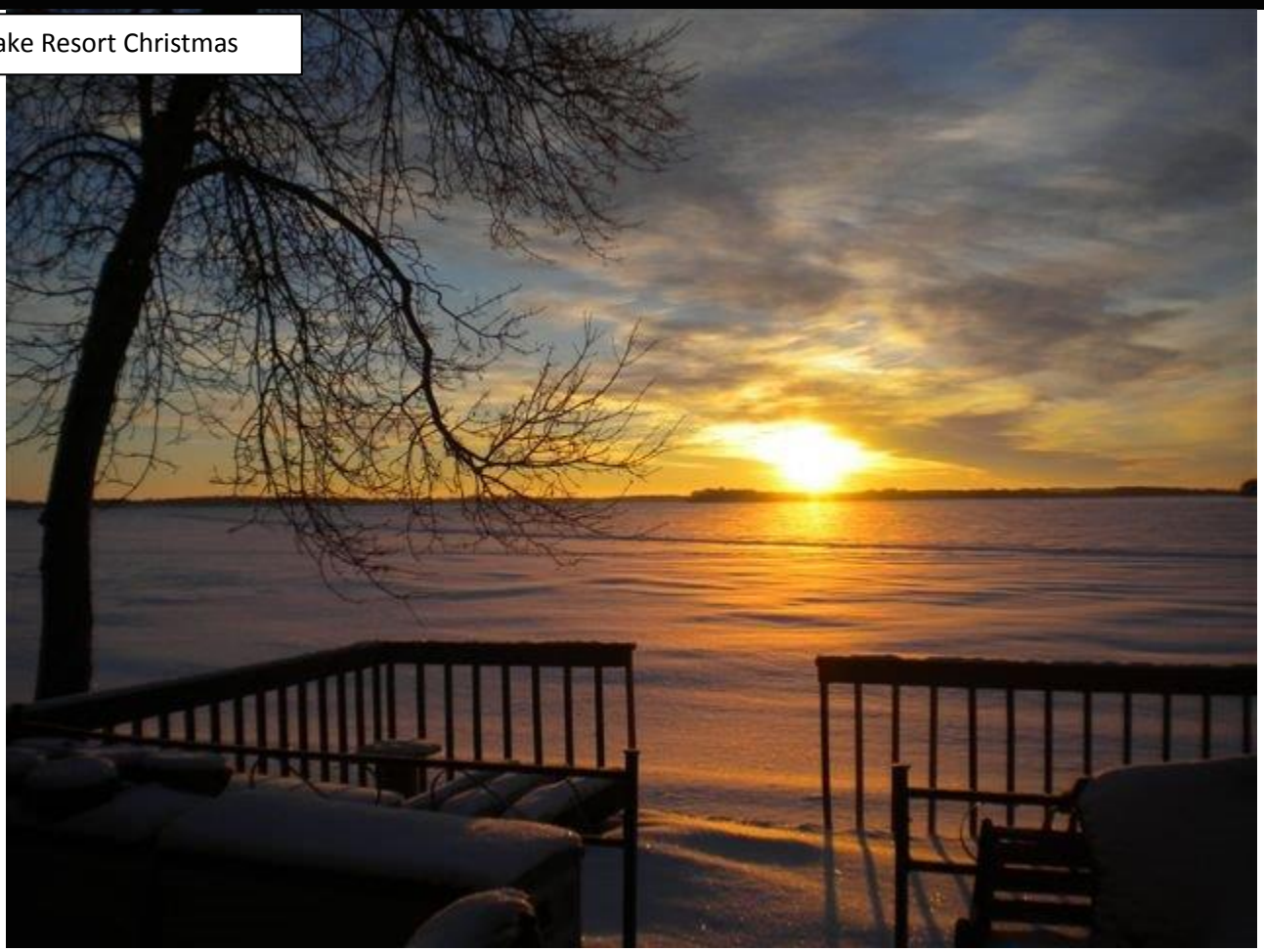


Aerial Photos of Roy Lake Resort & Lodge

Nighttime at Roy Lake Resort

Aerial view of Roy Lake and Surrounding Glacial Lakes

Roy Lake Resort Christmas



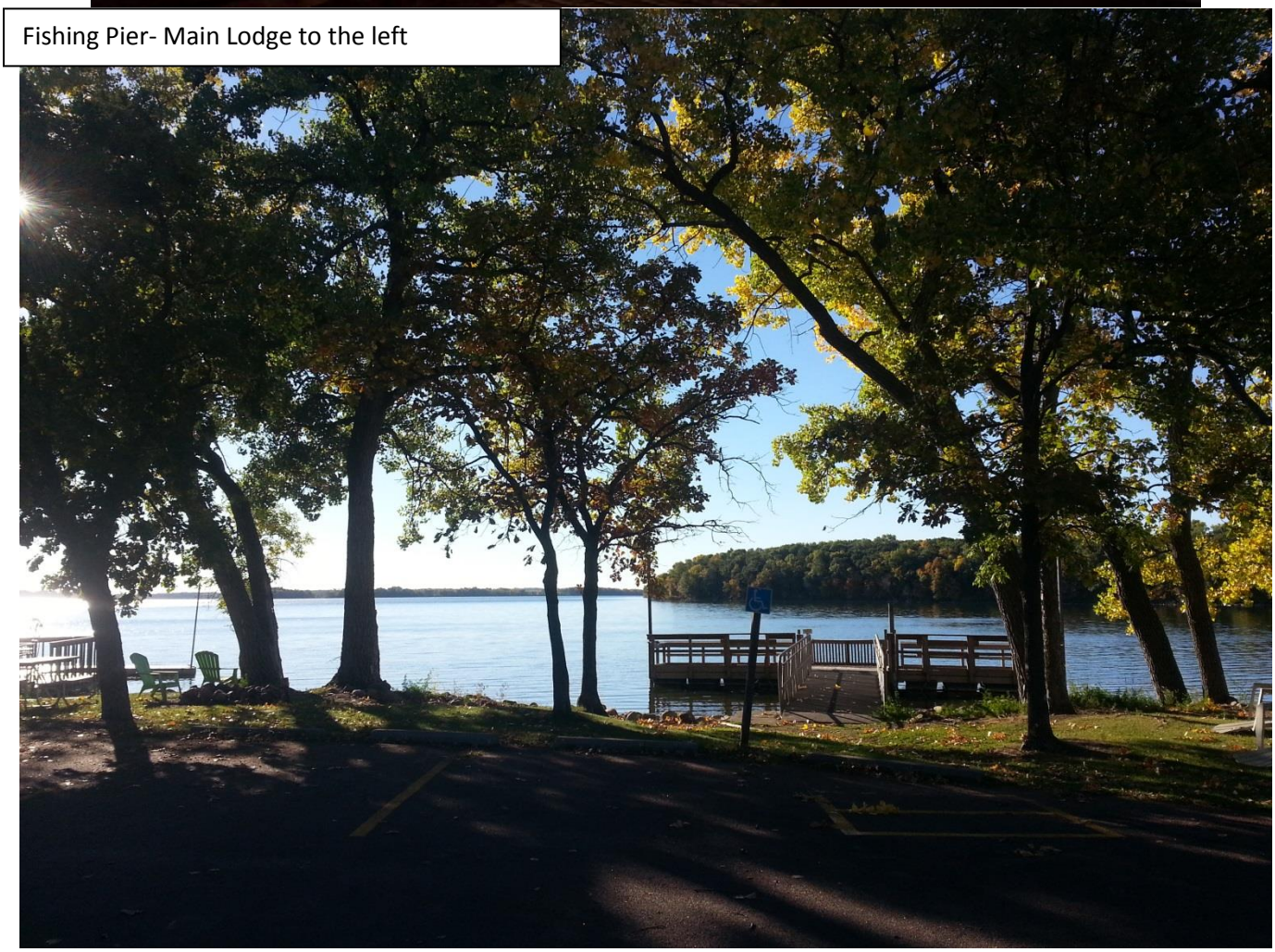
Cabins 5 & 6

Cabins 1, 2, and 3

Cabins 3 & 4 from the water

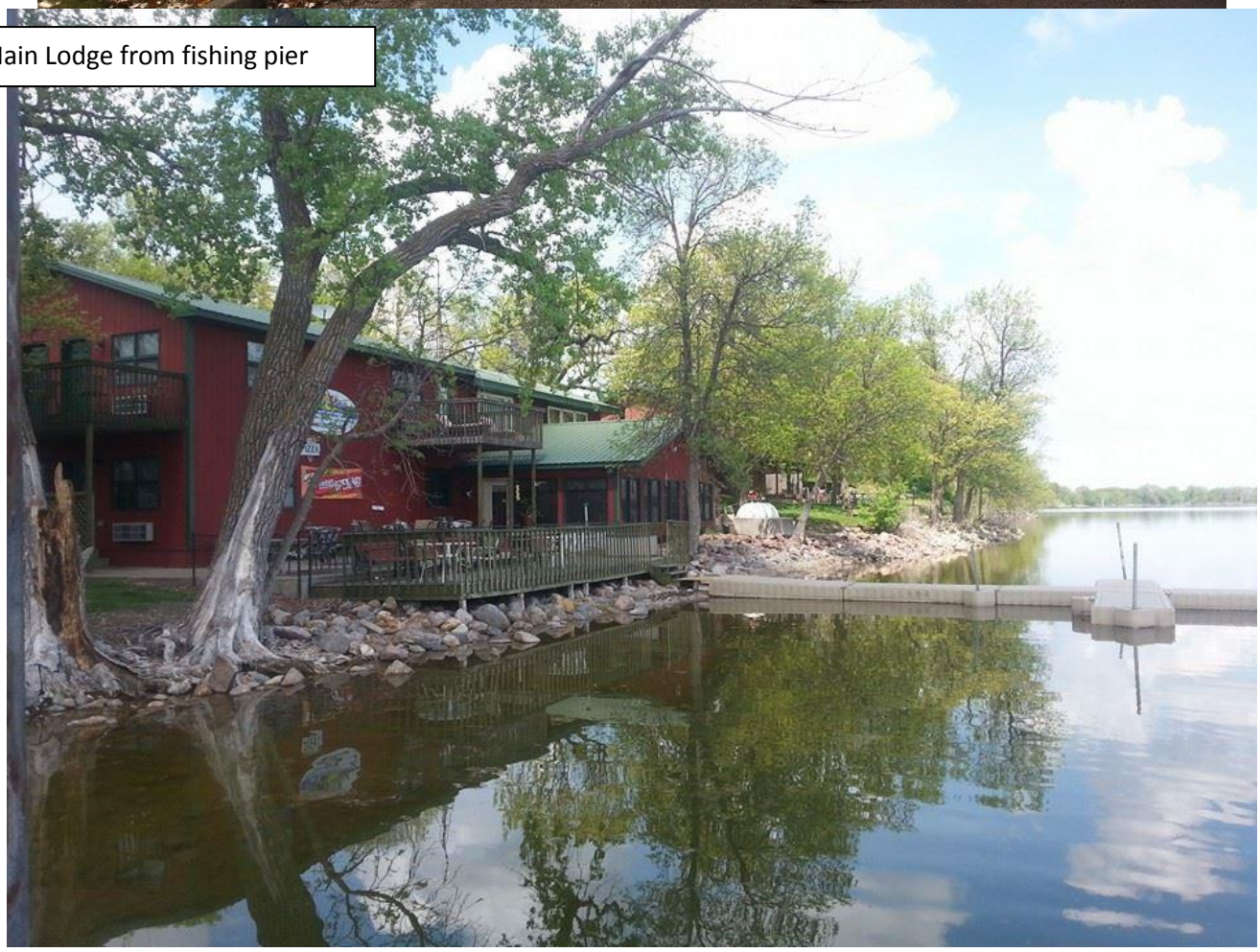
Ice Fishing off of Resort point

Fishing Pier- Main Lodge to the left

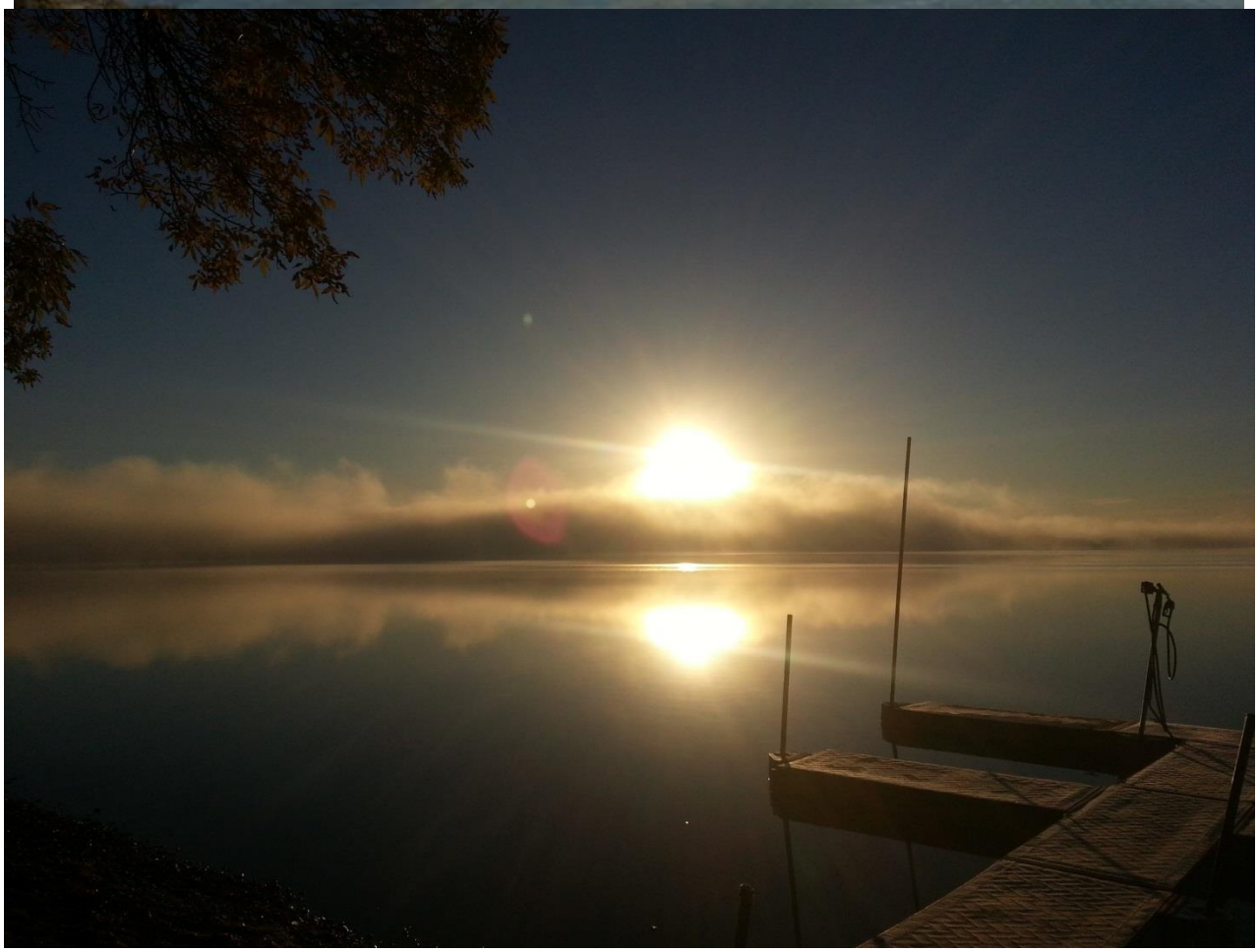


Boat Ramp & Cabins 1-6

Main Lodge from fishing pier



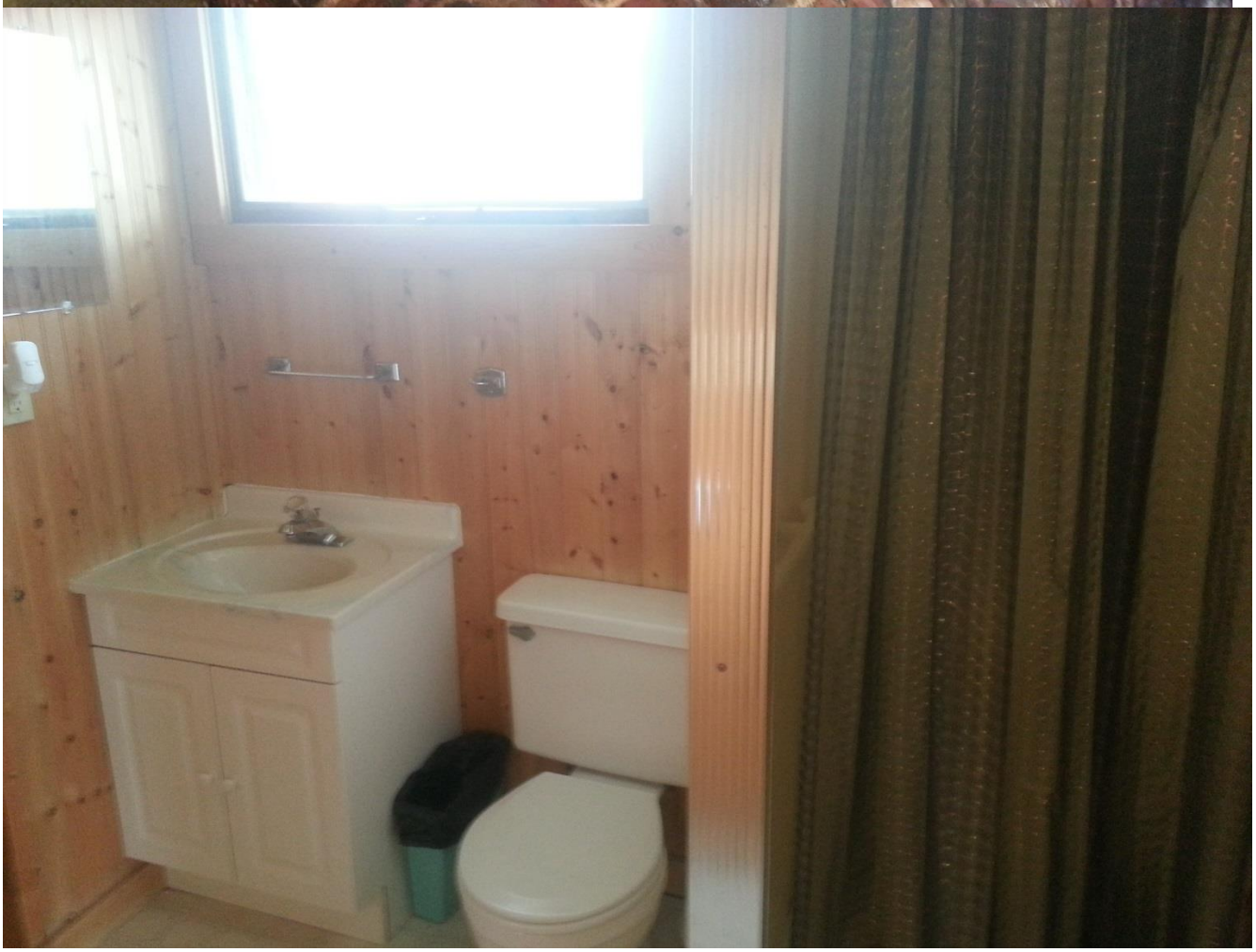
Gas Dock



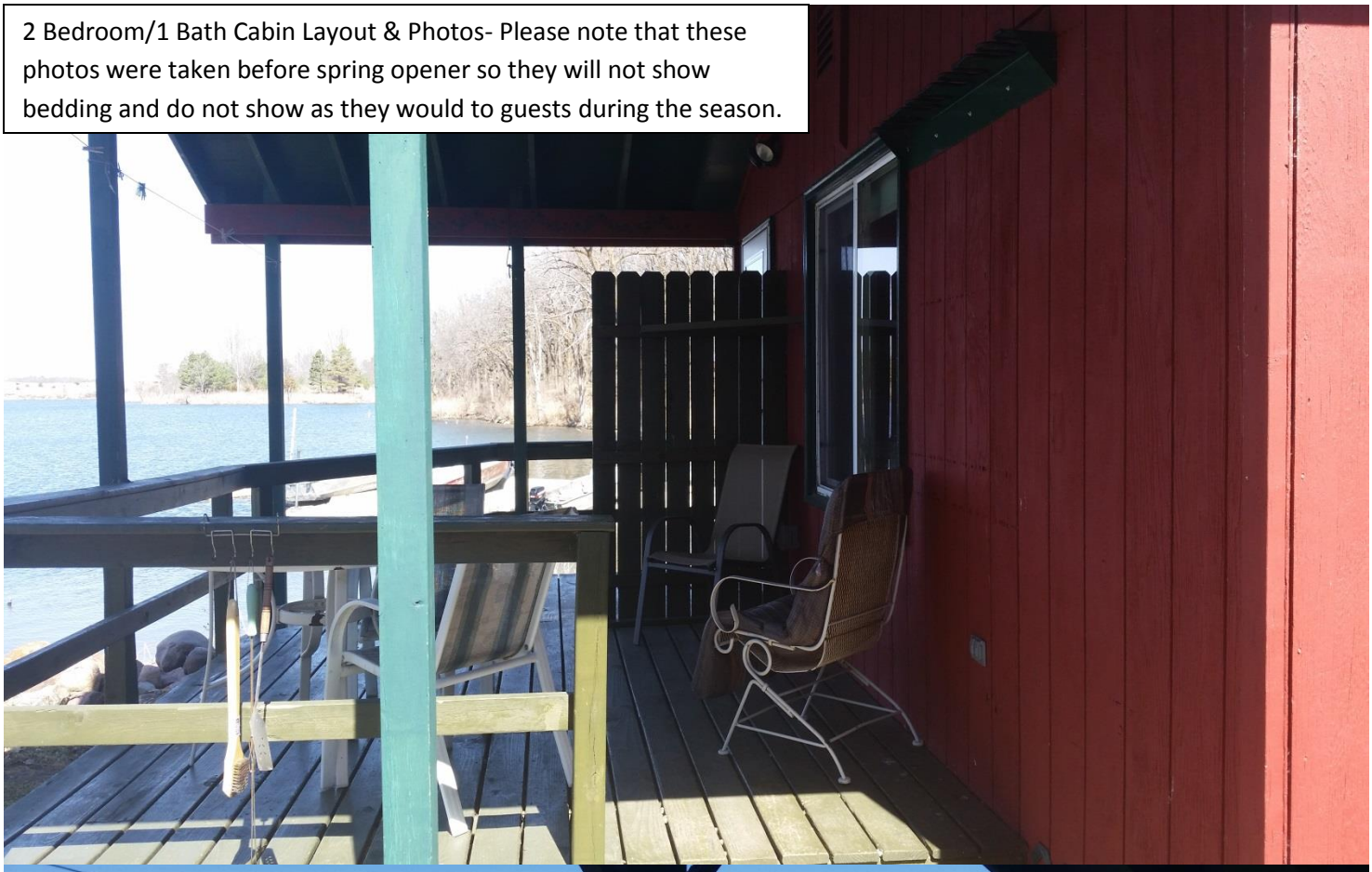
Excellent Hunting and Fishing

1 Bedroom/1 Bath Cabin Layout & Photos-
Note bids for new floor coverings in all cabins is currently underway. 4/15/15

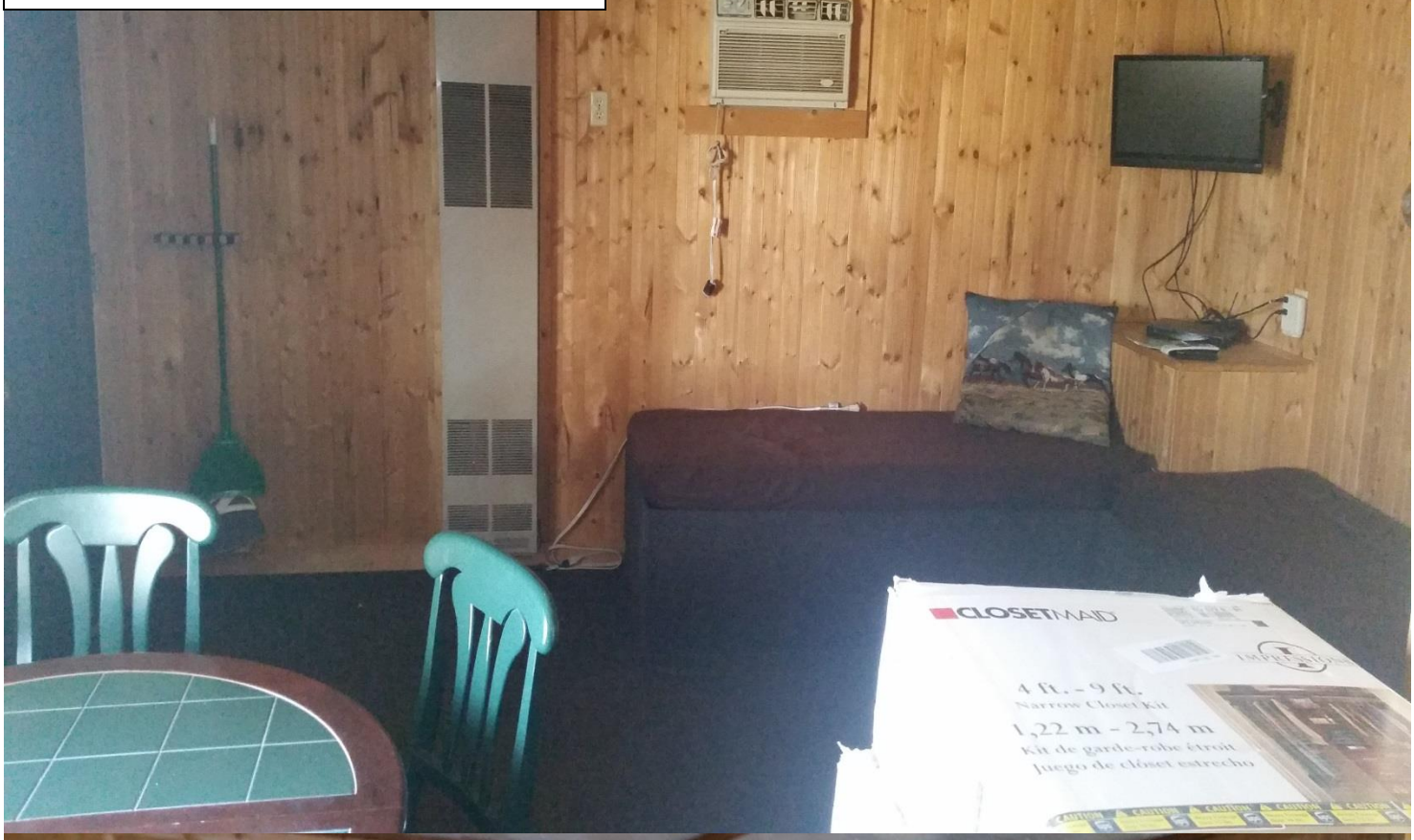
4



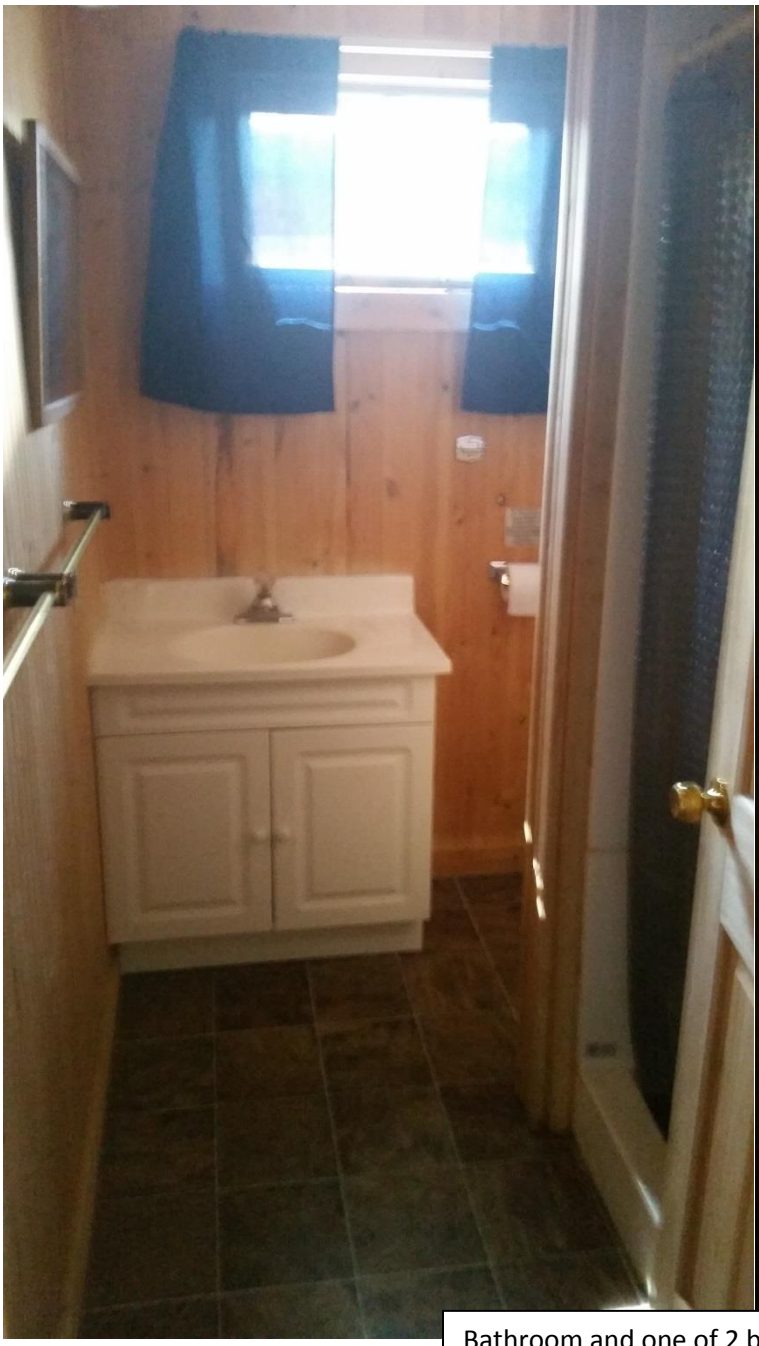
