



June 16, 2017

Rushmore Plaza Civic Center – Board of Directors
Attn: Craig Baltzer, Executive Director
444 Mount Rushmore Road
Rapid City, SD 57701

RE: Additional Options to Extend Ground Lease

Dear Board Members:

We are asking for your recommendation and approval to amend the current ground lease for the Holiday Inn – Rushmore Plaza to add five additional ten (10) year options. We believe that adding these additional options is beneficial not only to us but to the City of Rapid City, as well.

We are currently in the process of refinancing our loan for the Holiday Inn – Rushmore Plaza. In the course of our negotiations with various lenders, it has become apparent that bank financing of borrower/tenants under a ground lease is rather unique, and that it is beneficial that the tenant/borrower under a ground lease have the ability to extend the ground lease for as long a time as possible. When a ground lease gets closer to the end of its term, it becomes more difficult for the borrower to obtain financing for capital improvements to the property.

We are currently considering two different financing options. The first and preferred option is a traditional loan with a local bank that gives us more flexibility to reinvest in the property. The other option is commercial mortgage backed security financing (CMBS), which is a non-recourse loan with no personal guaranty; however, this type of financing greatly limits our ability to reinvest in capital improvements to the property.

In 2014, we began a \$4.9 Million property improvement renovation by upgrading all guest rooms, the hotel lobby, the