2 Bedroom/1 Bath Cabin Layout & Photos- Please note that these photos were taken before spring opener so they will not show bedding and do not show as they would to guests during the season.

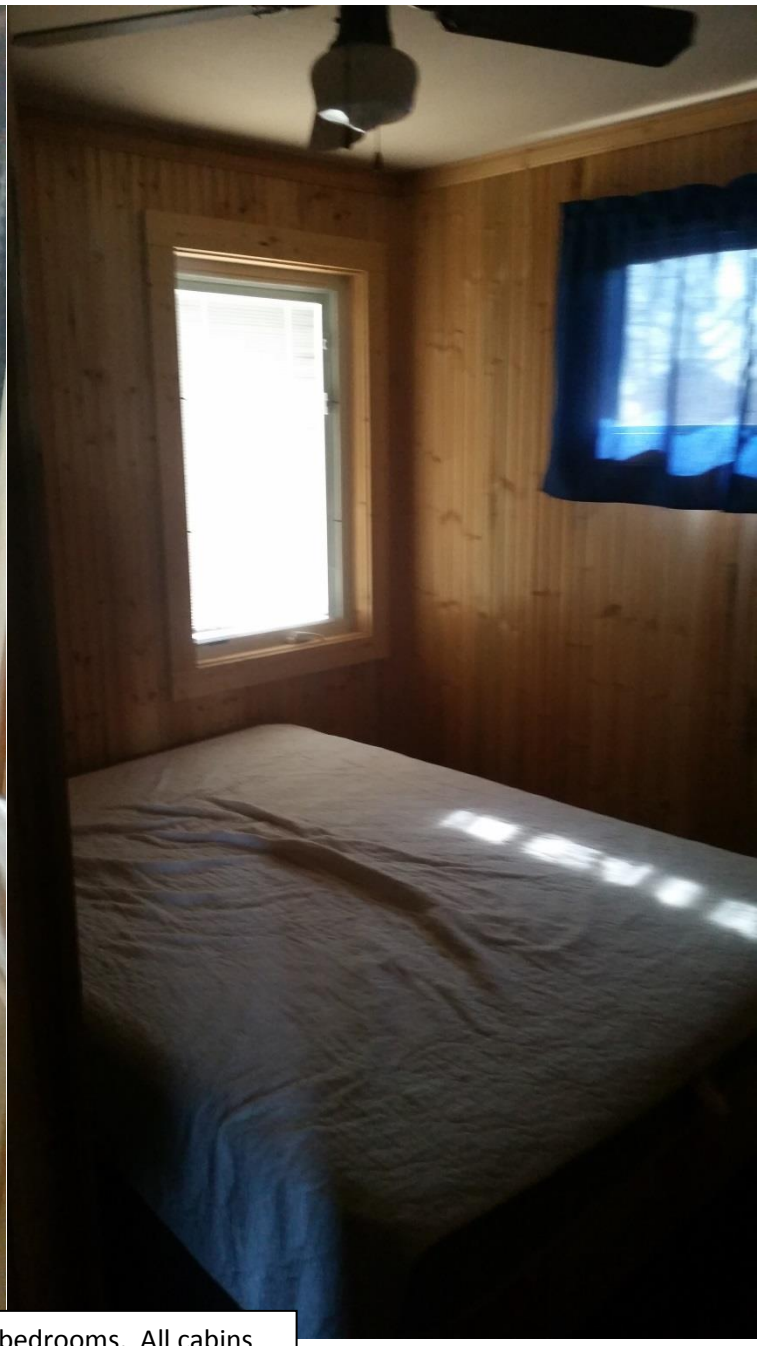


Living room/kitchen. Note the custom closet systems that will be going into every bedroom to replace dressers by end of April 2015.



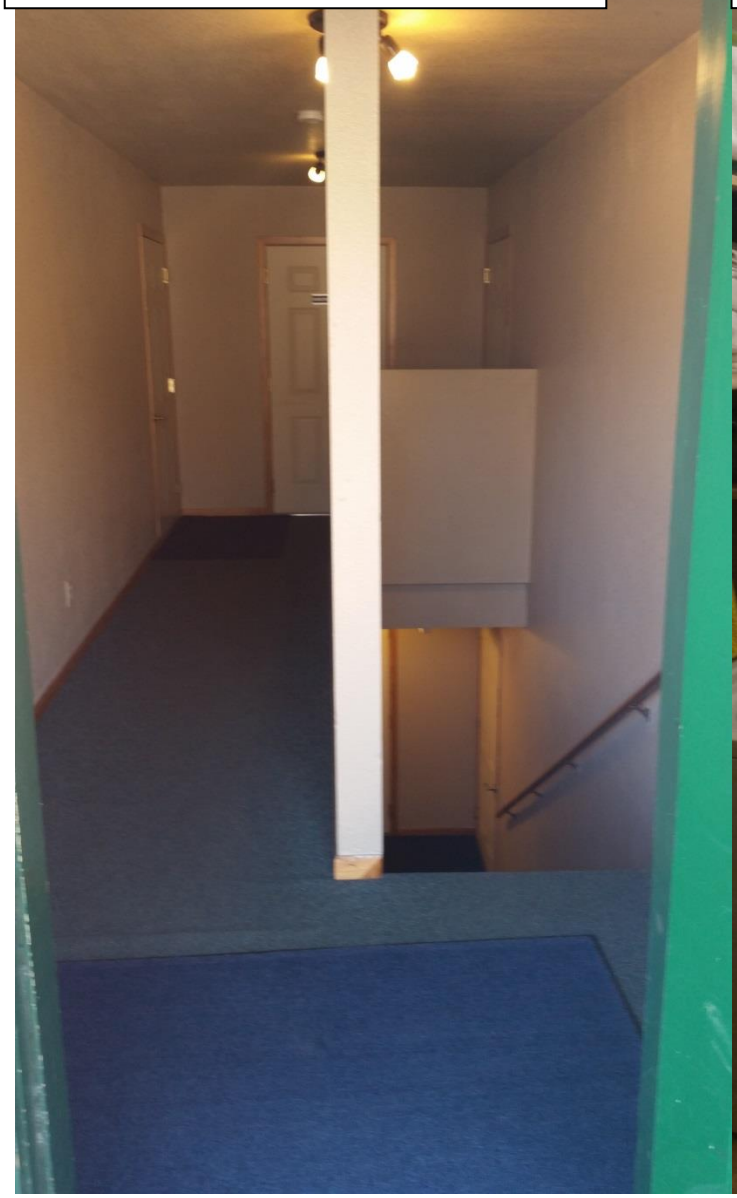
Bids on new floor coverings are currently under way 4/15/15.



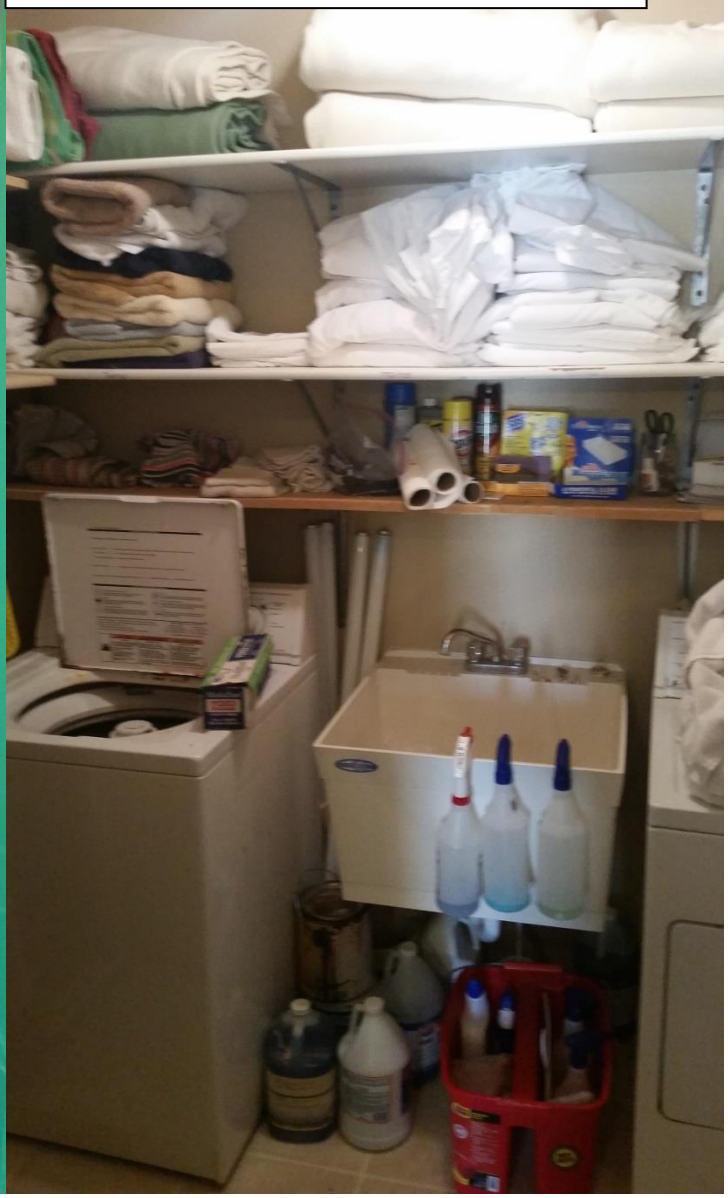


Bathroom and one of 2 bedrooms. All cabins have been updated with Egress windows per new SD Dept. of Health regulations as well as full rewiring of electrical.

Main Entrance to Condos 9-12 (9, 10 lower; 11, 12 upper)

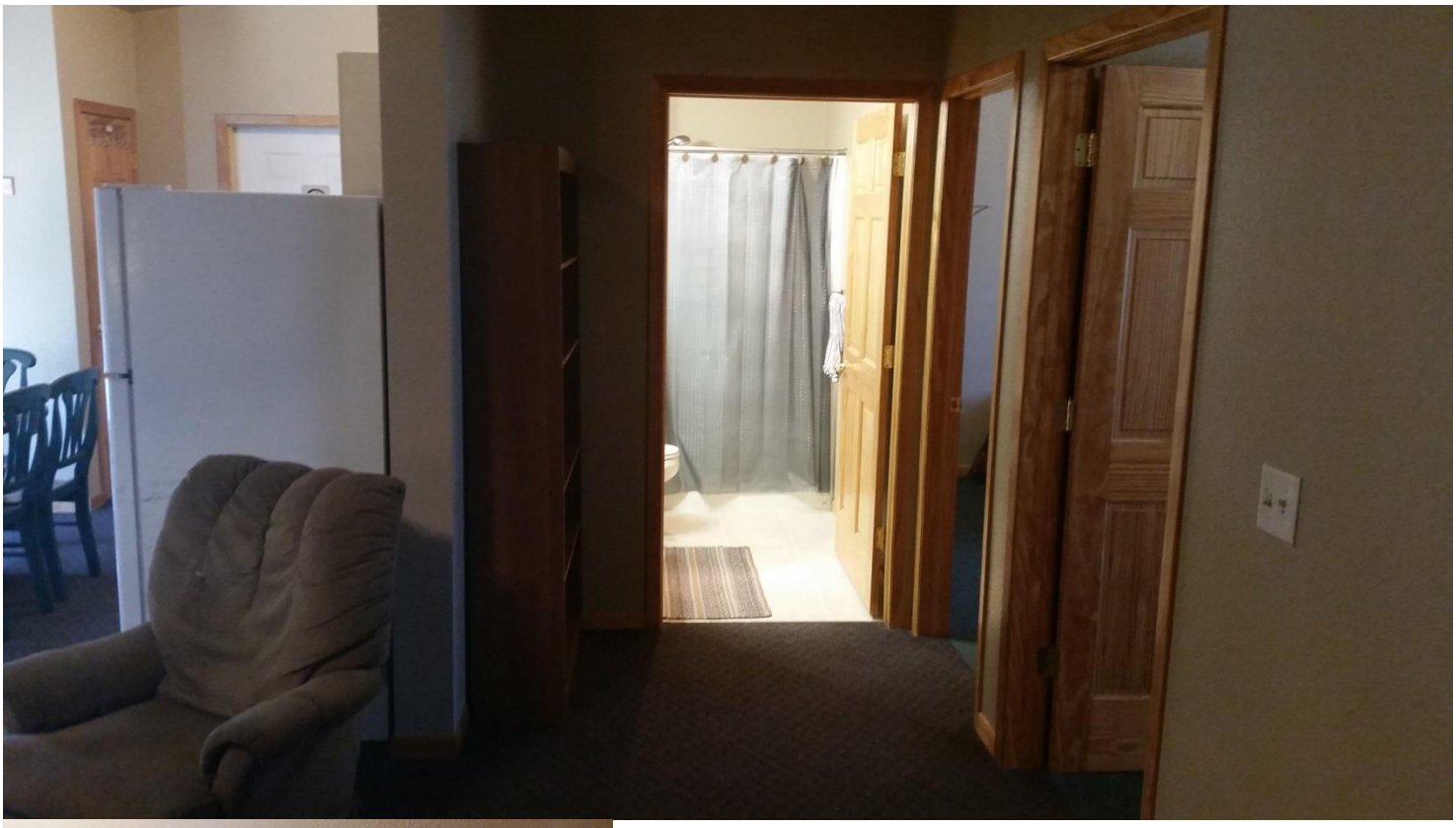


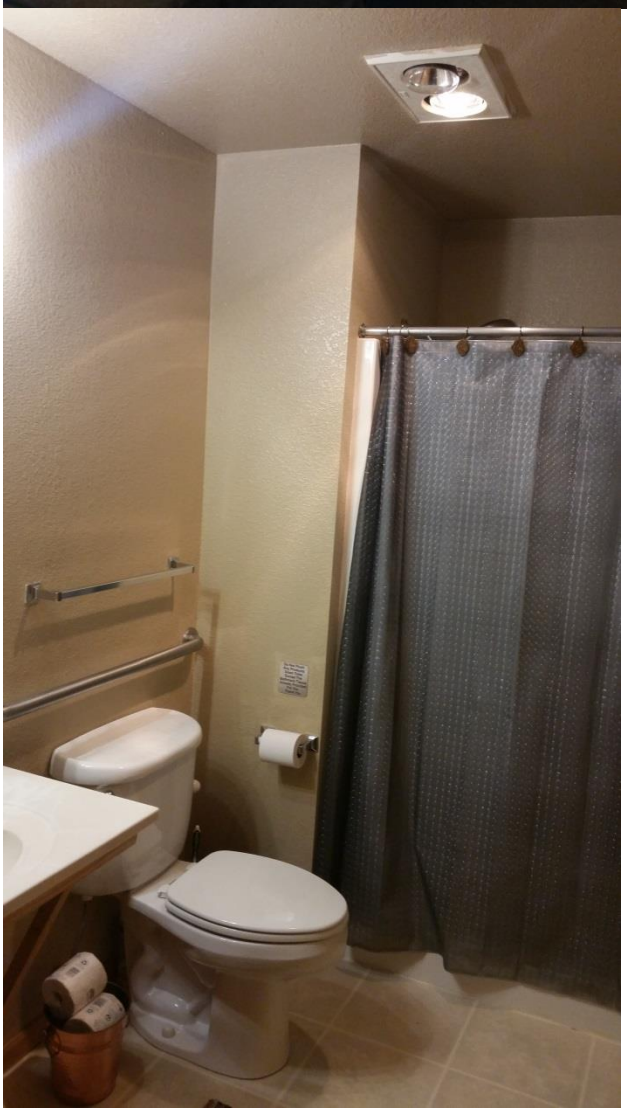
Housekeeping station at end of hallway- 1 of 2 located in the Condo complex.

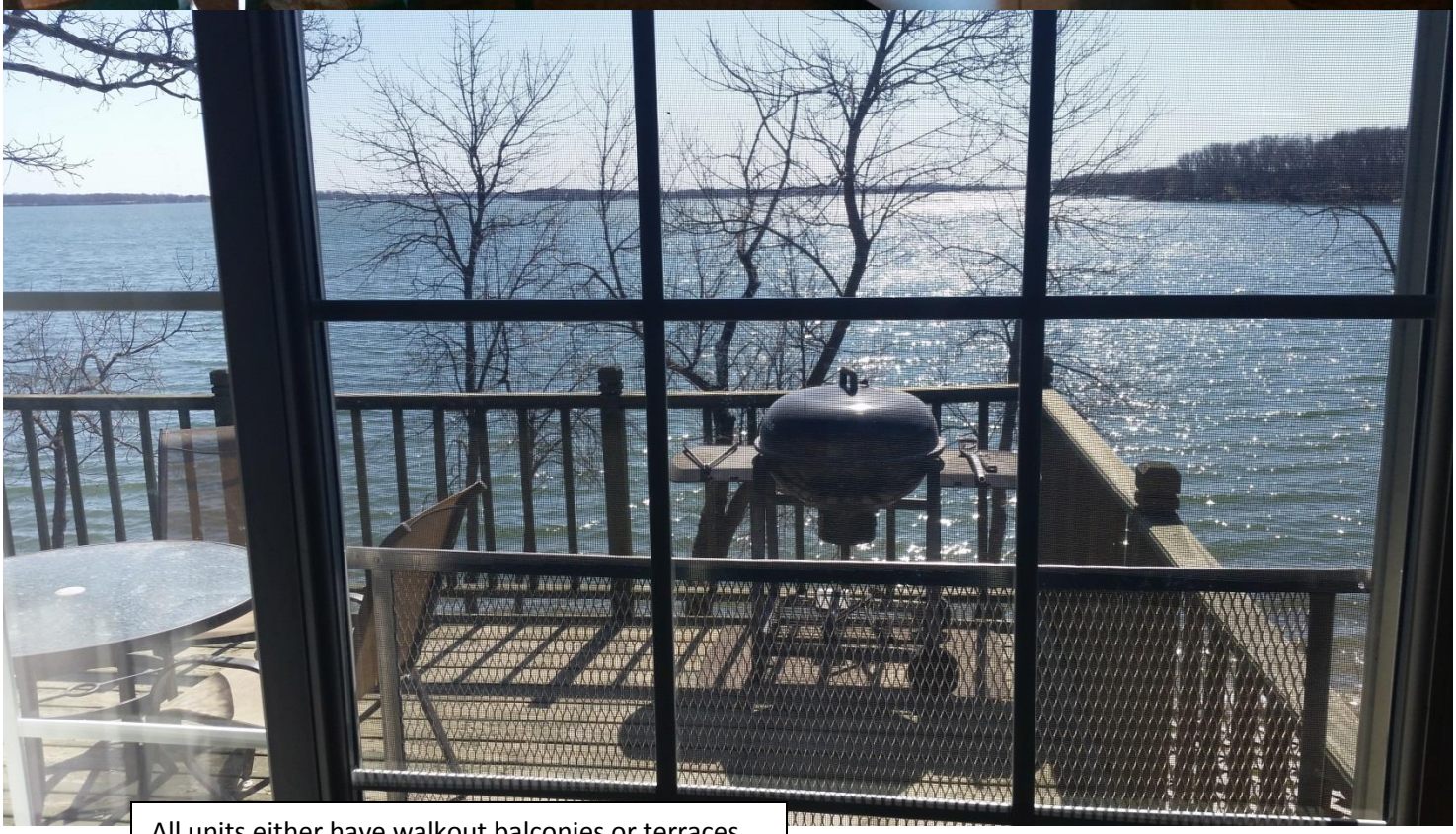


Condos 9-12; all have the same layout. Note all cloth arm chairs will be replaced by May with leather recliners- Waiting on delivery. All come with 5 year full replacement for wear & tears through Ashley Furniture.

Condos 9-12; 2 bedroom, 1 bathroom condos- 2 full size beds in each bedroom. Condos 11 & 12 are ADA Accessible.

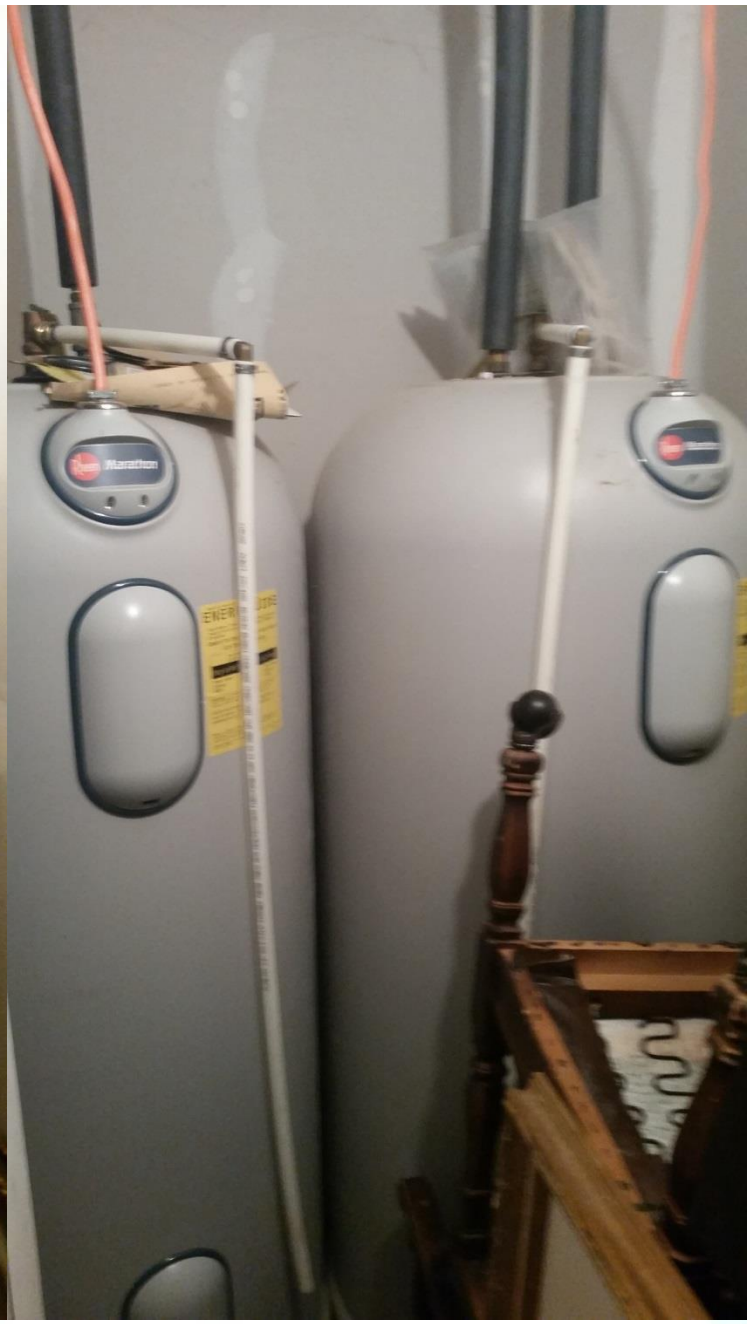




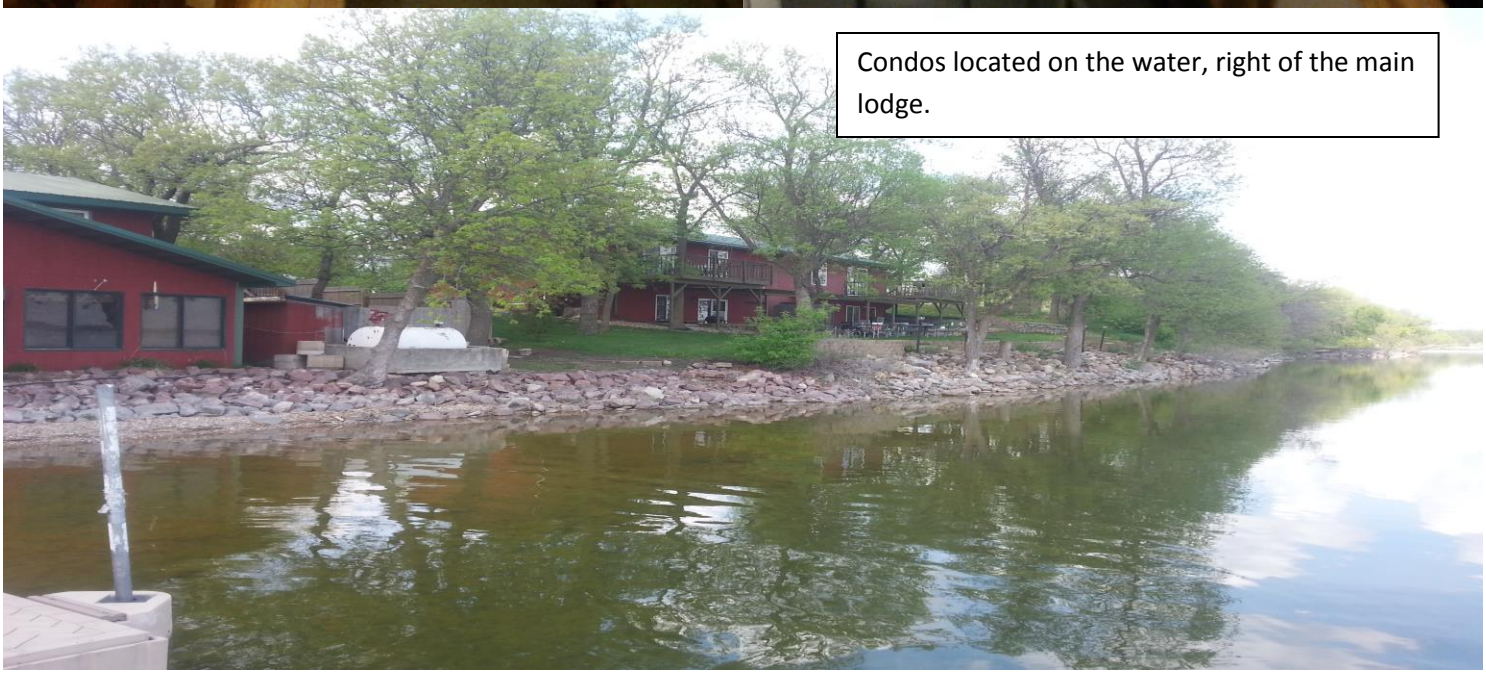


All units either have walkout balconies or terraces.

Boiler/Mechanical Room & Extra/Replacement storage; Setup for Wi-Fi



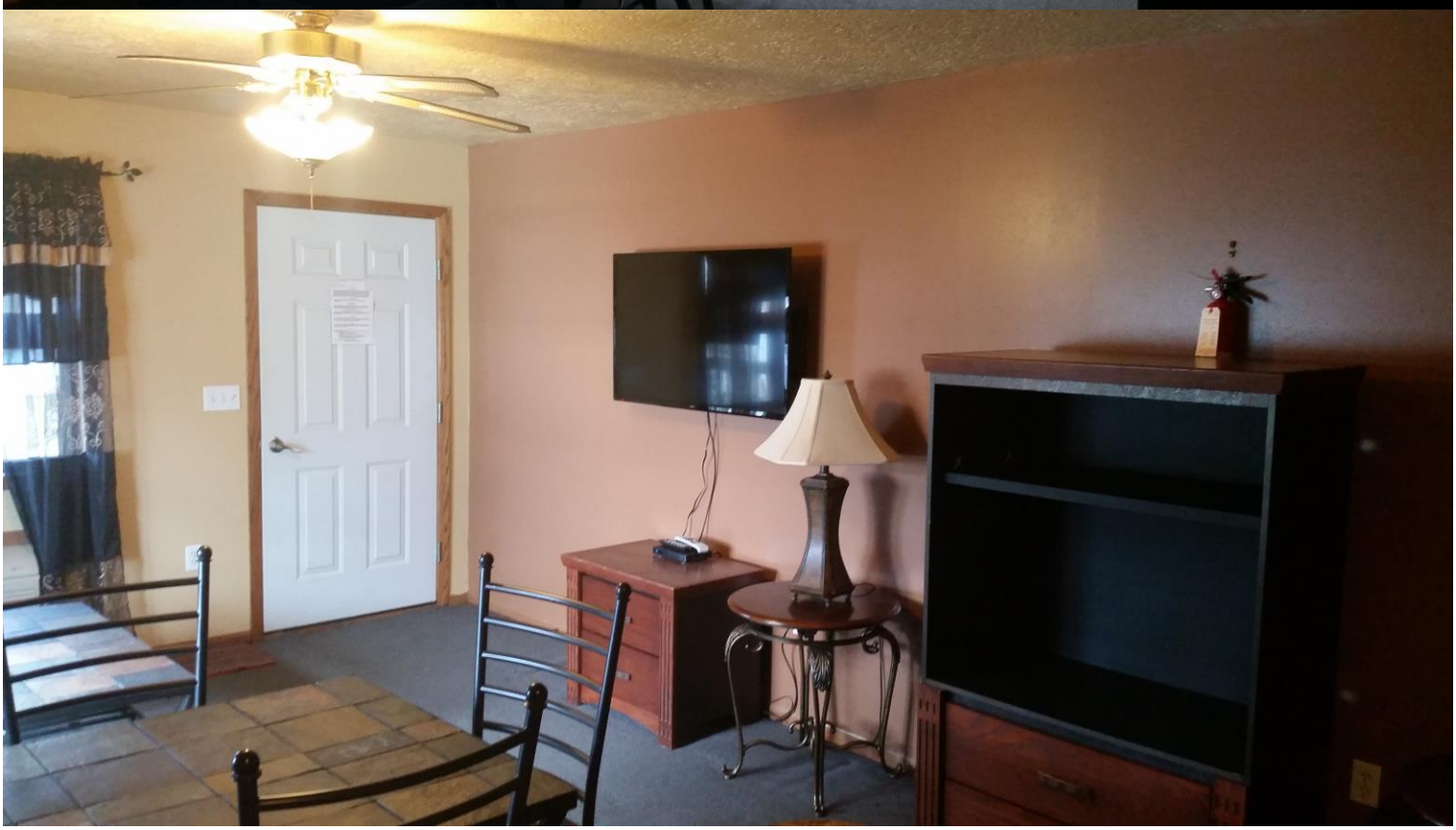
Condos located on the water, right of the main lodge.

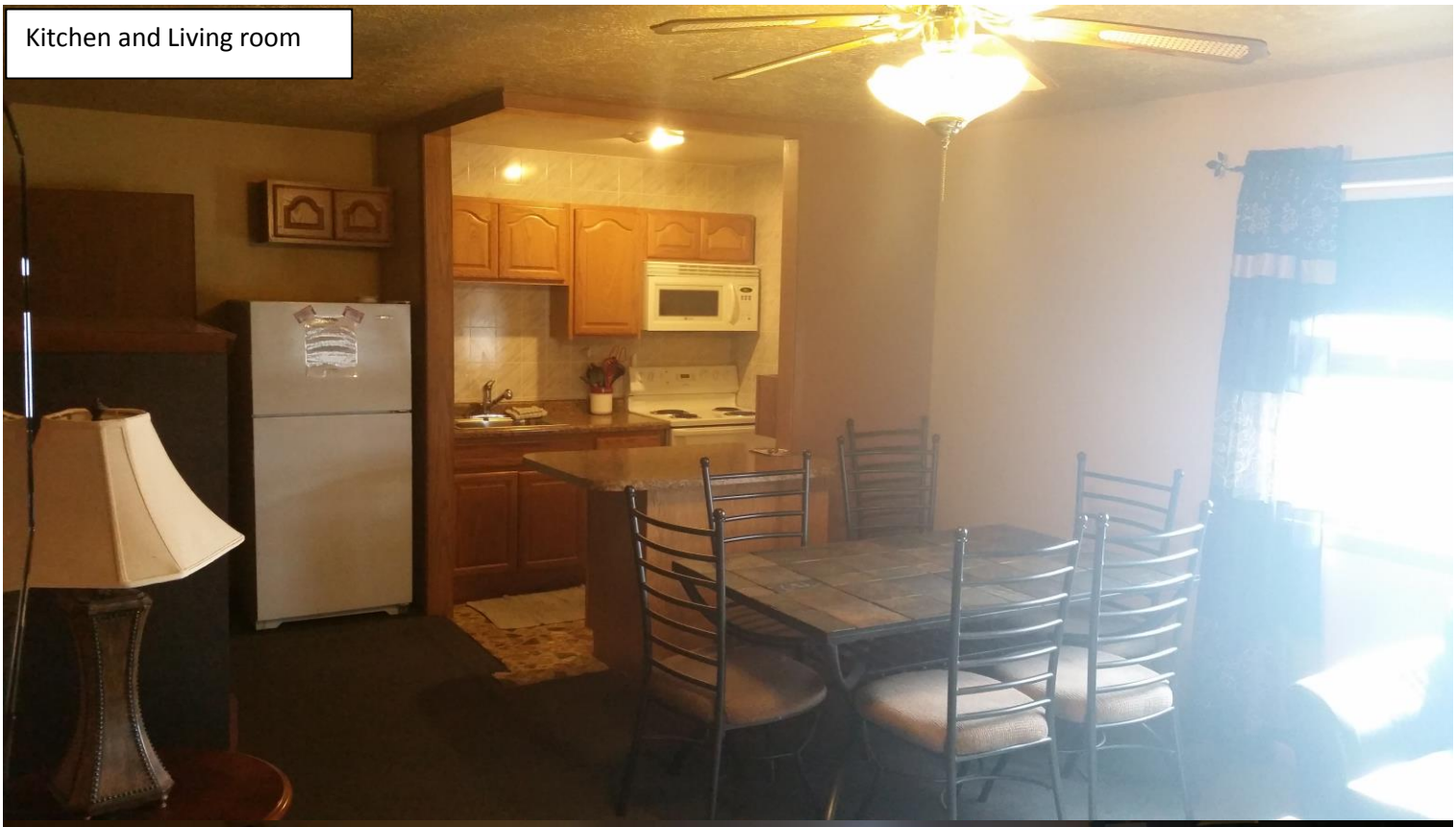


1 Bedroom/1 Bath Condo Layout & Photos- Condo 14; ADA Accessible.

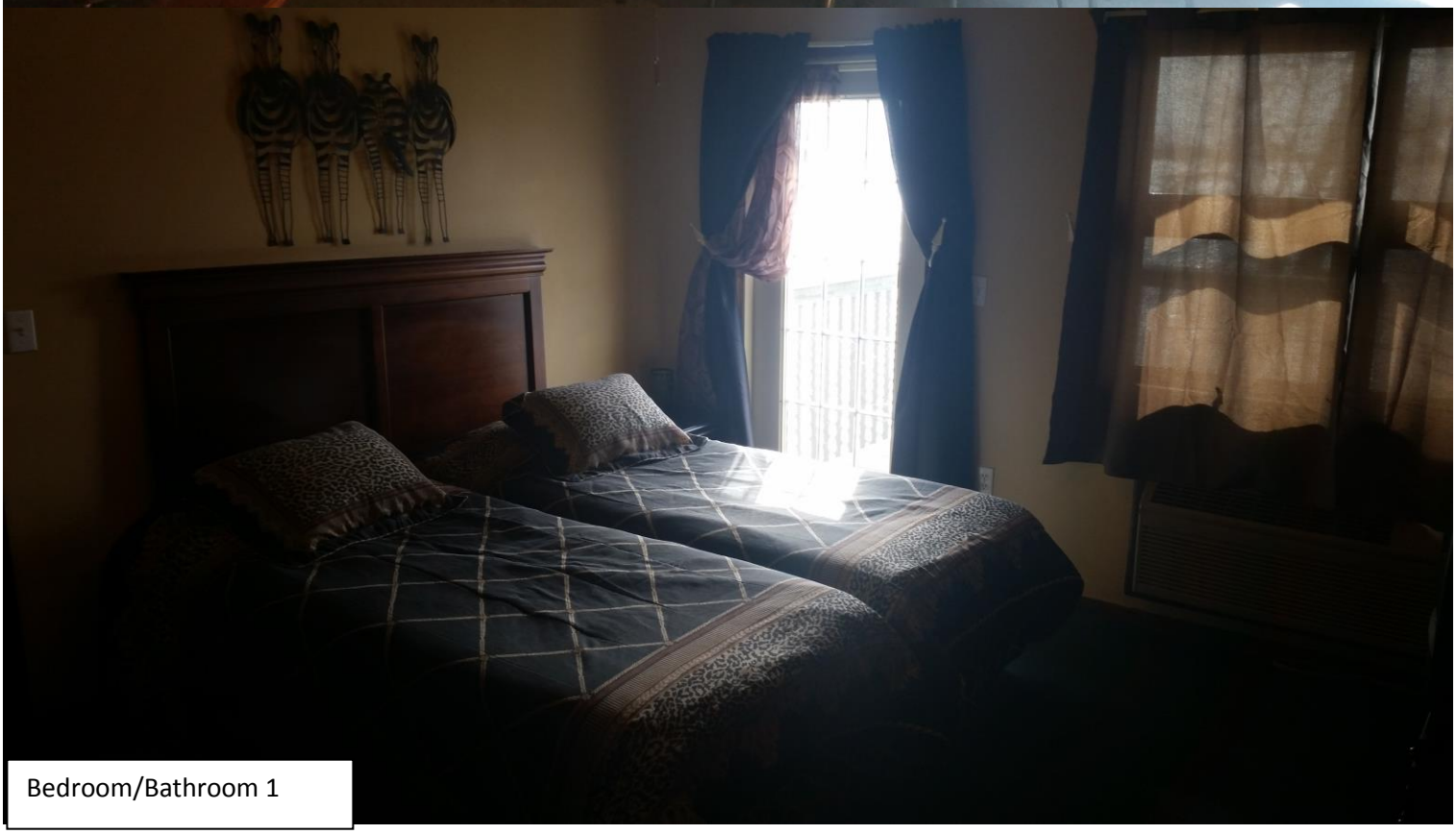
Both Condos 14 and 15 have since been repainted and living room TVs have been replaced with 48” LED Flat Screen wall mounted TVs on 4/15/15.

Condo 15; 2 Bedroom, 2 bath Condo Photos and Layout-



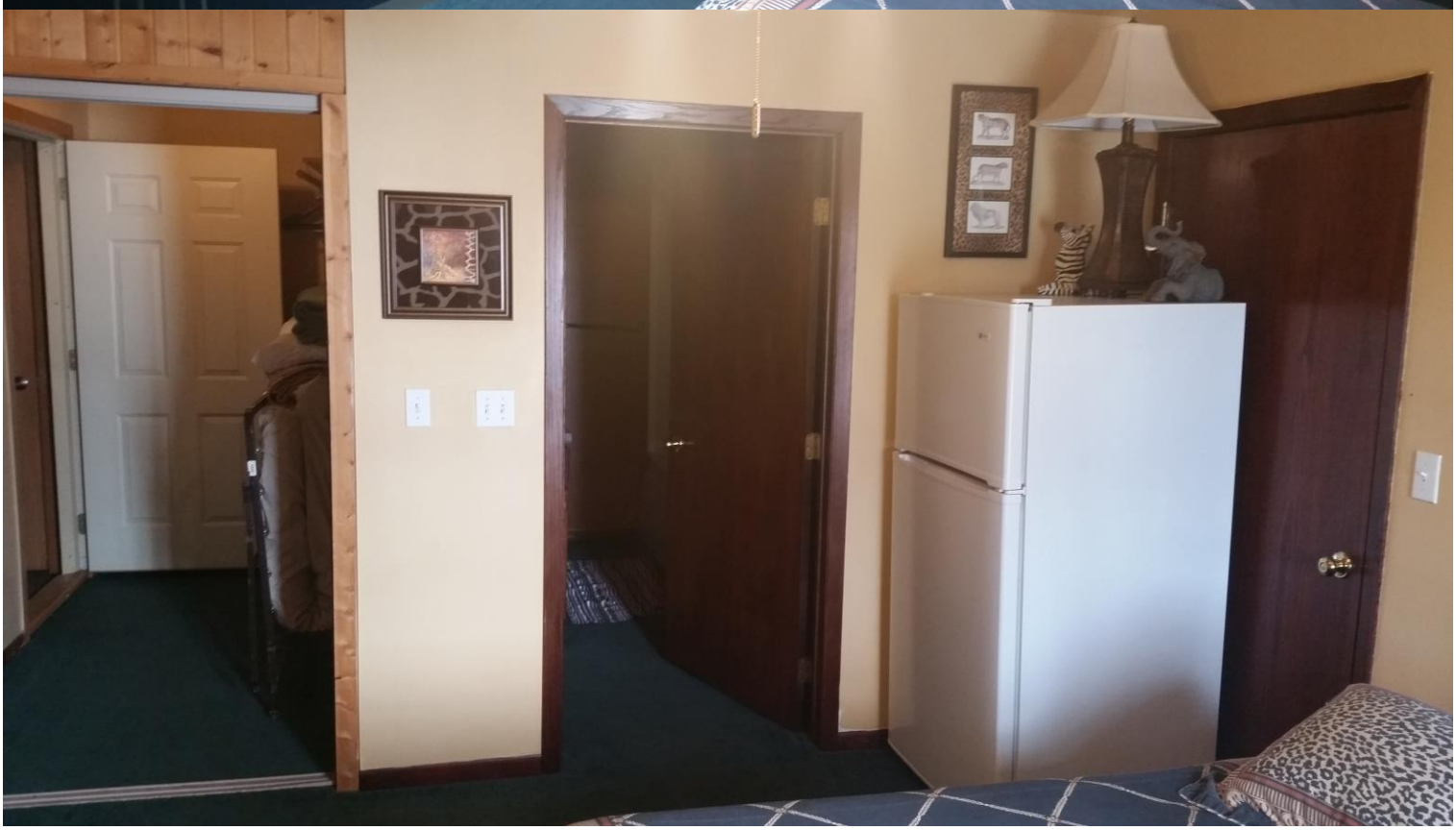


Kitchen and Living room

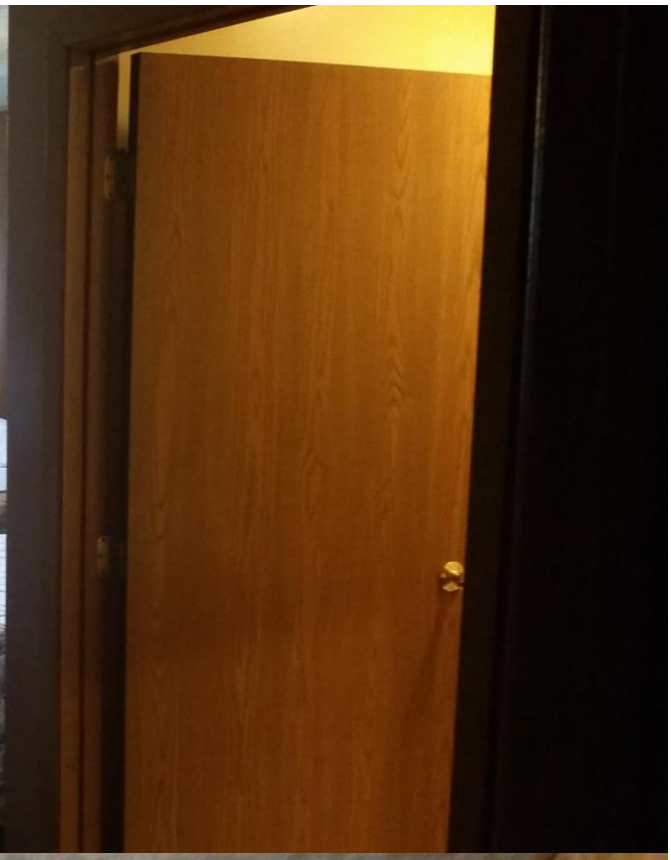


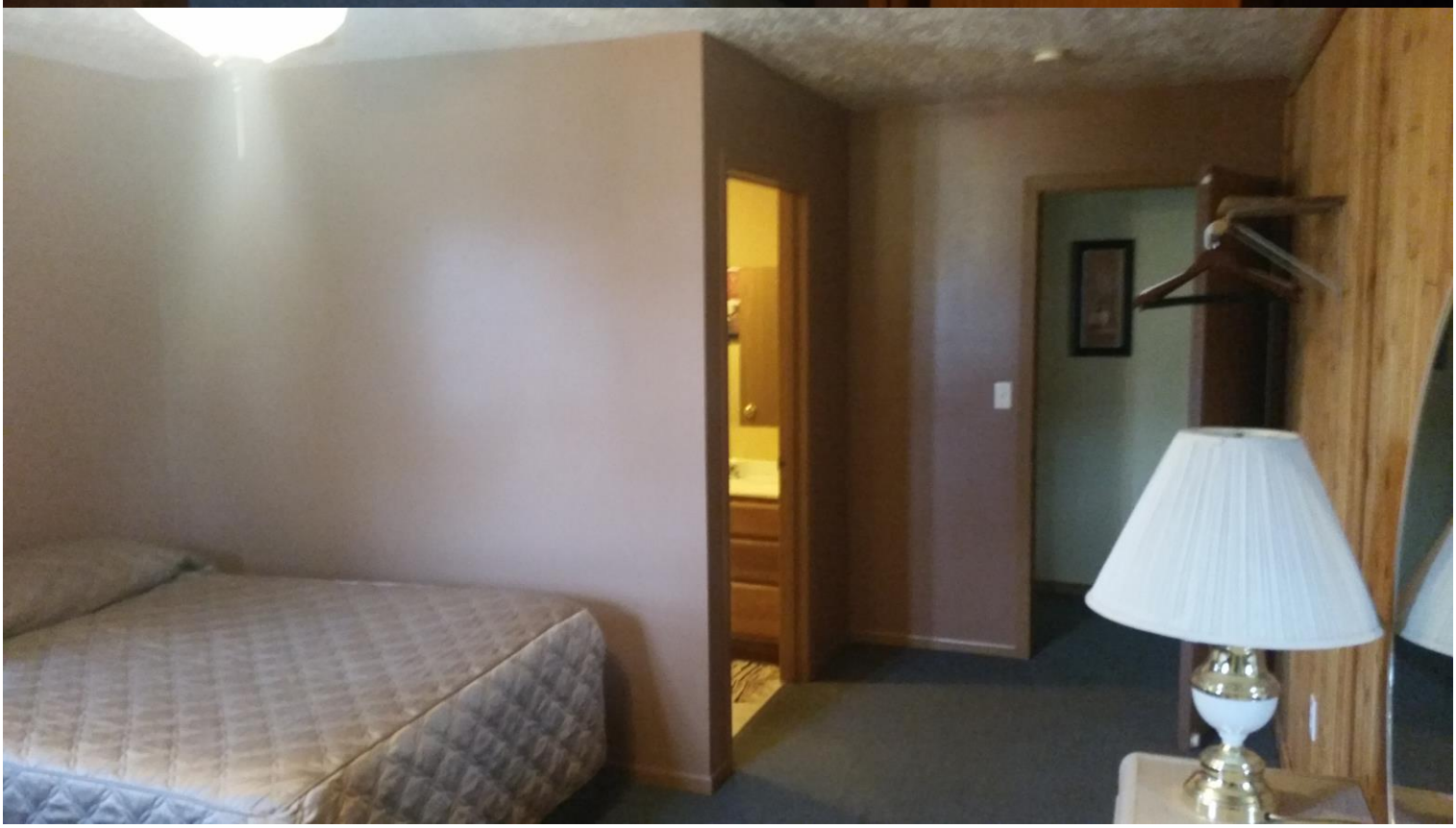
Bedroom/Bathroom 1

One of two private balconies overlooking the lake. Also, 2 bathrooms- this one with double vanity and Jacuzzi jet tub and shower. Note- Carpet in bathroom is underway to be replaced with vinyl.



Bedroom/Bathroom 2





General Notation: Other/More photos are available upon request by e-mailing Charles@roylakeresort.com

Roy Lake Resort and Lodge

Boat Rentals Lodging Bait Groceries

www.RoyLakeResort.com

2014 Profit Center Breakdown of Total Revenue

Retail	$	41,025.19
Boat Rental/Gas/Licenses	$	16,955.47
Hot Stuff Pizza Franchise- Summer Only	$	12,779.15
Lodging	$	287,960.18
Total Revenue	**$**	**358,719.99**
Discounts given Across the Board	$	9,132.93

Discounts are given for a # of reasons (i.e. loyalty) and are not only due to complaint

Notes:

* Trial summer with Hot Stuff as main food revenue, 2015 year is expected to double with knowledge of largest sellers/elimination of non-sellers and adjusting to appropriate price points on items.

* Lodging Revenue is expected to increase by $25,000-$30,000 in the 2015 year and have full impact of new rates implemented on 3/2015 to be realized in 2016 with an increase of between $40,000 - $50,000 over the 2014 year in additional lodging revenue.

2013 Profit Center Breakdown of Total Revenue

Retail	$	30,887.91
Boat Rental/Gas/Licenses	$	11,467.50
Limited Restaurant (transition/Summer Only)	$	4,754.27
Lodging	$	275,465.50
Total Revenue	**$**	**322,575.18**
Discounts given Across the Board	$	15,077.74

Discounts are given for a # of reasons (i.e. loyalty) and are not only due to complaint

Notes: Beverages are included in Retail

Roy Lake Resort and Lodge

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2012 Profit Center Breakdown of Total Revenue

Retail	$	39,345.58
Boat Rental/Gas/Licenses	$	13,318.48
Limited Restaurant (transition/Summer Only)	$	12,001.91
Lodging	$	283,255.12
Total Revenue	**$**	**347,921.09**
Discounts given Across the Board	$	12,497.18

Discounts are given for a # of reasons (i.e. loyalty) and are not only due to complaint

Notes: Beverages are included in Retail

2011 Profit Center Breakdown of Total Revenue

Retail	$	32,757.23
Boat Rental/Gas/Licenses	$	11,169.70
Full Service Restaurant (Summer Only)	$	20,467.70
Lodging	$	244,629.69
Total Revenue	**$**	**309,024.32**
Discounts given Across the Board	$	11,760.34

Discounts are given for a # of reasons (i.e. loyalty) and are not only due to complaint

Notes: Beverages are included in Retail

Roy Lake Resort and Lodge

Boat Rentals Lodging Bait Groceries

www.RoyLakeResort.com

CONCESSION AGREEMENT
ROY LAKE RESORT

This Concession Agreement is made and entered into on _____ ("Effective Date") by and between the South Dakota Department of Game, Fish and Parks ("Department") 523 East Capitol, Pierre South Dakota 57501, and _____, ("Concessionaire") Address. This Agreement is authorized by the South Dakota Game, Fish and Parks Commission and is subject to and governed by the requirements of ARSD Article 41:13 subtitled Park Concession Leases effective October 17, 2005, (the "Rules") a copy of which has been provided to Concessionaire.

WITNESSETH

Whereas, Roy Lake State Park hereinafter referred to as the "Park", is administered by the Department for providing park and related services, tourism, and resource management; and

Whereas, the Department desires to have a limited and prescribed portion and areas of Roy Lake State Park operated by a concessionaire as a resort open to the general public; and

Whereas, the Department chooses to commercially operate the area through a private concessionaire to provide services to the general public; and

Whereas, the Department has provided grounds and facilities of the area, and desires a private concessionaire to operate the same; and

Whereas, the Commission has promulgated the Rules relating to concession leases under which certain powers and authority to enter into concession leases and agreements have been delegated to the Department; and

Whereas, Concessionaire desires to enter into a concession agreement with the Department to operate a resort concession in a portion of Roy Lake State Park and be a concessionaire, as defined in the Rules.

Now therefore, for the purposes of carrying out concession operations in part of the Park pursuant to the terms and conditions of this Agreement, the parties agree as follows:

Section 1. Term of Agreement

(a) This Agreement shall be for a term of ten (10) years, commencing on the effective date and ending on December 31, 2025.

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Section 2. Definitions

(a) "Agreement" means this Concession Agreement, and all its amendments, addendums, exhibits, attachments, and all documents executed for the purpose of ensuring Concessionaire's performance of this Concession Agreement.

(b) "Commission" means the South Dakota Game, Fish and Parks Commission.

(c) "Concessionaire" means as defined under ARSD 41:13:01.

(d) "Concessionaire Facilities" means as defined under ARSD 41:13:01.

(e) "Department" means the South Dakota Department of Game, Fish and Parks.

(f) "Division" means the Division of Parks and Recreation, a division of the Department of Game, Fish and Parks responsible for the administration of the state park system, including Roy Lake State Park.

(g) "Director" means the Director of the Division of Parks and Recreation, acting on behalf of the Secretary of the Department of Game, Fish and Parks, and his or her duly authorized representatives.

(h) "Fair Market Value" means as defined under ARSD 41:13:01.

(i) "Government Facilities" means as defined under ARSD 41:13:01

(j) "Gross Receipts" means all revenue received, to be received, or realized by Concessionaire from all sales for cash or credit, of services, accommodations, materials and other merchandise made pursuant to the rights granted under this Agreement, Gross Receipts of SubConcessionaires, commissions earned on leases or agreements with other persons or companies operating in the Resort, and revenue earned from sales through electronic media, mail order or otherwise. Concessionaire shall report all of its revenues to the Department without allowances, exclusions or deductions of any kind. For purposes of calculating franchise fees and other fees and reserve amounts identified in this agreement, gasoline sales, hunting and fishing license sales (not including agent fees), and park entrance license sales will be excluded from Gross Receipts.

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(k) “Gross Receipts of SubConcessionaires" means all revenue received, to be received, or realized by SubConcessionaires from all sales for cash or credit, of services, accommodations, materials and other merchandise made as a result of the exercise of the rights conferred by a lease, license or agreement between the Concessionaire and a SubConcessionaire at the Resort, revenues of Sub-SubConcessionaires, commissions earned on leases or agreements between SubConcessionaires and other persons or companies operating in the Resort, and revenue earned from sales through electronic media, mail order or otherwise. A SubConcessionaire shall report all of its revenues to the Concessionaire without allowances, exclusions or deductions of any kind or nature.

(l) “Park" means the property within the boundaries of Roy Lake State Park.

(m) “Personal Property” means as defined in ARSD 41:13:01.

(n) “Possessory Interest" means as defined in ARSD 41:13:01.

(o) “Qualified Appraiser” means as defined in ARSD 41:13:01.

(p) “Resort” means the geographic area as set forth in Exhibit A-1 that includes Government Facilities and Concessionaire Facilities assigned to the Concessionaire as set forth in Exhibit A-2 and Exhibit A-3, and the operation thereof as permitted under this Agreement.

(q) “SubConcessionaire" means a third party that, with the approval of the Director, has been granted rights by Concessionaire to operate under a concession lease, license or agreement (or any portion thereof) between Concessionaire and a third party, or between a SubConcessionaire and a third party, whether in consideration of a percentage of revenues or otherwise.

(r) “Park Supervisor" means the management of Roy Lake State Park or his or her duly authorized representatives.

Section 3. Accommodations, Facilities and Services

(a) Concessionaire shall provide the following accommodations, facilities, and services within the Resort, subject to the Performance Standards for the Operation and Maintenance of Roy Lake State Park Resort attached to the Agreement as Exhibit B.

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Minimum Required Accommodations, Facilities and Services

1. A resort store offering grocery items, ice, fishing and camping supplies, fishing and park entrance licenses, basic first aid supplies, state park souvenir sales, microwave food service, coffee counter and miscellaneous items.

2. Cabin rental

3. Lodging room rental

4. Boat rental and basic operating instruction.

5. Public access courtesy dock (not boat ramp dock).

6. Fishing bait and tackle sales.

7. Fishing and park entrance license sales.

8. Boat gas, oil and grease sales.

9. The minimum resort season that will be considered is daily operation beginning the Friday preceding Memorial Day through Labor Day of each year.

(b) The Department authorizes the Concessionaire to provide only the following additional accommodations, facilities and services within the Resort. The Department retains the right to approve these or any other additional services contemplated by the Concessionaire in advance.

Additional Authorized Accommodations, Facilities and Services:

1. Restaurant food service.

2. Boat and motor repair service.

3. Hunting license and supply sales.

4. Licensed beer sales between 6 a.m. and 11 p.m.

5. Fishing guide service.

6. Boat dock/slip rentals

7. Firewood sales with written permission from the Department.

(c) The Department retains the right to authorize additional accommodations, facilities, services and merchandise within the Park. The Department shall give the Concessionaire first

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opportunity to provide such additional accommodations, facilities, services and merchandise. If Concessionaire does not desire to provide such additional accommodations, facilities, services and merchandise, or if the Department and Concessionaire are unable to agree upon the terms under which Concessionaire would provide such additional accommodations, facilities, services and merchandise, the Department shall be entitled to contract with a third party to provide said additional accommodations, facilities, services and merchandise within the Park under terms acceptable to the Department.

(d) The Department reserves the right to establish reasonable standards as to the nature, type and quality of Concessionaire's services and merchandise. The Department retains the right to disapprove types of services and merchandise that do not meet these standards.

Section 4. Rates and Quality Control

(a) All rates, fees and prices charged the public by Concessionaire must be reasonable and comparable to the fees, rates and charges charged for similar accommodations, facilities, services and merchandise in the region or outside the region if similar accommodations, facilities, services and merchandise are not provided in the region. The Department may review any Concessionaire rates and charges and require adjustment of any that are not reasonable as specified above. All rates and prices for accommodations, facilities, services and merchandise shall be clearly posted or marked.

(b) The Department reserves the right to establish reasonable standards as to the nature, type and quality of the Concessionaire’s accommodations, facilities, services and merchandise. All accommodations, facilities, services and merchandise sold are subject to the rules and laws of the State of South Dakota and the United States.

(c) Concessionaire may grant complimentary or reduced rates under such circumstances as are customary in businesses of the character conducted under this Agreement. However, the Director reserves the right to review and modify Concessionaire's and/or SubConcessionaire's complimentary or reduced rate policies and practices.

Section 5. Capital Development and Improvements

(a) Concessionaire, with prior written approval of the Director, may construct, modify or install at its cost such fixtures, structures, or

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improvements to Government Facilities or Concessionaire Facilities necessary for the operations required or authorized hereunder, subject to the Possessory Interest (and extent thereof) as authorized by ARSD 41:13. Concessionaire shall acquire no Possessory Interest to any fixtures, structures, and improvements made to Government Facilities or Concessionaire Facilities without the written approval of the Director. Requests shall be made in writing to the Department in sufficient detail to determine the scope, financing and scheduling of the proposed project. Drawings, maps or illustrations shall accompany the written request which accurately describe the location and design of all proposed fixtures, structures and improvements and affected areas. All requests must address the requirements of the Americans with Disabilities Act.

Unless otherwise agreed upon by the parties in advance, professionally developed design and construction plans for each project contemplated and requested by Concessionaire, prepared by architects, engineers and/or contractors, shall be submitted to the Director for approval. The design and construction plans shall include: a written narrative of the proposed work, the estimated cost of the fixtures, structures and improvements contemplated and any required regulatory or permit information applicable. No construction, modification, or installation of fixtures, structures and improvements shall commence without receipt of written approval from the Director. Once approved, Concessionaire shall make no changes or alterations to the construction plans except upon the Director's written approval. Concessionaire agrees that any review or approval by the Director of Concessionaire's construction plans is solely for the benefit of the Department, and without any representation, warranty or liability whatsoever to Concessionaire or any other person with respect to the adequacy, correctness or sufficiency thereof or any compliance with all local, state and federal laws, regulations and building codes, or otherwise. All designs and construction of the fixtures, structures and improvements shall be in compliance with all local, state and federal laws, regulations and building codes. The Director may require plans to be prepared, approved and signed off by a professional licensed architect and/or engineer for a proposed project.

Concessionaire shall timely commence and complete construction of the fixtures, structures and improvements in accordance with the construction plans as approved by the Director. During the process of construction and upon its completion, the Director shall have the right to periodically inspect the construction project. Upon completion of construction, Concessionaire shall submit to the Director a certification of an architect, engineer and/or contractor

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certifying that the fixtures, structures and improvements have been completed in accordance with the construction plans.

Upon completion of these projects, Exhibit A shall be amended to include the additions and value of Possessory Interest associated with the fixtures, structures and improvements.

(b) In addition to any rights and remedies afforded to the Department for breach of Agreement, the construction of any unauthorized fixtures, structures and improvements to or of Concessionaire Facilities and/or Government Facilities, at the discretion of the Department, must either be;

(i) restored to their original condition at the expense of Concessionaire, or
(ii) become Government Facilities with no Possessory Interest compensation.

(c) Activities involving any ground disturbance, placement of fill material, prescribed burning of vegetation or tree removal shall require prior written approval from the Department. Any requests for these activities shall be made to the Department in writing in sufficient detail to determine the scope and schedule of the proposed project. Drawings, maps or illustrations accurately describing the location of these activities shall accompany the written request. All activities involving any ground disturbance, placement of fill material, prescribed burning of vegetation or tree removal shall be completed in compliance with all local, state and federal laws and regulations.

(d) In the event that Concessionaire constructs fixtures, structures or improvements to Concessionaire Facilities or Government Facilities, Concessionaire shall be responsible for securing all necessary licenses and permits required under local, state and federal laws and regulations.

(e) All construction activities must meet or exceed existing levels of craftsmanship. No Department owned resources or materials from the Park shall be used in any project, except by written consent of the Department.

(f) Concessionaire shall not cause, permit or suffer any lien or encumbrance to attach to the Resort, the Concessionaire Facilities or Government Facilities, except for capital development improvements to Concessionaire Facilities as outlined in Section 5. If Concessionaire shall cause, permit or suffer a lien or encumbrance to attach, Concessionaire shall cause the same to be cancelled and discharged of record by bond or otherwise as

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allowed by law at the expense of Concessionaire within thirty (30) days after the filing thereof. Concessionaire shall defend on behalf of the Department, at Concessionaire's sole cost and expense, any action, suit or proceeding which may be brought thereon for the enforcement of such lien or encumbrance. Concessionaire shall pay any damages, including payment of any legal expenses incurred by the Department for doing the same in the event Concessionaire fails to obtain cancellation or discharge of the lien or encumbrance, fails to satisfy and discharge any judgment entered thereon and/or fails to save the Department harmless from any claim or damage resulting therefrom.

Section 6. Facilities

(a) The Department hereby assigns for use by Concessionaire, the Government Facilities identified in Exhibit A-1, located within the Resort as identified in Exhibit A. The Department also assigns to Concessionaire the Concessionaire Facilities set forth in Exhibit A-2. Upon execution of this Agreement, Concessionaire shall pay to Roy Lake Resort, or to the Department if the Department has previously purchased from Roy Lake Resort Concessionaire Facilities for the value of the Possessory Interest for the Concessionaire Facilities, which amount is identified and set forth in Exhibit A-1.

(b) Concessionaire has inspected the Government Facilities and Concessionaire Facilities identified in Exhibit A and A-1 and is thoroughly acquainted with their condition, and accepts them and other items in an “as is” condition.

(c) The Department reserves the right to withdraw or expand the land, Government Facilities and/or Concessionaire Facilities located within the Resort during the term of this Agreement for the purposes of protecting the Park and its visitors, and/or to restrict or provide additional accommodations, facilities, services and/or merchandise. Any material adjustment shall require an appropriate adjustment to the franchise fees, if necessary, and the terms of ARSD 41:13:03:04 (4) shall apply.

(d) Both parties understand that the State of South Dakota may self-insure Government Facilities. Therefore, if a Government Facility is destroyed or damaged to an extent that in the sole discretion of the Department it is impractical to repair or replace, the Department makes no assurance that the Government Facility shall be repaired, improved or replaced.

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(e) If Government Facilities are damaged by the acts or conduct of Concessionaire, its agents, employees or customers, which damage in the sole discretion of the Department is practical to repair or replace, it shall be the responsibility of Concessionaire to make the necessary repairs/replacements at its own expense to a condition satisfactory to the Department in an amount not to exceed $25,000 per occurrence. If Government Facilities are damaged by the acts or conduct of Concessionaire, its agents, employees or customers, which damage in the sole discretion of the Department amounts to a total loss or is impractical to repair or replace, Concessionaire shall pay Department an amount not to exceed $25,000 per occurrence to compensate Department for the loss.

(f) The Department shall have the right to enter the Resort, Government Facilities and Concessionaire Facilities for the proper administration of the terms of this Agreement and other purposes the Department deems necessary, including health and safety inspections.

(g) In the event that a Concessionaire Facility is removed, abandoned, demolished, or substantially destroyed and no other improvement is constructed on the site, Concessionaire shall at its own expense, promptly restore the site to its natural condition to the extent that the Concessionaire Facility had an impact upon the site.

Section 7. Operations and Maintenance

(a) Concessionaire shall operate the Resort in compliance with the terms and conditions of this Agreement including the performance standards for the Operation and Maintenance of the Resort set forth in Exhibit B of this Agreement. The performance standards are established in order to maintain a high standard of public service, physical appearance, operation, repair and maintenance.

(b) Concessionaire shall comply with the specific dates and hours of services specified in Section 2 of Exhibit B.

(c) Concessionaire, at its expense, shall provide all maintenance of Concessionaire Facilities, Government Facilities, and Personal Property located within the Resort with the exception of the boat ramp and associated docks, roads and parking lot, which will be the responsibility of the Department. The Concessionaire shall perform such work in accordance with the performance standards contained in Exhibit B. Concessionaire shall also be responsible for keeping the Resort free from litter, complying with environmental laws and regulations, complying with safety rules, laws and regulations, and maintaining in good order and in a safe condition the grounds,

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Government Facilities, Concessionaire Facilities, and Personal Property of and within the Resort and in accordance with the performance standards contained in Exhibit B.

(d) At the expiration or termination of this Agreement, Concessionaire shall return to the Department the Government Facilities in the same condition or better condition than existed at the initiation of this Agreement, reasonable wear and tear excepted.

(e) Concessionaire shall not do or permit to be done any act or thing within the Resort and within Concessionaire's operations which shall or might subject the Department to any liability or responsibility or injury to any person or to property by reason of any business or operation being carried on or upon the Resort or by Concessionaire. Concessionaire shall comply with all laws, orders and regulations of federal, state and local authorities, and with any direction of any public officer or officers pursuant to applicable laws which impose any order or duty upon Concessionaire with respect to the Resort, the use or occupation thereof, or with respect to Concessionaire's business and operations.

(f) Concessionaire shall occupy the Resort as of the Effective Date and thereafter will continuously use the Resort solely for the purpose of providing the accommodations, facilities, services and merchandise identified in Section 3 and other uses incidental thereto. Concessionaire shall not use or knowingly permit any part of the Resort to be used for any unlawful purpose, and shall not conduct or allow to be conducted any activity that shall constitute a nuisance.

(g) Concessionaire shall not during the term of this Agreement, or during any period of holdover, use, store, generate or treat any Hazardous Materials on or within the Resort, except in accordance with all applicable, federal, state and local laws and regulations. Concessionaire shall not release or allow to be released into the environment any Hazardous Materials. Concessionaire shall indemnify, defend and hold harmless the Department from and against any loss, cost, damage, liability, or expense, including but not limited to attorneys' fees and disbursements, arising by reason of any clean-up, removal, remediation or detoxification action required under applicable federal, state and local laws and regulations by reason of the Concessionaire's use, generation, storage, treatment or release of Hazardous Materials. The foregoing covenants and indemnity obligation shall survive the expiration or any termination of this Agreement. "Hazardous Materials" shall mean (i) any biologically or chemically active or other toxic or hazardous wastes, pollutants or substances, including, without limitation, asbestos, PCBs, petroleum products

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and by-products, substances defined or listed as "hazardous substances" or "toxic substances" or similarly identified in or pursuant to the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq., and as hazardous wastes under the Resources Conservation and Recovery Act, 42 U.S.C. § 6010 et seq., (ii) any chemical substance or mixture regulated under the Toxic Substance Control Act of 1976, as amended, 15 U.S.C. § 2601 et seq., (iii) any "toxic pollutant" under the Clean Water Act, 33 U.S.C. §466 et seq., as amended, (iv) any hazardous air pollutant under the Clean Air Act, 42 U.S.C. § 7401 et seq., 9v) hazardous materials identified in or pursuant to the Hazardous Materials Transportation Act, 49 U.S.C. § 1801 et seq., and (vi) any hazardous or toxic substances or pollutant regulated under any federal, state or local law.

(h) Any names, logos, trademarks, or copyrights (the "Intellectual Property") developed during or pursuant to this Agreement that in any way associates with, identifies, implicates, or infers an affiliation with the State of South Dakota, the Department, the State Park System, Roy Lake State Park, and/or the Resort must receive prior approval from the Commission and belongs to the State of South Dakota upon creation and continues in the State of South Dakota's exclusive ownership upon termination of this Agreement. For all Intellectual Property approved by the Commission, Concessionaire shall receive a non-exclusive, non-transferable license to use the Intellectual Property with respect to the accommodations, facilities, services and merchandise offered for sale by Concessionaire. The license shall be limited to the sale of accommodations, facilities, services and merchandise from the Resort only. Concessionaire shall not offer for sale outside of the Resort, including by mail order, other store locations and the Internet, the services and merchandise without the Department's prior written consent. Concessionaire shall not be permitted to sublicense any of the Intellectual Property without the Department's consent. Concessionaire agrees to cooperate in the filing of any affidavits and applications by providing proof of use of the Intellectual Property upon the Department's reasonable request. Concessionaire acknowledges that the Department has the unrestricted authority to set the standards for the use of the Intellectual Property, as well as the standards, specifications and qualities of the accommodations, facilities, services and merchandise. As such, the Department shall have the right, at all reasonable times, to inspect Concessionaire's business locations, services and merchandise for quality verification purposes. The Department, on behalf of the State of South Dakota, does not make any representation or warranty with respect to the Intellectual Property and the use thereof, and expressly disclaims all representations and warranties including, without limitation, the

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warranty of non-infringement. Concessionaire agrees to promptly notify the Department of any possible infringement of the Intellectual Property by third parties or, of any claims of infringement against Concessionaire and/or the State of South Dakota made by a third party. The State of South Dakota shall have the sole right to bring any action for infringement and to recover and retain any and all damages.

Section 8. Utilities

Concessionaire shall pay costs for utilities in the Resort, including but not limited to water, sewer and electricity. Maintenance responsibilities of Concessionaire for Department-owned utility systems within the Resort shall be in accordance with the performance standards set forth in Exhibit B.

Section 9. Accounting Records and Other Reports

(a) Concessionaire shall prepare and maintain accounting records of the Resort segregated by profit center under generally accepted accounting principles that are customary for resort operating businesses. The records shall be made available for inspection by the Department on reasonable notice during normal working hours.

(b) All capital costs of any fixtures, structures or improvements for which Concessionaire claims a Possessory Interest shall be recorded at actual cost and the depreciation schedule shall be based on generally accepted accounting principles, all of which shall be submitted to the Department at the time such capital assets are entered on Concessionaire's books.

(c) Concessionaire shall submit to the Department annual accounting records and reports separated for the operation of the Resort to include Gross Receipts broken down by profit center. These records and reports along with state tax remittance forms are to be provided to the Department with the corresponding franchise fee payments as provided for in Section 10.

(d) Concessionaire will file annual accounting records for the operation of the Resort to include an accounting of gross revenue broken down by profit center, a balance sheet and a profit and loss statement. All accounting records will be submitted by no later than May 1st of the following calendar year.

(e) The Concessionaire shall retain all records and reports required by law and under this Agreement for a period not less than five years

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following the expiration or termination of this Agreement and its amendments. The Department shall, at any time during the term of the Agreement and until five years after the expiration or termination of this Agreement, have access to and the right to examine any of the pertinent books, records, documents, and papers of Concessionaire related to this Agreement, including state and federal income tax records and returns. If the result of any audit or examination of the Concessionaire's financial records indicates substantial discrepancies from the information that is reported to the Department, the Department reserves the right to bill and the Concessionaire shall pay for the costs of conducting such audit or examination in addition to any other amounts payable to the Department pursuant to this Agreement.

(f) From time to time, the Department may require Concessionaire to submit other reports and data regarding the Resort, Concessionaire's performance under this Agreement or otherwise, including but not limited to, operational information and capital progress reports.

(g) Concessionaire agrees to waive any right to confidentiality of all records and reports identified in this section for Commission purposes. This waiver is not intended to apply to third parties or the public at large, except as provided by State law and Subsection (h) below.

(h) Concessionaire agrees to waive any right to confidentiality of records, reports and information contained therein for the purposes of preparing a prospectus and other documents for leasing the Resort, as necessary for any subsequent concessionaire to operate the Resort, or for other legislative or administrative purposes.

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Section 10. Fees

Franchise Fees: Concessionaire shall pay to the Department a franchise fee which shall be a sum of money equal to _____ percent (___%) of all Gross Receipts during each year of the Agreement term. Payments shall be made no later than January 30th, for the final calendar quarter of the proceeding calendar year; July 30th, for the first two quarters of the current year; and October 30th for the third calendar quarter of the current year and shall be accompanied by accounting records as described in Section 9(c). Payments to the Department by Concessionaire not received on or before the due date shall be considered to be in arrears and subject to an interest payment equivalent to one and one-half percent (1.5%) per month of the unpaid amount which shall be added to the following month's remittance.

(a) Repair and Maintenance Reserve: In addition to the franchise fees as hereinbefore provided, Concessionaire is hereby required to establish a Repair and Maintenance Reserve as further described in Section 14 of this Agreement. This reserve shall be credited by the 15th of every month based upon the preceding month's Gross Receipts.

Section 11. Remedies, Termination or Expiration of the Agreement

(a) Procedures upon termination or expiration of this Agreement shall be in accordance with ARSD 41:13.

(b) Upon termination or expiration of this Agreement for any reason, and, in the event that Concessionaire is not to continue the operations authorized under this Agreement after its expiration, Concessionaire shall comply with all applicable requirements of Exhibit C to this Agreement, "Transition to New Concessionaire." This section and Exhibit C shall survive the expiration of this Agreement.

(c) The Department may elect any and all remedies available to the Department under applicable law, including but not limited to the termination of this Agreement upon written notice in whole or in part at any time for default, and may terminate this Agreement upon written notice in whole or in part when necessary for the protection of visitors or area resources. Termination for default may be utilized in circumstances where the Concessionaire has materially breached any requirements of this Agreement, including but not limited to failure to maintain and operate the minimum required accommodations, facilities, services and merchandise as provided

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in Section 3 herein, sale of merchandise disapproved for sale, failure to meet the requirements of the operations and maintenance performance standards as set forth in Exhibit B, and has failed to cure the breach as set forth in this Subsection. If Concessionaire materially defaults on any of the terms or conditions of this Agreement, and does not cure or remedy such default within ten (10) days of receipt of written notice from the Department, or Concessionaire is not diligently proceeding to cure such default if the curing of such default cannot be reasonably effected within such ten (10) day period, the Department may terminate this Agreement without further notice.

(d) In the event of termination of this Agreement for default, the provisions of this Section apply.

(e) To avoid interruption of service at the Resort upon expiration or termination of this Agreement, Concessionaire shall, at the option of the Department:

(i) continue to provide visitor services for a reasonable time, as agreed upon in writing by the parties, to enable the Department to select a successor, and to allow the successor to otherwise comply with the terms of this Agreement in the ordinary course of business and endeavor to meet the standards of service and quality that are required by the Department in order to maintain customer service in conjunction with Exhibit B; or

(ii) consent to the assignment of a temporary operator, or operation by the Department, for the operation of the Concessionaire Facilities and Personal Property for a period not to exceed 365 days; provided that the temporary operator or the Department pays Concessionaire a reasonable fee for the use of the Concessionaire Facilities and Personal Property, not to exceed ten percent (10%) annually of the depreciated book value of such Concessionaire Facilities and Personal Property used by the temporary operator or the Department, and prorated for the amount of time they are in use by the temporary operator or the Department.

(iii) consent to the purchase of Concessionaire's inventory and supplies by the temporary operator or the Department for use or resale purposes. The temporary operator or the Department must reimburse Concessionaire for any inventory and supplies purchased by Concessionaire and retained by the temporary operator or the Department for use or resale purposes. The value of the inventory and

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supplies retained by the temporary operator or the Department shall be determined by actual invoice amounts submitted to or paid by Concessionaire.

(f) The Department shall have a right of offset against amounts owed the Department for all amounts owed by the Department under this Agreement.

(g) If any legal proceedings are brought by either party to this Agreement against the other in connection with the interpretation, application or performance of the terms and conditions of this Agreement, each party shall be required to pay its own attorney's fees and costs in connection with such proceedings. All amounts due the Department by reason of any default on the part of Concessionaire shall accrue interest at the rate of one and one-half percent (1.5%) per month from the date the amount is due until paid.

(h) In addition to the rights and remedies provided for herein, the Department and Concessionaire shall each have all remedies at law or in equity, all remedies being cumulative.

Section 12. Possessory Interest Provisions

Possessory Interests for Government Facilities and Concessionaire Facilities shall be determined in accordance with ARSD 41:13. The Department shall have a right of offset against amounts owed the Department for all amounts owed by the Department for any Possessory Interests purchased by the Department.

Section 13. Indemnification, Waiver of Claims and Insurance

(a) Concessionaire agrees to defend, hold harmless and indemnify the State of South Dakota, its officers, agents and employees, from and against any and all actions, suits, damages, liabilities and expenses, including but not limited to attorneys' fees, in connection with the loss of life, personal injury and/or damages to property of third persons that may arise from or out of the occupancy, use or maintenance of the Resort, and as a result of performing services hereunder. This section does not require Concessionaire to be responsible for or defend against claims or damages arising solely from errors or omissions of the State, its officers, agents or employees. This indemnification shall survive the termination or expiration of this Agreement.

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(b) Concessionaire agrees that during the term of this Agreement Concessionaire shall maintain such insurance as Concessionaire deems necessary but agrees that the minimum amount of insurance Concessionaire shall acquire and maintain in full force and effect throughout the period of time covered by this Agreement shall be as set forth below. Concessionaire shall maintain the following coverages and limits, but may attain the same by means of supplementing the respective coverages with Excess Umbrella Liability

(i) Commercial General Liability Insurance: Concessionaire shall maintain occurrence based commercial general liability insurance or equivalent form with a limit of not less than One Million Dollars ($1,000,000.00) for each occurrence and a per location aggregate limit of not less than One Million Dollars ($1,000,000.00). If such insurance contains a general aggregate limit it shall apply separately to this Agreement or be no less than two times the occurrence limit.

(ii) Business Automobile Liability Insurance: Concessionaire shall maintain business automobile liability insurance or equivalent form with a combined single limit of not less than One Million Dollars ($1,000,000.00). Such insurance shall include coverage for owned, hired and non-owned vehicles.

(iii) Excess Umbrella Liability Insurance: This coverage may be used to supplement any of the above liability coverage policies in order to arrive at the required minimum limit of liability coverage. In addition, coverage shall be at least as broad as that provided by underlying insurance policies, and the limits of underlying insurance shall be sufficient to prevent any gap between such minimum limits and the attachment point of the coverage afforded under the “Excess Umbrella’’ liability policy.

(iv) Workman’s Compensation Insurance and Unemployment Insurance: This coverage shall be as required by South Dakota law covering Concessionaire employees as will protect itself and the State of South Dakota and agencies thereof from claims under the Workman’s Compensation laws and unemployment insurance laws of the State of South Dakota.

(v) Personal Property Insurance:

1. Amount of Insurance: 100% of replacement value, without deduction for physical depreciation

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2. Insurance shall cover the Personal Property contained in all buildings, structures, improvements & betterments for all Government Facilities and Concessionaire Facilities and/or used in Concessionaire's operations.
3. Coverage shall apply on an “All Risks” or “Special Coverage” basis.
4. The policy shall provide for loss recovery on a replacement value basis, without deduction for physical depreciation.
5. “Blanket Amount” insurance is to be provided. The amount of insurance (limit of liability) should represent no less than 100% of the replacement value of the sum total of all insured property, without deduction for physical depreciation.
6. The coinsurance provision, if any, shall be waived or suspended by an Agreed Amount or Agreed Value clause.
7. The vacancy and unoccupancy restriction, if any, must be eliminated for Personal Property that shall be vacant or unoccupied beyond any time period specified in the policy.

(vi) Real Property Insurance: Concessionaire shall provide real property insurance to cover against loss to Concessionaire Facilities at 100% of replacement value (without deduction for physical depreciation).

(vii) Liquor Liability Insurance: Concessionaire shall maintain liquor liability insurance with a limit of not less than One Million Dollars ($1,000,000.00).

(c) These minimum requirements are subject to evaluation and revision every two years during the term of this Agreement or upon renewal or modification of this Agreement.

(d) South Dakota state employees shall be included as an additional insured under all insurance policies identified in Section 13(b) (i), (ii), (iii) and (vii).

(e) Concessionaire, prior to engaging in and/or providing the services described herein, shall furnish satisfactory proof of such insurance by filing with the Department, a Certificate of Insurance from the Insurance Company verifying and certifying to the existence and limits of the required insurance. Such Certificate shall provide therein that no cancellation of said insurance shall be made or become effective without at least thirty (30) days' written notice

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being provided to the Department. Concessionaire is required to provide to the Department a current certificate of insurance at all times.

(f) Concessionaire agrees to report to the Park Supervisor any event encountered in the course of performance of this Agreement which results in injury or loss to any person or property, or which may otherwise subject Concessionaire, the State of South Dakota and/or their respective officers, agents or employees to liability. Concessionaire shall report any such event to the Park Supervisor immediately upon discovery. Concessionaire's obligation under this section shall only be to report the occurrence of any event to the Park Supervisor and to make any other report provided for by Concessionaire's duties or applicable law. Concessionaire's obligation to report shall not require disclosure of any information subject to privilege or confidentiality under law (e.g., attorney-client communications). Reporting to the Park Supervisor under this section shall not excuse or satisfy any obligation of Concessionaire to report any event to law enforcement or other authorities under the requirements of any applicable law.

(g) The Department has no obligation to and is not responsible for payment of any money to Concessionaire that results from disruption of services.

(h) Except as set forth in Section 6(e), neither the Department nor Concessionaire shall be liable to the other, nor to any SubConcessionaires, for any loss or damage to any building, structure or other tangible property owned by the other, including but not limited to lost rents, income and profits, even through such loss or damage might have been occasioned by the negligence of such party, its employees, agents, contractors or invitees. Concessionaire shall include in any lease, contract or agreement with a SubConcessionaire a provision in accordance with this Subsection.

Section 14. Repair and Maintenance Reserve Provisions

(a) Concessionaire shall establish a repair and maintenance reserve (the "Repair and Maintenance Reserve"). Concessionaire shall contribute to the Repair and Maintenance Reserve a sum no less than _____ percent (___%) of the annual Gross Receipts.

(b) Use of Funds. Funds in the Repair and Maintenance Reserve shall be used for the maintenance, repair and renovation of existing Concessionaire Facilities included in this Agreement.

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(i) Of the ___%, ___% may be expended by Concessionaire for repair and maintenance of Concessionaire Facilities on an emergency basis without prior approval. If not expended during any calendar year, the remainder shall be expended by Concessionaire under the provisions of Section 14 (b) (ii) hereof.

(ii) The remaining ___%, plus any amounts not expended under Section 14 (b) (i) shall be administered and utilized for maintenance, repair and renovation of Concessionaire Facilities which projects have been previously approved by the Commission.

(c) Unallowable Uses. Funds in the Repair and Maintenance Reserve shall not be used for the following:

(i) Seasonal salaries of Concessionaire's employees, SubConcessionaire's employees, and/or independent contractors performing housekeeping and grounds keeping activities associated with Concessionaire's and SubConcessionaire's respective operations.

(ii) Routine maintenance including, but not limited to, periodic and/or occasional inspection, adjustment, lubrication, cleaning, painting, replacement of parts, repairs, and other activities intended to prolong service and prevent unscheduled breakdown.

(iii) Preventative maintenance, including planned or scheduled servicing, inspection and adjustment activities that result in continued service, fewer breakdowns, and intended to prevent premature failure of equipment and materials.

(iv) New construction or additions to existing facilities.

(d) Possessory Interest. Concessionaire does not obtain any right to a Possessory Interest for repair and maintenance of Government Facilities funded from the Repair and Maintenance Reserve.

(e) Approval process. An annual repair and maintenance plan of action shall be developed by Concessionaire and submitted to the Department for approval by November 1 of each year. The plan shall outline proposed repair and maintenance projects consistent with the above requirements for the succeeding calendar year. If Concessionaire and the Department cannot agree on the plan of action, then the Commission shall make the final determination on the plan. The repair and maintenance plan shall be performed as approved prior to December 15 of the following year unless the approval contemplated the extension thereof, or unless an

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extension is granted by the Department. Concessionaire shall provide the Department with a detailed report of activities and the costs expended and incurred, for the annual repair and maintenance work completed. This report is due by January 1 of each year, unless an extension of time was granted.

Carryover of funds on an annual basis. If a repair and maintenance project costs more than the balance included in the Repair and Maintenance Reserve, then Concessionaire, at Concessionaire's discretion may fund the repair and maintenance costs in excess of funds in the Repair and Maintenance Reserve. The excess costs shall be refunded, without interest, to Concessionaire from funding to occur in subsequent years.

(f) Treatment of reserve funds at end of term. The parties agree to make every effort to exhaust all funds in the Repair and Maintenance Reserve by the end of the Agreement term. If there is a surplus at the end of the term, any remaining Repair and Maintenance Reserve funds shall be transferred to the Department for the purpose of ongoing maintenance of Concessionaire Facilities associated with this Agreement. If there is a deficit at the end of the Agreement term, Concessionaire shall be compensated by the Department in the amount of the deficit.

(g) If this Agreement is terminated by the Department before the established expiration date, the Department shall reimburse Concessionaire for the cost of approved repairs and maintenance activities expended by Concessionaire which have been prepaid and un-recovered by application of the annual Repair and Maintenance Reserve.

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Section 15. Personal Property

Concessionaire shall provide all Personal Property, including without limitation, removable equipment, furniture and goods for the operations under this Agreement. Concessionaire, at its expense, shall maintain in good order and repair and shall replace on an as-needed basis, all Personal Property utilized in the Resort. All Personal Property shall be managed in accordance with the performance standards outlined in Exhibit B.

Section 16. General Provisions

(a) Reference to the Department in this Agreement shall include the Secretary, Director, Park Supervisor and his/her authorized representative.

(b) Concessionaire shall comply with all federal, state and local laws, regulations, ordinances, guidelines, permits and requirements applicable to operating the Resort and providing services pursuant to this Agreement, and shall be solely responsible for obtaining current information on such requirements.

(c) This Agreement shall be governed by and construed in accordance with the laws of the State of South Dakota. Any lawsuit pertaining to or affecting this Agreement shall be venued in Circuit Court, Sixth Judicial Circuit, Hughes County, South Dakota.

(d) All other prior discussions, communications and representations concerning the subject matter of this Agreement are superseded by the terms of this Agreement, and except as specifically provided herein, this Agreement constitutes the entire agreement with respect to the subject matter hereof.

(e) This Agreement and any operations and services authorized thereunder may not be assigned, sublet, extended, renewed or amended in any respect, except when agreed to in writing by the Department and Concessionaire.

(f) Concessionaire may not use SubConcessionaires, subcontractors or sublessees to perform the services described herein without the express prior written consent of the Department. Concessionaire shall include provisions in its Department-approved SubConcessionaire agreements requiring its SubConcessionaires, subcontractors, or sublessees to comply with all provisions of this Agreement, to indemnify the Department, and to provide insurance coverage for the benefit of the Department in a manner consistent with this Agreement. Concessionaire shall cause its SubConcessionaires, subcontractors, sublessees, and their agents and employees to comply, with applicable federal, state and local laws, regulations, ordinances, guidelines, permits and requirements, and shall adopt such review and inspection procedures as are necessary to assure such compliance. Concessionaire shall remain responsible to the Department for obligations, responsibilities, and rights assigned to another by Concessionaire.

Concessionaire agrees and Department acknowledges that all records required under this Agreement shall be maintained in the name of and provided by _____ on behalf of Concessionaire.

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(g) In addition to the remedies afforded to the Department for breach of the terms of this Agreement, the Department reserves the right to bill Concessionaire for, and the Concessionaire agrees to pay to the Department, the actual costs incurred by the Department to provide any minimum required accommodations, facilities, services and merchandise for sale specified in Section 3 of this Agreement in the event Concessionaire fails to provide those minimum required accommodations, facilities, services and merchandise for sale.

(h) In the event that the applicable court of competent jurisdiction shall hold any provision of this Agreement unenforceable or invalid, such holding shall not invalidate or render unenforceable any other provision hereof.

(i) Concessionaire acknowledges and supports the Department's effort to collect park entrance fees to provide for the continued maintenance of the South Dakota state park system.

(j) In each instance where the consent, approval or acceptance of the Department is required under the terms of this Agreement, such consent, approval or acceptance shall not be unreasonably withheld by the Department.

(k) Concessionaire agrees that in performance of this Agreement it is acting as an "independent contractor" and not as an employee of the Department.

(l) Any notice or other communication required under this Agreement shall be in writing and sent or delivered to the address set forth below. Notices shall be given by and to the Director on behalf of the Department, and by and to the president on behalf of Concessionaire, or such authorized designees as either party may from time to time designate in writing.

Department	Concessionaire
Director Division of Parks & Recreation 523 East Capitol Pierre, South Dakota 57501	

Notices or communications to or between the parties shall be deemed to have been delivered when mailed by first class mail, provided that notice of default or termination shall be sent by registered or certified mail or, if personally delivered, when received by such party. Copies of all correspondence from Concessionaire to the Department or Director shall be sent simultaneously to the Park Supervisor.

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(n) No amendment or modification of this Agreement shall be effective for any purpose unless the same be in writing and signed by authorized representatives of the parties.

Section 17. Discrimination.

Concessionaire shall not discriminate against any person based upon race, color, national origin, religion, sex and disability in the operation and maintenance of the Resort and shall fully comply with Title VI of the 1964 Civil Rights Act, and applicable federal and state laws and regulations.

Discrimination on the Basis of Residence. Discrimination on the basis of residence, including preferential reservation, membership or annual permit systems is prohibited except to the extent that reasonable differences in admission and other fees may be maintained on the basis of residence.

Concessionaire shall not discriminate on the basis of disability, and is subject to Section 504 of the Rehabilitation Act of 1973, the Americans with Disabilities Act, and applicable federal and state laws and regulations.

Section 18. Park Entrance License Provisions.

(a) All individuals entering or utilizing the Resort are subject to the park entrance license requirements and payment of the required fee except for the following:

(i) Employees or volunteers traveling under the most direct route from the park entrance to the Resort during designated working hours. Concessionaire shall provide employees with entrance license exemption decals, approved by the Park Supervisor, to display in their vehicles.
(ii) Any commercial or service vehicles doing direct business with the Resort.

(b) Concessionaire shall take reasonable steps to ensure that its patrons, employees, agents, and volunteers comply with the park entrance license fee requirements.

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Section 19. Resident Use

No portions of the facilities or Resort assigned hereunder shall be used for the purposes of seasonal or permanent residency for anyone including Resort employees unless authorized in writing by the Department.

Section 20. Procedure for Assignment, Sale or Transfer of Agreement

The parties agree that the provisions of ARSD 41:13 shall apply to the sale, lease, or transfer of this Agreement.

END OF AGREEMENT TEXT

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The above and foregoing CONCESSION AGREEMENT was approved by the Game, Fish and Parks Commission on _____, ___, 201_ authorizing the Director of the Division of Parks and Recreation to execute the same on behalf of the Commission."

Dated at _____, South Dakota, this ____ day of _____, 201_.

SOUTH DAKOTA DEPARTMENT OF GAME, FISH AND PARKS

BY: _____
Douglas Hofer, Director
Division of Parks and Recreation

CONCESSIONAIRE

BY: _____

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List of Exhibits

Exhibit A

- A-1 – Land Assignments (Resort) Lease Boundary map for areas including Concessionaire and Government Facilities Assigned to the Concessionaire
- A-2 – List of Concessionaire Facilities and associated possessory interest
- A-3 – List of Buildings and Structures Constituting Government Facilities Assigned to the Concessionaire
- A-4 – Snow removal route

Exhibit B

PERFORMANCE STANDARDS FOR THE OPERATIONS AND MAINTENANCE OF THE ROY LAKE STATE PARK RESORT

Exhibit C

TRANSITION TO A NEW CONCESSIONAIRE

Exhibit D

ADMINISTRATIVE RULES OF SOUTH DAKOTA ARTICLE 41:13, PARK CONCESSION LEASES

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EXHIBIT A-1
Lease Area

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EXHIBIT A-2

List of Concessionaire Facilities and associated possessory interest

CONCESSIONAIRE IMPROVEMENT AUTHORIZATION AND DETERMINATION OF POSESSORY INTEREST **South Dakota Division of Parks and Recreation**	
Exhibit A-2 attached to and made part of Agreement:	
Concessionaire: **Roy Lake Resort**	**Agreement (Effective Date):**

Concessionaire Facilities and Associated Possessory Interest

Fac. NO	Description	Possessory Interest at Agreement Effective Date	Value
	Main lodge: rental units, kitchen, dining area, C-Store, laundry room, (6200 sf)	100%	Per ARSD 41:13
	Condominium Building: 4 rental condos (4200 sf)	100%	Per ARSD 41:13
	Cabin 1: 2 bedroom, 1 bathroom (500 sf)	100%	Per ARSD 41:13
	Cabin 2: 2 bedroom, 1 bathroom (500 sf)	100%	Per ARSD 41:13
	Cabin 3: 1 bedroom, 1 bathroom (300 sf)	100%	Per ARSD 41:13
	Cabin 4: 1 bedroom, 1 bathroom (300 sf)	100%	Per ARSD 41:13
	Cabin 5: 2 bedroom, 1 bathroom (500 sf)	100%	Per ARSD 41:13
	Cabin 6: 2 bedroom, 1 bathroom (500 sf)	100%	Per ARSD 41:13
	Cabin 7: 2 bedroom, 1 bathroom (561 sf)	100%	Per ARSD 41:13
	Cabin 8: 1 bedroom, 1 bathroom (435 sf)	100%	Per ARSD 41:13
	Boat rental and courtesy dock system	100%	Per ARSD 41:13
	Fuel pump, tank and delivery system	100%	Per ARSD 41:13

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EXHIBIT A-3

List of Buildings and Structures Constituting
Government Facilities Assigned to the Concessionaire

BUILDINGS AND STRUCTURES CONSTITUTING GOVERNMENT FACILITIES		
Concessionaire: Roy Lake Resort		**Concession Agreement (Effective Date):**
Buildings and Structures		
Fac. ID No.		**Description**
		Boat ramp and associated ramp docks
		Roads, surfacing, curbs, edges and culverts associated with access to the cabins.
		Sewer lift station
		All underground utilities
		Concrete sidewalks

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EXHIBIT A-4
Department Snow Removal Route

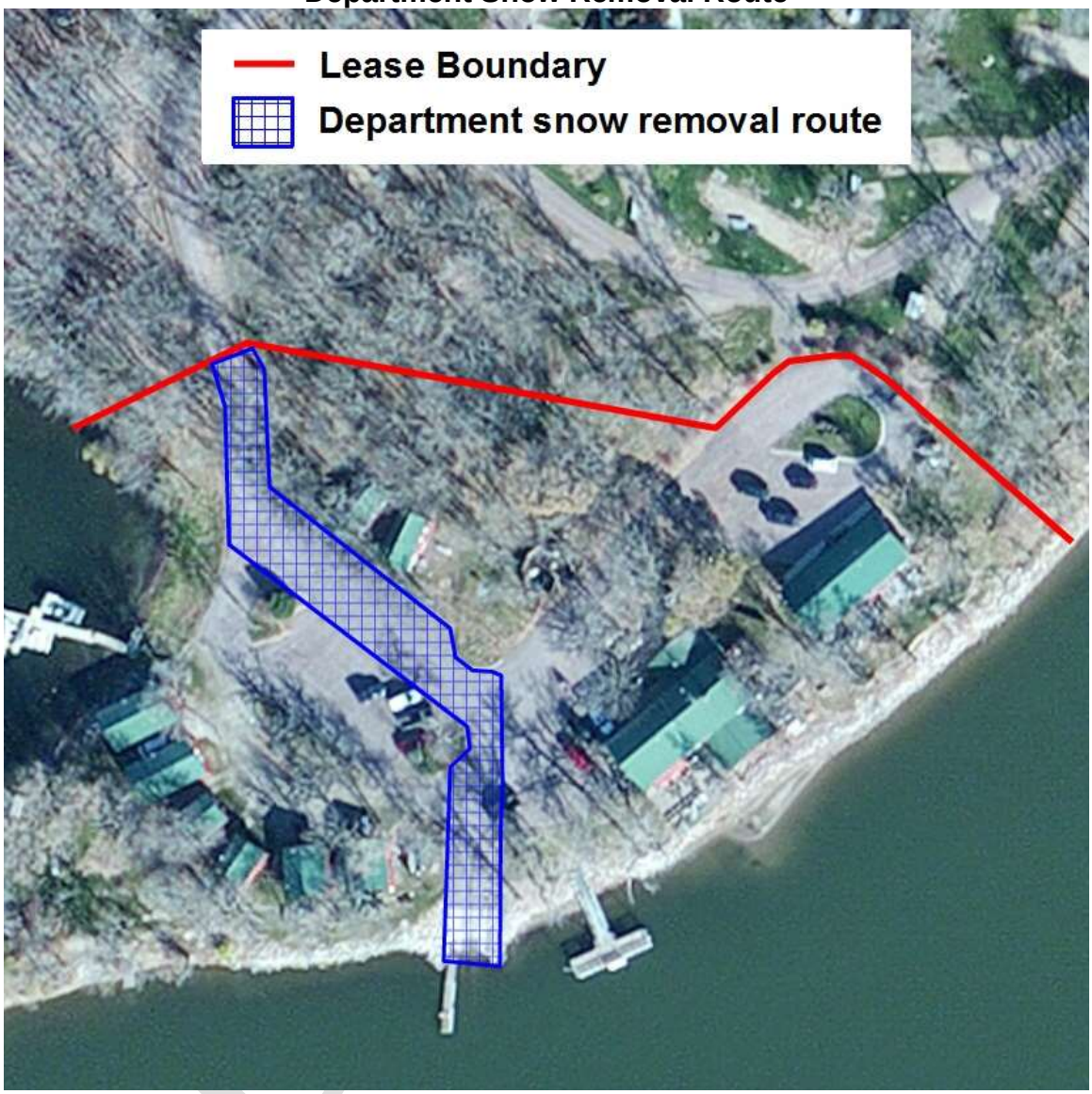

EXHIBIT B

PERFORMANCE STANDARDS FOR THE OPERATIONS AND MAINTENANCE OF THE ROY LAKE STATE PARK RESORT

The following Performance Standards ("Standards") of the operation and maintenance of the Resort sets forth the specific responsibilities to be performed by the Concessionaire as required by the Agreement entered into on _____. These Standards are an integral element of the Agreement. These Standards set forth the general, operational and maintenance requirements of the Concessionaire with respect to all services, Government Facilities, Concessionaire Facilities and land assigned for use by the Concessionaire at the Resort, unless specifically provided for elsewhere in the Agreement between the parties. The Standards are subject to annual review and may be amended by mutual written agreement of the parties.

Any material deviation from the Standards set forth herein shall be a breach by the Concessionaire of the Agreement and shall be subject to the applicable terms and conditions set forth in the Agreement.

Section 1. General

All operations and activities shall be conducted in compliance with local, state and federal laws, regulations and standards applicable within the Resort. Use of the assigned area by the Concessionaire is limited to operation of the Resort set forth in the Agreement or as approved by the Department which are necessary to provide the minimum required and authorized services as outlined in Section 3 of the Agreement. The assigned area is defined by Exhibit A-1 of the Agreement. The Department reserves the right for the public to travel across the land, trails, and roads within the Resort boundaries. The Concessionaire shall not restrict access to public waters along the frontage of the Resort boundaries.

Section 2. OPERATIONS

(a) Dates of Operation

All Resort facilities and services must be open and available to the public. The minimum season for all services that shall be considered is daily operation from the Friday preceding Memorial Day through Labor Day. Concessionaire shall have access to the Resort at all time during the term of the agreement. During those periods when the facilities and services are not open to the public, the Concessionaire's activities shall be limited to those necessary to accomplish

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its administrative, maintenance, capital improvement and security obligations and responsibilities under the Agreement. Any exceptions to this must be approved by the Department. If the Resort is open or offering services beyond the minimum required dates as required by this Agreement, the Concessionaire must provide a schedule of the days, hours and services that shall be available to the Park Supervisor in advance of any changes in said schedule.

(b) Hours of Operation

(i) On dates when the minimum required services are open and available to the public, operating hours shall be from no later than 8:00 a.m. to no earlier than 8:00 p.m., seven days a week.

(ii) Deviations from this standard must be submitted in writing and in advance of any modifications and shall be subject to approval by the Department.

(iii) An authorized representative of the Concessionaire shall be available to the Department's on-site representative at all times to respond to and handle emergencies. A listing of authorized Concessionaire representatives and their permanent residence telephone numbers shall be provided to the Department at the commencement of the Agreement and annually thereafter to be included in the annual operating plan. Modifications to the listing shall be communicated to the Department within twenty-four hours of the same.

(c) Utilities

Electricity – The Concessionaire shall be responsible for activating electrical service with the electric provider and paying directly to the provider all electrical costs attributable to usage of the Resort. The Concessionaire shall be responsible for maintenance of the electrical services within the Resort. All electrical repairs shall be conducted by a qualified individual licensed by the South Dakota Electrical Commission.

(i) Water – The Department will provide water and maintain the water delivery system to the Resort up to the point where the plumbing enters the water meter. Water used by the Resort

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will be metered and the resort will pay the Department for water used at the established rural water rate charged to the Department. The Concessionaire will be responsible for paying costs involved with water meter installation and maintenance. It is the Concessionaire's responsibility to provide monthly water meter readings (on the 1st of every month) to the Park office.

(ii) Sewer – The Department will provide sewage disposal to the Resort. The Concessionaire will be responsible for the maintenance and repair of any septic system and all sewer lines from the Resort facilities to the large sewer lift station in the Resort. The Concessionaire will ensure that any septic tank is pumped as needed and functions properly to ensure the proper operation of the sewer system.

(iii) Garbage Disposal – The Concessionaire shall be responsible for contracting with a local garbage hauler and paying all costs directly to the hauler.

(iv) Television - The Concessionaire shall provide television services to all lodging units within the Resort. Expenses for repairs and maintenance of the television signal delivery systems are the responsibility of the Concessionaire.

(d) Department Activities

The Department shall advise the Concessionaire in advance of activities other than maintenance, law enforcement and inspections to be conducted within the Resort, notwithstanding the Department's rights to access as specified in the Agreement.

(e) Visitor Information

(i) The Concessionaire shall make available and provide without charge to all patrons and Resort visitors, informational literature, safety precautions and notification of potential hazards with respect to Roy Lake State Park as provided by the Department at no expense to the Concessionaire.

(ii) The Department shall cooperate with the Concessionaire in the distribution and communication of available concession services and customer satisfaction surveys, so long as all materials are provided to the Department free of charge, and

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Department resources are available to perform the requested distribution and/or communication.

(iii) In an effort to evaluate and improve public services provided by Concessionaires throughout the state park system, the Department may wish to implement customer satisfaction surveys for Concessionaire patrons. The Concessionaire shall cooperate with the Department for the distribution, collection, and administration of any customer satisfaction surveys or comment cards.

(f) Orientation Training for Resort and Park Employees

(i) All Resort employees and volunteers shall be able to effectively and courteously respond to the public to inform them of all the Resort's and Park's services, activities, and information.

(ii) The Concessionaire agrees to arrange for and allow on an annual basis Park employees to attend and be present, or as otherwise agreed to be necessary by the Concessionaire and Park Supervisor, at an orientation session scheduled and conducted by the Concessionaire to acquaint them with the resources, features and services of Roy Lake State Park. Concessionaire employees, and designated representatives that are employed by the Concessionaire at the time that the training is offered, shall participate in training provided by the Department on Park regulations and informational topics

(iii) The Concessionaire shall ensure that all of its employees are trained in risk management, customer relations and food safety (where applicable-for staff involved in food handling).

(g) Advertising

(i) In addition to the provisions under 41:13:02:08, use of the State seal, Department or other logos affiliated with the Division of Parks and Recreation, is expressly prohibited without prior written approval of the Department.

(ii) Promotional material distributed within the Park is restricted to services and facilities within the Park and region and is subject to approval by the Park Supervisor.

(h) Special Events

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(i) Special events planned or promoted by the Concessionaire must be proposed in writing and receive prior written approval of the Department. Written proposals shall be made at least 15 days in advance of the planned special event.

(ii) Special events are those activities which materially deviate from the minimum required and authorized Resort services. In addition to the written approval of the Department, special events permits may be necessary. Conformance to all Department regulations related to special events shall be required.

(i) Employees

(i) Any changes or appointments proposed by the Concessionaire to the management personnel that oversees the Resort are subject to Department approval.

(ii) Managers must possess the necessary experience and expertise to ensure a high quality resort operation. The Concessionaire shall employ only competent and orderly employees who shall keep themselves neat and clean and accord courteous and competent treatment and service to all patrons. Whenever the Department notifies the Concessionaire that a Concessionaire employee is disorderly, incompetent or unsatisfactory, the Concessionaire shall investigate the matter thoroughly, and take appropriate action to correct.

(iii) The Concessionaire shall provide to all employees and volunteers of the Concessionaire a park entrance license exemption decal to be placed and properly displayed in employee and volunteer vehicles at all times when the vehicles are parked within the Resort. The exemption shall be valid only for current employees and volunteers of the Resort while actively working at the Resort. The exemption decal must be approved by the Park Manager prior to issuance and is valid for employees or volunteers traveling under the most direct route from the Park entrance to the Resort, during designated working hours.

(iv) In providing visitor services, the Concessionaire must require its employees to observe a strict impartiality as to rates and services in all circumstances.

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(v) The Concessionaire shall ensure that its employees are hospitable and exercise courtesy and consideration in their relations with the public. The Concessionaire shall have its employees who come in direct contact with the public, so far as practicable, wear a uniform or badge by which they may be identified as the employees of the Concessionaire.

(vi) The Concessionaire shall provide all personnel necessary to provide the visitor services required and authorized by this Agreement.

(vii) The Concessionaire shall comply with all applicable laws relating to employment and employment conditions.

(viii) The Concessionaire shall establish pre-employment screening, hiring, training, employment, termination and other policies and procedures for the purpose of providing visitor services through its employees in an efficient and effective manner and for the purpose of maintaining a healthful, law abiding, and safe working environment for its employees. The Concessionaire shall conduct appropriate background reviews of applicants to whom an offer for employment may be extended to assure that they conform to the hiring policies established by the Concessionaire.

(ix) The Concessionaire shall review the conduct of any of its employees whose actions or activities are considered by the Concessionaire or as reported to the Concessionaire by the Department to be inconsistent with the proper administration of the Area and enjoyment and protection of visitors and shall take such actions as are necessary to correct the situation.

(x) The Concessionaire shall maintain, to the greatest extent possible, a drug free environment, both in the workplace and in any Concessionaire employee housing, within the Resort. The Concessionaire shall publish a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the workplace and in the Resort, and specifying the actions that shall be taken against employees for violating this prohibition.

(j) Signs

(i) The Department is responsible for providing and maintaining all traffic control signs within the Resort. The

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Concessionaire is responsible for providing and maintaining all other signs within the Resort. All signs must be approved in advance by the Department and be of a design and fabrication that is consistent with the signage program of the overall Park.

(ii) No signs, permanent or temporary, may be erected or placed outside of the Resort, on Department property without the prior written approval of the Park Supervisor.

(iii) All signs shall be of a professional quality appearance.

(iv) Signs or other paraphernalia visible to the general public associated with political candidates or issues is expressly prohibited.

(v) There shall be no signs visible from outside the buildings within the Resort that contain any advertisements or insignia that identify with intoxicating beverages without the written permission of the Department.

(k) Lost and Found

Items found by or turned in to the Concessionaire shall be returned to the owner if identifiable. All other items shall be tagged, showing the location found, name and address of the finder and turned into the Concessionaire office.

(l) Complaints

(i) It is anticipated that from time to time a minimal number of complaints shall be received from the public who utilize the Resort and its services. The Concessionaire shall document and attempt to resolve any and all such complaints, including forwarding a copy of any written communications regarding the same to the Department and the Park Supervisor.

(ii) Any complaints regarding the Resort received by the Department shall be documented and forwarded to the Concessionaire for resolution.

(m) Pets

Pets maintained by Resort employees or guests must be kept under control in accordance with established state park rules. Pets shall not be allowed in public areas such as the restaurants and

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stores with the exception of service animals pursuant to SDCL 20-12-23.2 and 23.4 and applicable federal laws.

(n) Safety

(i) The Concessionaire must maintain and test all life and property safety equipment, devices and systems according to established and applicable laws, rules, regulations, and codes. Such equipment, devices, and systems may include but are not limited to smoke detectors, fire extinguishers, fire suppression systems, alarms, escape routes and egress openings. Any malfunctions of safety equipment, devices and systems must be reported to the Park Supervisor immediately.

(ii) The Concessionaire shall immediately notify the Department of any accident it has knowledge of that occurs involving visitors, patrons or employees. The Department shall immediately notify the Concessionaire of any accident that involves personal injury or property damage in the Resort in addition to any pending or actual litigation.

(iii) The Concessionaire must provide and promote policies and training to its employees on how to detect, report and minimize any unsafe or hazardous situations.

(o) Rentals

(i) All equipment offered to the public for rental shall be maintained in good operating condition and appearance. Defective or damaged equipment shall not be rented at any time.

(ii) All watercraft that are available for rent shall be fully equipped according to the current South Dakota Boating Guide. All vessels shall comply with all state and U.S. Coast Guard regulations and laws.

(iii) All watercraft that are on the water shall be discreetly identified with the company name and an identification number.

(iv) The Concessionaire shall reasonably attempt to ascertain the prospective renter's ability and competency in regard to the item(s) being rented. Where reasonable doubt as to the required ability and competency exist, the Concessionaire may refuse to rent the item(s).

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(v) The Concessionaire shall clearly indicate as part of the rental agreements utilized in its operation, the specific and implied liabilities resulting from a prospective customer's use of the rental equipment.

(p) Food and Beverage Service

(i) The Concessionaire shall comply with all applicable health codes, laws and regulations in order to maintain the required South Dakota Department of Health food service establishment license. Copies of all inspection reports must be provided to the Department. The Concessionaire must immediately notify the Department of any deficiency or failure to comply as a result of Department of Health inspections.

(ii) Food Safety Certification. Where applicable, the Concessionaire shall have at least one full-time certified food safety manager. The manager shall be certified as a ServSafe Food Protection Manager by the National Restaurant Association. The Concessioner is required to train all employees involved in food preparation in compliance with all applicable laws.

(iii) Liquor Laws. Where applicable, the Concessionaire shall have at least one full-time manager that has attended a liquor law training program and is required to train all employees involved in alcoholic beverage service in compliance with all applicable laws.

(iv) On and off-sale alcoholic beverages shall be permitted to the extent that those services authorized under the Concession Agreement and subject to the Concessionaire's securing of all applicable licenses and permits and complying with all applicable state laws.

(v) All foods, drinks, beverages, confections, refreshments and the like sold or kept on the premises for sale shall be of first quality, wholesome and pure and shall conform in all respects to the applicable federal, state and municipal laws and regulations. No imitation, adulterated or misbranded article shall be sold or kept for sale, and all material on hand shall be sorted and handled with due regard for sanitation.

(q) Merchandise, Convenience Items and Accessories Sales

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(i) All merchandise, convenience items and accessories and the like sold or kept on the premises for sale shall be of the first quality, wholesome and pure and shall conform in all respects to the applicable federal, state and municipal laws and regulations. No imitation, adulterated or misbranded article shall be sold or kept for sale. Concessionaire shall be responsible for collecting and remitting all sales taxes as required by law.

At minimum, store locations must provide the following:

1. First aid items such as bandages, antiseptics, pain relievers, skin ointments, sunscreen, and bug repellent.
2. Basic grocery, toiletry and personal items.
3. Ice

(ii) Display areas and shelving are to be clean and attractive and the merchandise well presented and uncluttered.

(iii) No merchandise shall be sold which persons of normal sensitivity might consider to be obscene, sexually oriented, profane, vulgar or demeaning.

(iv) Fireworks shall not be sold, stored or used at the Resort.

(r) Rental Lodging

(i) At a minimum, all cabins and lodge rooms shall provide the following amenities:

1. Beverage containers (plastic or glass)
2. Amenity package that includes soap and shampoo/conditioner; bulk dispensers are preferred
3. Clock radio or clock
4. Towel service that correlates to the number of pillows
5. Iron and ironing board available upon request (irons must be equipped with automatic shut-offs)
6. Complimentary toiletries available upon request, e.g. toothpaste, toothbrush, sewing kits

(ii) All cabins and lodge rooms shall be given daily maid service if desired by guests.

(iii) Posted check in time must be no later than 4:00 p.m. and check out time must be no earlier than 11:00 a.m.

(iv) Each cabin and lodge room shall contain adequate furnishings jointly acceptable to the Department and Concessionaire.

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(v) Carpets, sheets, bedspreads, pillowcases, blankets, terry and window coverings must not be frayed, faded, worn, stained, odiferous, or contain holes.

(vi) All rugs must be kept clean and free of stains and offensive odors. Carpets and rugs must be vacuumed daily if desired by the guest.

(vii) Non-smoking rooms shall be provided in accordance with hospitality industry and guest trends.

(viii) The front desk shall be available for guest services during the minimum hours of the convenience store during the minimum operating season.

(ix) Each cabin and room must be equipped with a serviced fire extinguisher. Appropriate fire exit information shall be posted in each cabin and room in accordance with South Dakota law.

(x) Each cabin and room must be equipped with a carbon monoxide and explosive gas detection device, unless room is heated by a non-combustive heating system.

(xi) Reservations shall be accepted via the phone, email, internet, and regular mail up to two years in advance.

(xii) Rates, charges, check in/check out and appropriate hotel regulations should be posted in each cabin and room.

(xiii) The Concessionaire shall comply with all applicable laws in order to maintain the required South Dakota State Department of Health lodging establishment license.

(s) Fuel Sales

(i) Concessionaire shall be responsible for the proper fueling of all vehicles and boats, instructing the public who wish to fuel their own vehicles on the appropriate safety measures that must be undertaken prior to fueling the vehicle.

(ii) The fuel storage tanks and dispensing systems shall be operated in accordance with applicable laws

(t) Guide Service

(i) Fishing Guide Service

1. Guides must possess sufficient knowledge of park resources and safety procedures.

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SECTION 3. MAINTENANCE AND FACILITY IMPROVEMENTS

(a) General

All maintenance and facility improvements shall meet all federal, state or local legal and regulatory requirements, including the Americans with Disabilities Act.

(b) Plans and Materials

(i) Proposals by the Concessionaire to change physical facilities, both Government Facilities and Concessionaire Facilities, shall follow procedures outlined in ARSD 41:13.

(ii) All plans and materials are subject to Department approval.

(c) Maintenance Responsibilities-Concessionaire

Maintenance, for the purpose of this Agreement shall include, but not be limited, to all routine, preventative and cyclical maintenance of facilities, equipment, utilities, and grounds necessary for the quality operation and appearance of the Resort.

(i) Buildings and Structures – The Concessionaire shall maintain all buildings and structures, including Government Facilities, assigned to or owned by the Concessionaire. Maintenance includes, but is not limited to painting, electrical and plumbing maintenance and cleaning. Maintenance and cleaning should be equivalent to that generally provided by skilled workers using commercial quality building maintenance equipment and materials. Exterior and interior paint and roof colors must be approved in advance by the Department.

(ii) Personal Property – The Concessionaire shall maintain all Personal Property assigned to or owned by the Concessionaire including, but not limited to painting, re-finishing, cleaning, and repairing. Maintenance and cleaning should be equivalent to that generally provided by skilled workers using commercial quality maintenance equipment and materials.

(iii) Boat Docks and Slips – The Concessionaire shall maintain, replace, install and remove boat docks and slips as authorized and necessary. The dock surface, floatation and access ramps must be in good condition, properly positioned

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and secured. They must be sturdy, free from cracks, protruding nails or boards or uneven or broken surfacing.

(iv) Sidewalks, Steps, Decks and Landings – The Concessionaire shall maintain all concrete, wood and gravel sidewalks, steps, decks and landings within the Resort. All walking surfaces shall be in good condition, level, smooth, and properly positioned and secured. They must be sturdy, free from cracks, protruding nails or boards or uneven or broken surfacing.

(v) Grounds – Mowing, weed/pest control, and maintenance of landscaping within the Resort shall be the responsibility of the Concessionaire. The grounds shall be maintained at a level that will provide an attractive, safe, functional and nuisance-free environment. All trees shall be maintained according to generally accepted arboricultural techniques appropriate for this geographic area. All turf areas shall be established and maintained according to generally accepted turf culture appropriate to this geographic area.

(vi) Garbage and Trash – The Concessionaire shall be responsible for all litter pickup and removal of trash in the Concession Area. Garbage and trash from the Resort shall be disposed of on a regular basis through a Concessionaire maintained contract with a local garbage hauler. The Concessionaire shall provide outdoor receptacles in high traffic areas. All receptacles are to be provided by the Concessionaire and shall be kept clean, well maintained, serviceable and contained where necessary. Concessionaire is responsible for providing additional, adequate trash receptacles for all Resort sponsored special events. The trash container enclosure and surrounding area shall be maintained at all times in a neat and orderly manner with all overflowing trash concealed from the general view.

(vii) Flagpoles, Television and Radio Antennas, Satellite Dishes – The Concessionaire shall provide maintenance for all masts and electronic systems for entertainment/communication devices. As with other structures, construction, modification or relocation of these devices require prior written approval of the Director.

(viii) Health and Safety – Facilities assigned to the Concessionaire are subject to periodic inspections for health and safety requirements. Repairs, corrections,

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improvements or operational changes determined necessary by the Department as a result of these inspections shall be at the sole cost and responsibility of the Concessionaire.

(ix) Fire Protection Equipment – The Concessionaire shall provide and maintain in good working order, fire detection and protection systems that conform to and comply with applicable laws. The Concessionaire shall comply with all directives or recommendations of the Fire Marshall's office.

(x) Locks – The Concessionaire shall provide the Park Supervisor with Resort facility keys necessary for security, emergency or other lawful purposes.

(xi) Winterizing Facilities – The Concessionaire is responsible for taking appropriate measures to protect all facilities for which the Concessionaire has maintenance responsibility from winter weather and to have all such protective measures accomplished by November 1st of each year, or sooner depending on weather conditions or temperature. Protective measures may include (but not limited to), draining and flushing of water lines, window bracing, and utility shut-offs. The Concessionaire is responsible for spring re-opening while it is the concessionaire.

(xii) Snow Removal – The Concessionaire will be responsible for snow removal within the Resort area including parking lots and sidewalks that serve Concessionaire facilities. The Concessionaire is responsible for marking fire hydrants with snow stakes and for keeping snow clear around hydrants.

(xiii) Grease Traps (if applicable). The Concessionaire shall be responsible for maintaining grease traps. Grease traps must be pumped on a regular basis, with documentation available to the Department, and the grease disposed of outside the Park and in accordance with applicable laws. The Concessionaire shall notify the Department within 24 hours in the event of a grease trap failure.

(xiv) Restrooms. All restrooms within Resort shall be well maintained by the Concessionaire, cleaned and restocked with paper products a minimum of two times per day, and with greater frequency during peak periods. Fixtures and equipment shall be fixed immediately upon notification of a problem. No bathroom fixture shall be left out of order for more than 24 hours.

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(xv) Fire Grates. All fire grates and fire places must be properly maintained. Outdoor fireplaces must be maintained in accordance with "Guidelines for Minimum Acceptable Safety Requirements for Outdoor Fireplaces" developed by the South Dakota Department of Agriculture, Division of Forestry document no. AG-DOF-216/89. The Park Supervisor may impose fire restrictions at any and all resort locations at any time as the result of wildfire risk assessments.

(xvi) Rental Lodging: Case goods shall be well maintained and repaired to ensure a pleasant and safe guest experience. Any scratches and/or defacement of case goods shall be fixed or the piece of furniture shall be replaced prior to the room being rented. All case goods (unless historic) shall be replaced or refurbished at least once every 15 years, based on current estimated age and expected life cycle, or sooner if a furnishing does not meet facility standards. Mattresses shall be replaced every 10 years or sooner, based on estimated age if their condition warrants it. Soft goods shall be clean and free from any stains, holes or tears. An adequate inventory of replacement soft goods shall be kept on hand in order to replace damaged soft goods prior to renting a rental unit. Soft goods shall be replaced every seven years or sooner if the condition warrants it.

(xvii) Restaurants. Restaurant tables and chairs shall be well maintained and repaired to ensure a pleasant and safe guest experience. Any scratches and/or defacement of items shall be fixed or the piece of furniture shall be replaced prior use. All tables and chairs (unless historic) shall be replaced or refurbished at least once every 10 years, based on current estimated age and expected life cycle, or sooner if a furnishing does not meet facility standards. Soft goods, including linen, shall be clean and free from any stains, holes or tears. An adequate inventory of replacement soft goods shall be kept on hand in order to replace damaged soft goods.

The Concessionaire is responsible for annually cleaning and inspecting active chimneys and exhaust ducts, Inspecting range/grill hoods monthly and cleaning as required.

(xviii) Retail Operations. All shelving and merchandise display areas shall be sound, secure, clean and presentable.

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(xix) Service stations. The Concessionaire will ensure that fuel dispensers and other pieces of equipment are maintained by a qualified professional. The Concessionaire will calibrate weights and measures annually or more frequently in accordance with applicable laws. The calibration will be conducted by a state or local sealer. Each pump will have a current seal indicating it is within the prescribed tolerance. All dispensing systems, including nozzles and hoses, will be inspected each week to ensure they are in proper working order as to minimize gasoline vapor losses.

(xx) Removable equipment. All Concessionaire operated appliances, machinery, and equipment; including parts, supplies and related materials will be maintained, serviced, and repaired per manufacturer's recommendations, and replaced as necessary.

(xxi) Boilers. Inspecting, cleaning, and tuning boilers will occur annually, or more often, as conditions warrant.

(xxii) Gas tanks, pumps, lines and leak detection. All systems included in the fuel storage, delivery, dispensing, and leak/spill detection must be maintained by the Concessionaire to ensure its optimum functionality.

(d) Maintenance Responsibilities-Department

(i) Boat Ramp and Associated Docks – The Department will maintain the boat ramp and associated dock(s) that is located within the Resort. The dock is for the use of the general public including Resort patrons.

(ii) Roads and Parking Lot – The Department will be responsible for maintenance of roads and parking lots within the Resort. This maintenance will include necessary crack seal, parking lot striping, pothole repair and surfacing of paved areas and necessary grading of non-paved areas. Snow Removal will be in accordance with Section 3 (d) (iii) of this Exhibit below.

(iii) Snow Removal – The Department will be responsible for snow removal necessary to maintain access to the public boat ramp at the Resort along the route indicated in Exhibit A-4 attached to the Concession Agreement. Snow removal will be performed on weekdays (Monday – Friday) during regular park employee work hours (8:00 a.m. – 5:00 p.m.). During these periods, the Department is not obligated to perform snow removal until snowfall, blowing and drifting have ceased. The Department cannot guarantee snow

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removal for the access road outside of regular park employee work hours, but agrees to cooperate if staff is reasonably available to perform such duties and is notified of any special events as prescribed in Section 2(h) of these Performance Standards.

SECTION 4. INSPECTIONS AND AGREEMENT COMPLIANCE REVIEWS

(a) Maintenance Inspections

(i) Representatives from the Department and the Resort shall conduct preventative maintenance and inspections of the Resort grounds and facilities. At minimum, at least one inspection will be held in the spring prior a week before Memorial Day and in the fall no later than October 31. The purpose of the inspection will be to identify the current conditions and maintenance levels of the facilities and Personal Property therein.

(ii) Upon analysis of the results of the inspection, the Department will present the Concessionaire with a written list of maintenance objectives for which the Concessionaire is responsible and a list of maintenance objectives the Department is responsible for in the Resort. The Department and the Concessionaire will jointly agree to the prioritization of the projects and the schedule for completing the identified maintenance work. The Department and Concessionaire shall also agree as to what projects are to be included to satisfy the Repair and Maintenance Reserve as required in Section 14 of the Concession Agreement. The Concessionaire shall submit a repair and maintenance program and plan to the Department for approval no later than November 1 of each year.

(iii) In the event that the Concessionaire refuses or fails to perform any of the projects identified by a date and time specified in the written inspection report, the Department specifically reserves the right to complete the project(s) and charge the resulting expenses to the Concessionaire.

(b) Health, Safety, and Fire Inspections

(i) There may be other inspections as required by law or insurance policies pertaining to but not limited to health, safety, fire, and environmental rules and regulations that are

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the responsibility of other agencies or authorities. The Concessionaire must notify the Department in advance of any such inspection and allow Department staff to accompany the inspection.

(ii) Copies of the inspection or report must be provided to the Department upon request. Any failures, substandard or otherwise unsatisfactory scores, inspections or individual components of an inspection must be reported to the Department immediately.

(c) Agreement Compliance Audits

(i) The Department reserves the right to conduct Agreement Compliance Audits during the course of each Agreement year. The purpose of the Audit will be to ascertain on a qualitative and quantitative basis, the Concessionaire's compliance with all requirements of the Agreement. The form and content of such an audit may include but not be limited to; inspections, product sampling, customer surveys, blind shopping, interviews and other techniques as required to satisfy the Department that all elements and requirements are being performed at a level consistent with the Standards and other covenants of the Agreement. A written summary of the results of the performance audit will be provided to the Concessionaire. When remedial actions are needed, a specific date will be given for a follow-up audit to ensure the necessary corrective measures have been taken. In the event that corrective measures have not been implemented by the date specified, the Department reserves the right to take the necessary action and then bill the Concessionaire for the direct cost of the corrective action taken.

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EXHIBIT C

TRANSITION TO A NEW CONCESSIONAIRE

Section 1. In General

The Department and the Concessionaire hereby agree that, in the event of the expiration or termination of this Agreement for any reason (hereinafter "Termination" for purposes of this Exhibit) and the Concessionaire is not to continue the operations authorized under this Agreement after the Termination Date, the Department and the Concessionaire in good faith will fully cooperate with one another and with the new Concessionaire or Concessionaires selected by the Department to continue such operations ("New Concessionaire" for purposes of this Exhibit), to achieve an orderly transition of operations in order to avoid disruption of services to park area visitors and minimize transition expenses.

Section 2. Cooperation Prior to the Termination Date

At such time as the Director may notify the Concessionaire that it will not continue its operations upon the Termination of this Agreement, the Concessionaire shall, notwithstanding such notification:

(a) Continue Operations.

Continue to provide visitor services and otherwise comply with the terms of the Agreement in the ordinary course of business and endeavor to meet the same standards of service and quality that were being provided previously, and with a view to maintaining customer satisfaction.

(b) Continue Bookings.

Continue to accept all future bookings for any hotel, lodging facilities, or other facilities and services for which advance reservations are taken; not divert any bookings to other facilities managed or owned by the Concessionaire or any affiliate of the Concessionaire; and notify all guests with bookings for any period after the Termination Date that the facilities and services are to be operated by the New Concessionaire. The Concessionaire may quote rates based upon rates approved by the Department. Promptly following notification to the Concessionaire by the Department of the selection of the New Concessionaire, the Concessionaire shall provide the New Concessionaire with a copy of Concessionaire's reservation log for visitor services as of the last day of the month prior to the selection of the New Concessionaire, and thereafter the Concessionaire shall update such log on a periodic basis

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(but no less frequently than thirty (30) days) until the Termination Date. The reservation log shall include, without limitation, the name of each guest, and the guest's (1) address, (2) contact information, (3) dates of stay, (4) rate quoted, (5) amount of advance deposit received and (6) confirmation number, if applicable.

(c) Designating a Point of Contact and Other Actions.

Cooperate with the Department and the New Concessionaire to ensure the smooth transition of operations by: (1) designating one of the Concessionaire's executives as the point of contact for communications between the Concessionaire and the New Concessionaire; (2) providing the Department and the New Concessionaire with access to any assigned Real Property Improvements, including "back-of-house areas" and including copies of the keys to assigned Real Property Improvements; (3) providing the Department and the New Concessionaire with full access to the books and records, licenses and all other materials pertaining to any assigned Government Facilities and Concessionaire Facilities and the Concessionaire's operations in general; (4) providing the Department and the New Concessionaire with copies of all maintenance agreements, equipment leases (including short-wave radio) service contracts and supply contracts, including contracts for on-order merchandise (collectively, "Contracts"), and copies of all liquor licenses and other licenses and permits (collectively, "Licenses"); (5) allowing the New Concessionaire to solicit and interview for employment all of the Concessionaire's salaried and hourly employees, including seasonal employees through a coordinated process implemented by the Concessionaire; and (6) not entering into any contracts or agreements that would be binding on any assigned Government Facilities or Concessionaire Facilities or operations in general after the Termination Date without the prior written agreement of the New Concessionaire.

(d) Financial Reports.

Within 30 days after receipt of the notification of the selection of the New Concessionaire, provide the New Concessionaire with a financial report with respect to the operation of any assigned Real Property Improvements and the Concessionaire's operations in general as of the last day of the month prior to receipt of such notification. Thereafter, the Concessionaire shall update such financial report on a periodic basis (but no less frequently than thirty (30) days) until the Termination Date. Such financial report shall include, at a minimum:

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(i) A balance sheet for the Concessionaire's assigned Real Property Improvements, if any;
(ii) a schedule of pending accounts payable; and
(iii) a schedule of pending accounts receivable.

(e) Inventory and Personal Property.

Provide the New Concessionaire with a complete, detailed and well-organized list of physical inventory, supplies, and other Personal Property owned or leased by the Concessionaire in connection with its operations under the Agreement (including a list of such items that are on-order) The list shall be provided to the New Concessionaire within thirty (30) days following receipt of the notification of the selection of the New Concessionaire, shall be updated monthly thereafter, and shall designate those items that the Concessionaire believes are essential to maintaining the continuity of operations or the special character of its operations. The Concessionaire shall assist the New Concessionaire in reviewing and validating the list.

(f) Other Information and Reports.

Provide the New Concessionaire with all other information and reports as would be helpful in facilitating the transition, including, without limitation, a list of maintenance records for the Concessionaire's operations for the period of one year prior to notification of the selection of the New Concessionaire, and complete information with respect to: (1) utilities, including gas and electric; (2) telephone service; (3) water service; and, (4) specific opening and closing procedures. Such information shall be provided within thirty (30) days after receipt of notification of the selection of the New Concessionaire, and shall be updated periodically (but no less frequently than thirty (30) days) until the Termination Date.

(g) Access to Facilities
Provide the New Concessionaire reasonable access to Concessionaire Facilities and Government Facilities to facilitate the transition and transfer.

(h) Other Cooperation.

Provide the Department and the New Concessionaire with such other cooperation as may be reasonably requested.

Section 3. Cooperation Upon the Termination Date.

Upon the Termination Date, the Concessionaire shall:

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(a) Transfer of Contracts and Licenses.

Cooperate with the transfer or assignment of all Contracts and Licenses entered into by the Concessionaire that the New Concessionaire elects to assume.

(b) Reservation Systems.

(a) Provide the New Concessionaire with an update of the reservation log through the Termination Date;
(b) disconnect its operations from the Concessionaire's centralized reservation system, if any; and
(c) cooperate with the New Concessionaire in transitioning to the New Concessionaire's reservation system.

(c) Fees and Payments.

Within ten (10) days after the Termination Date, the Concessionaire shall provide the Department with an itemized statement of all fees and payments due to the Department under the terms of the Agreement as of the Termination Date, including, without limitation, all deferred, accrued and unpaid fees and charges. The Concessionaire shall, within ten (10) days of its delivery to the Department of this itemized statement, pay such fees and payments to the Department. The Concessionaire and the Department acknowledge that adjustments may be required because of information that was not available at the time of the statement.

(d) Access to Records.

Notwithstanding any other provision of this Agreement to the contrary, upon the Termination Date, the Concessionaire shall make available to the Department for the Department's collection, retention and use, copies of all books, records, licenses, permits and other information in the Concessionaire's possession or control that in the opinion of the Department, are related to or necessary for orderly and continued operations of the related facilities and services.

(e) Removal of Marks.

Concessionaire shall within thirty (30) days after Termination, remove (with no compensation to Concessionaire) all items of inventory and supplies as may be marked with any trade name or trademark belonging to the Concessionaire.

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(f) Other Cooperation.

Provide the Department and the New Concessionaire with such other cooperation as may be reasonably requested.

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EXHIBIT D
ADMINISTRATIVE RULES OF SOUTH DAKOTA ARTICLE 41:13, PARK CONCESSION LEASES

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ARTICLE 41:13

PARK CONCESSION LEASES

Chapter
41:13:01 Definitions.
41:13:02 General provisions.
41:13:03 Expiration or amendment of lease.
41:13:04 Sale of interest in lease.

CHAPTER 41:13:01

DEFINITIONS

Section
41:13:01:01 Definitions.

41:13:01:01. Definitions. Terms used in this article are defined as follows:

(1) "Concessionaire," an operator of resort, restaurant, or marina services in the state park system who is authorized under a written lease or agreement directly with the Department of Game, Fish and Parks;

(2) "Concessionaire facilities," buildings, structures, fixtures, and other improvements permanently affixed to a building, structure, or lands subject to concession leases or agreements in such a manner as to be a part of the realty, provided by the concessionaire at the concessionaire's expense for the purposes of its concession lease or agreement. This term includes marina docks and slips provided by the concessionaire;

(3) "Government facilities," any buildings, structures, utility systems, fixtures, and other improvements permanently affixed to a building, structure, or lands subject to the concession leases or agreements that are constructed or acquired by the government and provided by the government for use by the concessionaire as provided in a concession lease or agreement;

(4) "Possessory interest," the financial interest of a concessionaire in concessionaire facilities, but not in the land on which such facilities are located, and in improvements to government facilities made at the concessionaire's expense with prior written approval of the commission;

(5) "Fair market value," as defined by the Uniform Standards of Professional Appraisal Practice, copyright 2003, by The Appraisal Foundation;

(6) "Personal property," any equipment, furniture, and goods necessary for concession operations that is not recognized as a fixture;

(7) "Commission," the South Dakota Game, Fish and Parks Commission;

(8) "Department," the South Dakota Department of Game, Fish and Parks; and

(9) "Qualified appraiser," a professional appraiser who holds the designation of a member of the Appraisal Institute or other similar designation.

Source: 16 SDR 148, effective March 21, 1990; 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

Reference: Uniform Standards of Professional Appraisal Practice, 2003 edition, The Appraisal Foundation. Copies may be obtained from The Appraisal Foundation, 1029 Vermont Avenue, N.W., Suite 900, Washington, DC 20005-3517. Cost: $20.

CHAPTER 41:13:02

GENERAL PROVISIONS

Section
41:13:02:01 Application of article.
41:13:02:02 Establishment of possessory interest.
41:13:02:03 Compliance with performance standards.
41:13:02:04 Treatment of personal property.
41:13:02:05 Franchise fee.
41:13:02:06 Repair and maintenance reserve.
41:13:02:07 Fees, rates, and prices for services and merchandise offered by a concessionaire.
41:13:02:08 Names, logos, trademarks, and copyrights.
41:13:02:09 Information and reporting.
41:13:02:10 Insurance.
41:13:02:11 Collateral.
41:13:02:12 Breach of lease or agreement.

41:13:02:01. Application of article. Unless an existing concession lease or agreement provides to the contrary, this article applies to new leases of concessionaires executed after the effective date of this article. As it relates to the current concession leases or agreements for Custer State Park and Spring Creek Resort, the following sections from the existing (1990) administrative rules shall apply between the effective date of this article and the expiration of the current lease in effect: subdivision 41:13:01:01(4), § 41:13:02:02, and §§ 41:13:03:02 to 41:13:03:04, inclusive.

Source: 16 SDR 148, effective March 21, 1990; 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:02:02. Establishment of possessory interest. A possessory interest may be established by a concessionaire in concessionaire facilities or government facilities to the extent the interest is purchased from a previous concessionaire, or paid for and constructed by the concessionaire with prior approval from the commission. Before construction, the commission shall identify all improvements and additions to the concession as either concessionaire facilities

or government facilities. Possessory interest shall be transferred at the time a concession lease or agreement is executed and shall be so acknowledged in the new concession lease or agreement. Possessory interest values, including initial values at the beginning of a concession lease or agreement, shall be defined in or included as an exhibit to that document. The approval process for crediting of a possessory interest for improvements and additions funded by the concessionaire shall be defined in the lease or agreement with prior approval of the commission.

Source: 16 SDR 148, effective March 21, 1990; 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:02:03. Compliance with performance standards. A concession lease or agreement shall include minimum performance standards. The concessionaire shall comply with these performance standards to the satisfaction of the commission. Such compliance constitutes satisfactory performance of the terms of the concession lease or agreement. Failure to comply with such standards constitutes grounds for termination of the concession lease or agreement.

Source: 16 SDR 148, effective March 21, 1990; 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:02:04. Treatment of personal property. A concessionaire shall provide and be responsible for the maintenance, upkeep, and replacement of any personal property required under the terms of a lease or agreement.

Source: 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:02:05. Franchise fee. The concession lease or agreement shall provide for payment of a franchise fee or other monetary consideration as determined by the commission. In establishing a fee the concessionaire's reasonable opportunity to realize a profit on its operations commensurate with its capital invested and the obligations assumed shall be considered. A franchise fee shall be subordinate to protecting park values and providing quality visitor service.

Source: 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:02:06. Repair and maintenance reserve. In addition to a franchise fee, the concession lease or agreement may contain provisions that require the concessionaire to set aside a percentage of gross receipts or otherwise establish a reserve fund for repair, maintenance, and renovation to be used by the concessionaire for maintenance, repair, and renovation of concessionaire facilities and government facilities located in park areas and utilized by the concessionaire in the concessionaire's operations. The concessionaire and the commission shall review the reserve fund on an annual basis and agree upon a budget for the use of the reserve fund for the year in advance. The lease or agreement shall included project review and approval procedures. Projects to be funded entirely with reserve funds are not eligible for possessory interest credit. In certain circumstances, the lease or agreement or the commission may authorize the expenditure of repair and maintenance reserve funds or the establishment of another reserve for

the replacement of personal property if the personal property is integral to the visitor experience or visitor safety. The concessionaire shall maintain the reserve fund. The concessionaire shall provide the commission with an annual accounting of the reserve fund's use. The commission and the concessionaire shall make every effort to expend all reserve funds by the end of the lease or agreement term. If there is a surplus at the end of the lease or agreement term, any remaining reserve funds shall be transferred to the commission for the purpose of ongoing maintenance of concessionaire facilities and government facilities associated with the respective concession lease or agreement. If there is a deficit at the end of the lease or agreement term, the concessionaire shall be granted possessory interest credit in the amount of the deficit.

Source: 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:02:07. Fees, rates, and prices for services and merchandise offered by a concessionaire. All fees, rates, and prices offered to the public by a concessionaire shall be reasonable and comparable to the fees, rates, and prices offered for similar services in the region of the concessionaire's operations or outside the region if similar services are not provided in the region. In addition, the commission reserves the right to establish reasonable standards as to the nature, type, and quality of the concessionaire's service and merchandise.

Source: 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:02:08. Names, logos, trademarks, and copyrights. Any names, logos, trademarks, or copyrights developed during or pursuant to a concession lease or agreement that in any way associates with, identifies, implicates, or infers an affiliation with the State of South Dakota Division of Parks and Recreation or the state park system, must receive prior approval from the commission and belongs to the state upon creation and continues in the state's exclusive ownership upon termination of the lease or agreement.

Source: 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:02:09. Information and reporting. The department, commission, or their representative shall have access to concessionaire books and records for the purposes of examination. The lease or agreement shall include requirements for reporting of financial data or reports, including any audit requirements and other operation reports and indicate the required frequency of the reporting. The lease or agreement shall include provisions that the concessionaire waive any right to the confidentiality of propriety information concerning the lease or agreement that the department determines to include in a prospectus issued under this article.

Source: 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:02:10. Insurance. The lease or agreement shall include minimum requirements for insurance, including types of insurance and amounts of coverage levels, and those to be named as additionally insured.

Source: 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:02:11. Collateral. The lease or agreement may require the concessionaire to furnish appropriate forms of collateral to insure performance of the obligations included in the lease or agreement.

Source: 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:02:12. Breach of lease or agreement. The lease or agreement shall contain provisions addressing breach of the lease or agreement by the commission or the concessionaire.

Source: 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

CHAPTER 41:13:03

EXPIRATION OR AMENDMENT OF LEASE

Section	
41:13:03:01	Duration of concession lease or agreement.
41:13:03:02	Procedure to determine compensation to a concessionaire upon expiration of lease or agreement.
41:13:03:03	Procedure for binding arbitration.
41:13:03:04	Compensation to concessionaire.
41:13:03:05 to 41:13:03:07	Repealed.
41:13:03:08	Responsibilities and procedures prior to issuance of new lease or agreement.
41:13:03:09	Procedures for selection and award.
41:13:03:10	Prospectus requirements.
41:13:03:11	Principal selection factors.
41:13:03:12	Publication of notice of issuance of prospectus.
41:13:03:13	Minimum period to respond to prospectus.
41:13:03:14	Rejection by commission.
41:13:03:15	Proposal review -- Selection of successor -- Continuation of existing lease.
41:13:03:16	Requirements in the event of termination or expiration.

41:13:03:01. Duration of concession lease or agreement. The concession lease or agreement, except for existing concession leases or agreements under negotiation, amendment, or

renegotiation on the effective date of this article, may be issued for a term that the commission determines is required to allow the concessionaire a reasonable opportunity to realize a profit on the concessionaire's operations commensurate with the concessionaire's capital invested and the obligations assumed for the planned and negotiated investments by a concessionaire.

If, during the term of a concession lease or agreement, the commission and concessionaire agree that an authorized major addition, renovation, repair, or replacement should be made to the concessionaire's facilities or governmental facilities, to be provided by the concessionaire at the concessionaire's expense, the commission may extend the lease or agreement as provided in this section. At such time, all terms and conditions of the lease shall be reevaluated. This paragraph does not apply during the last 18 months before the expiration of the concession lease or agreement.

During the term of the concession lease or agreement, but not during the last 18 months before the expiration of the concession lease or agreement, the concessionaire may present to the commission for authorization a proposal for a major project that the concessionaire believes warrants an extension to the lease or agreement. This proposal shall include the following:

(1) A description of the proposed project, including consistency with park goals, and a description of why the improvements are in the public interest;
(2) An independent assessment of the market and financial viability of the proposed project;
(3) An independent cost estimate of the proposed project; and
(4) An analysis of the number of additional years required as part of the extension of the lease or agreement.

The commission shall review the proposal within 60 days and evaluate the proposal using the criteria listed above.

If determined by the commission to be in the public's best interest, the commission may at least 12 months prior to the termination of an existing concession lease or agreement negotiate with the concessionaire new lease terms and conditions. If the commission determines not to negotiate or the concessionaire does not accept the commission's terms and conditions, the existing agreement shall terminate according to the terms of the agreement. The commission shall select and award a new concession or lease agreement as provided in § 41:13:03:09 and this chapter. Nothing in this section is intended to provide a concessionaire with any expectation of concession lease or agreement extension or renewal.

Source: 16 SDR 148, effective March 21, 1990; 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:03:02. Procedure to determine compensation to a concessionaire upon expiration of lease or agreement. Prior to the expiration of a concession lease or agreement, the following procedure shall be used:

(1) At least 12 months before expiration of a concession lease or agreement the commission shall determine the fair market value of the possessory interest of the concessionaire in the concessionaire facilities or government facilities pursuant to the end date of the contract and subdivision 41:13:03:04(1). The fair market value shall be determined by an appraisal performed by a qualified appraiser. A copy of the appraisal shall be provided to the concessionaire upon its

completion. The department and the concessionaire shall each pay 50 percent of the cost of the appraisal. Upon recommendation of the department, the department and concessionaire shall mutually select the qualified appraiser. If agreement cannot be reached within 15 days, the commission shall have the final determination of the qualified appraiser;

(2) If the department or the concessionaire is not satisfied with the appraised fair market value, either party may request in writing, within 30 days after receipt of the appraisal value, that the fair market value be determined by binding arbitration as provided in § 41:13:03:03; and

(3) Upon receipt of the appraisal or the valuation determined by arbitration, the commission shall prepare and publish a prospectus containing the valuation of the possessory interest of the concessionaire facilities or government facilities in an attempt to find a qualified successor concessionaire.

Source: 16 SDR 148, effective March 21, 1990; 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:03:03. Procedure for binding arbitration. The procedure for binding arbitration is as follows:

(1) The department or concessionaire may, by written notice to the other within 30 days after receipt of the appraisal, appoint an arbitrator of its choice. The other party, by written notice within 15 days after receipt of notice, shall appoint a second arbitrator of its choice. In default of a second appointment, the first arbitrator appointed shall be the sole arbitrator;

(2) When two arbitrators have been appointed, they shall, if possible, agree on a third arbitrator and appoint the arbitrator by written notice signed by them. A copy of their notice shall be mailed to each party within 15 days after notice has been given of the appointment of a second arbitrator;

(3) If 18 days elapse after the appointment of the second arbitrator without notice of appointment of the third arbitrator, then both parties shall select the third arbitrator from members of the alternative dispute resolution section of the State Bar of South Dakota; and

(4) The arbitrators shall hold an arbitration hearing at a location determined by the arbitrators within 30 days after the final appointment of the arbitrators. The arbitrators shall allow each party to present their case, evidence, and witnesses, if any, in the presence of the other party and shall determine the fair market value of the property.

Each party shall pay the cost and expense of its appointed arbitrator. The costs and expenses of a sole arbitrator or the third arbitrator shall be paid equally by the department and the concessionaire.

The determination of the majority of the arbitrators is binding on the parties to the arbitration although each party retains his right to appeal any questions of law arising at the hearing.

Source: 16 SDR 148, effective March 21, 1990; 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

Cross-Reference: Evidence, SDCL title 19.

41:13:03:04. Compensation to concessionaire. Compensation for a possessory interest held by the concessionaire upon expiration of the concession lease or agreement, unless otherwise provided in the lease or agreement, shall be determined as follows:

(1) Possessory interest in concessionaire facilities or government facilities authorized by the commission shall be valued for purposes of compensation to the concessionaire by the successor concessionaire at fair market value; and

(2) No compensation is due the concessionaire from a successor concessionaire for the concessionaire's personal property used in operations under a lease or agreement. However, a successor concessionaire may purchase such personal property from the concessionaire subject to mutually agreed upon terms;

(3) The department retains the option to purchase concessionaire possessory interest in concessionaire facilities if the Legislature appropriates funds for acquisition in the amount of the fair market value or the value determined by arbitration as provided in § 41:13:03:03; and

(4) If the department chooses not to issue a subsequent lease or agreement, the department retains the option to direct the concessionaire to remove the concessionaire facilities from the park and restore the premises to the extent that the facilities had an impact upon the grounds. In this situation, the concessionaire shall be compensated for the concessionaire's possessory interest in concessionaire facilities or government facilities in the amount of book value and the cost to the concessionaire of restoring the premises to the extent that the facilities had an impact on the grounds. Book value is the unrecovered cost of the possessory interest in concession facilities or government facilities that have been identified in the lease or agreement and are represented as such on the concessionaire's federal tax return or audited financial statements.

Source: 16 SDR 148, effective March 21, 1990; 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:03:05. Preferential right of renewal. Repealed.

Source: 16 SDR 148, effective March 21, 1990; repealed, 32 SDR 55 effective October 17, 2005.

41:13:03:06. Procedures for preferential right of renewal. Repealed.

Source: 16 SDR 148, effective March 21, 1990; repealed, 32 SDR 55, effective October 17, 2005.

41:13:03:07. Consideration by commission. Repealed.

Source: 16 SDR 148, effective March 21, 1990; repealed, 32 SDR 55, effective October 17, 2005.

41:13:03:08. Responsibilities and procedures prior to issuance of new lease or agreement. Prior to the issuance of a new concession lease or agreement, the commission may require the assistance of the concessionaire in developing materials for a public solicitation. This assistance may include access to facilities and records for performing a condition assessment of the facilities (including concessionaire facilities and government facilities), listings of personal property, financial and utilization reports, and other cooperation. The concessionaire shall provide such assistance as reasonably requested. Prior to commencement of the steps included in this section, the concessionaire and the commission shall agree on terms of confidentiality and treatment of provided information not addressed in § 41:13:02:09.

Source: 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:03:09. Procedures for selection and award. Except as provided in § 41:13:03:01, the commission shall award concession leases or agreements through a public solicitation process. The public solicitation process shall commence with the issuance of a prospectus. The prospectus shall invite the public to submit proposals for the contract. The prospectus shall describe the terms and conditions of the concession lease or agreement to be awarded and the procedures to be followed in the selection of the best proposal. The commission may not issue a prospectus earlier than 12 months prior to the expiration of a related existing concession lease or agreement.

Source: 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:03:10. Prospectus requirements. The prospectus shall include:

(1) Minimum visitor service requirements;
(2) The minimum franchise fee or other forms of consideration required by the state;
(3) Lease term;
(4) Minimum performance standards;
(5) Measures requested to ensure the protection and preservation of park resources;
(6) Capital investments, if any;
(7) Facilities and services provided to the concessionaire by the state for the concessionaire's use and operation over the course of the lease;
(8) An estimate of the possessory interest compensation due to the existing concessionaire at signing;
(9) Gross receipts by category for the last three years and the most recent year's concessionaire's personal property and merchandise inventory;
(10) Selection factors, including minimum requirements; and
(11) Other such information that the commission may deem necessary to assist bidders in the preparation of a prospectus.

Source: 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:03:11. Principal selection factors. The principal selection factors are:

(1) Managerial experience;
(2) Financial capabilities;
(3) Franchise fees and benefits offered to the department and the state; and
(4) Any other criteria considered by the commission to be pertinent, including any additional proposed capital investment.

A prospectus shall indicate the maximum potential scoring available for each of the selection factors.

Source: 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:03:12. Publication of notice of issuance of prospectus. Upon issuance of the prospectus, the department shall publish notice of issuance in a manner selected to notify persons likely to be interested in providing a response to the prospectus. Notice shall include a narrative description of the prospectus; the solicitation process; where to obtain a copy of the prospectus; and the place, date, and time responses to the prospectus are due. Two publications of the notice of issuance of the prospectus in at least three newspapers of general circulation in different parts of the state, with the first publication seven to ten days prior to the second, shall be construed as compliance with the publication requirement.

Source: 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:03:13. Minimum period to respond to prospectus. Interested parties shall have a minimum of 30 days to respond to the prospectus, with the actual numbers of days to be specified in the prospectus.

Source: 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:03:14. Rejection by commission. A proposal may be rejected by the commission if the proposal has not met the minimum requirements and is unresponsive to criteria outlined in the prospectus.

Source: 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:03:15. Proposal review -- Selection of successor -- Continuation of existing lease. Six months prior to the expiration date of the concession lease or agreement, the department shall review the proposals it has received from prospective concessionaires.

Three months prior to the expiration date of the concession lease or agreement, the commission shall select the successor concessionaire based upon criteria outlined in the prospectus.

If the commission does not find a qualified prospective concessionaire or does not select a successor concessionaire by the expiration date of the concession lease or agreement, the commission may continue the existing concession lease or agreement on an annual basis.

Source: 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:03:16. Requirements in the event of termination or expiration. Upon termination of the lease or agreement for any reason, or upon its expiration, and except as otherwise agreed upon between the concessionaire and the department, the concessionaire shall, at the concessionaire's expense, promptly vacate the area defined in the lease or agreement. The concessionaire shall remove all personal property and repair any damage caused by installation or removal of such personal property, except as agreed upon between the concessionaire and the department.

In addition to these actions, the lease or agreement may include specific actions to be taken by the concessionaire to assist in the continuation of operations.

Source: 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

CHAPTER 41:13:04

SALE OF INTEREST IN LEASE

Section

41:13:04:01 Conflicting rules not applicable to Custer State Park.
41:13:04:02 Assignment, sale, or transfer.
41:13:04:03 Sale -- Change in controlling interest.
41:13:04:04 Notice of intent to sell, bankruptcy, or insolvency.
41:13:04:05 Department to issue prospectus.
41:13:04:06 Repealed.
41:13:04:06.01 Procedures for selection and award under sale and transfer.
41:13:04:07 Repealed.

41:13:04:01. Conflicting rules not applicable to Custer State Park. Any application of a rule in this chapter that conflicts with SDCL 41-17-22.4 does not apply to concessionaire leases of property located in Custer State Park.

Source: 16 SDR 148, effective March 21, 1990; 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:04:02. Assignment, sale, or transfer. A concessionaire may assign, sell, or transfer the concessionaire's possessory interest in a concession lease or agreement in the event of death to

a beneficiary, assignment for collateral purposes to a lender, or a transfer to existing partners or shareholders only with prior written approval of the commission.

Source: 16 SDR 148, effective March 21, 1990; 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:04:03. Sale -- Change in controlling interest. The sale referred to in § 41:13:04:02 includes any sale, assignment, or transfer of an interest in a concession lease or agreement, assets not in the ordinary course of business, shares of stock, or any other interest in the business entity, including a corporation, partnership, or other association of persons, which has the effect of transferring controlling interest of the business entity from that which was present at time of execution of the original lease or agreement or as subsequently approved by the commission to another person or business entity.

Source: 16 SDR 148, effective March 21, 1990; 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:04:04. Notice of intent to sell, bankruptcy, or insolvency. A concessionaire shall submit in writing to the department notice of the concessionaire's intention or desire to sell, assign, or transfer any of the property referred to in § 41:13:04:02. The notice of intent is not effective for purposes of this chapter if it is submitted within 18 months of the expiration of the concession lease or agreement. The notice of intent can be withdrawn at any time by the concessionaire if all reasonable costs and expenses incurred by the department for the prospectus are paid by the concessionaire.

The concessionaire shall give the commission notice, within five days, after the filing of any petition in bankruptcy, filing any petition seeking relief under any federal bankruptcy laws, or making any assignment for the benefit of creditors. The concessionaire shall also give the commission, within five days, notice of any petition or other proceeding against the concessionaire for the appointment of a trustee, receiver, or liquidator, or the taking by any person or entity of the rights granted by the concession lease or agreement, or any part thereof upon execution, attachment, or other process of law or equity.

Source: 16 SDR 148, effective March 21, 1990; 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:04:05. Department to issue prospectus. Upon receipt of the notice of intent to sell, the commission shall prepare and the department shall publish a prospectus for the lease of its facilities and the sale and transfer of the possessory interest of the concessionaire in government facilities or concessionaire facilities used to provide the concession services in an attempt to find a qualified successor concessionaire. The concessionaire shall provide to the department for inclusion in the prospectus a listing of personal property that the concessionaire is willing to sell to a successor concessionaire as provided in subdivision 41:13:03:04(2). This listing and any value the concessionaire provides for this personal property to the department shall be included in the prospectus for informational purposes. The value of the concessionaire's possessory interest in concessionaire facilities or government facilities shall be in accordance with subdivision 41:13:03:02(1) and the value shall be published accordingly in the prospectus. With the approval

of the commission, the prospectus may or may not be consistent with the terms of the existing concession lease or agreement. If a written agreement is not reached within six months from the first publication of the prospectus and approved by the commission, the commission may, if requested in writing by the concessionaire, publish another prospectus as provided in this section.

Source: 16 SDR 148, effective March 21, 1990; 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:04:06. Commission to select successor. Repealed.

Source: 16 SDR 148, effective March 21, 1990; repealed, 32 SDR 55, effective October 15, 2005.

41:13:04:06.01. Procedures for selection and award under sale and transfer. The commission shall select the successor concessionaire based upon criteria outlined in the prospectus.

Source: 32 SDR 55, effective October 17, 2005.
General Authority: SDCL 41-17-1.1(6).
Law Implemented: SDCL 41-17-1.1(6).

41:13:04:07. Consideration by commission. Repealed.

Source: 16 SDR 148, effective March 21, 1990; repealed, 32 SDR 55, effective October 17, 2005.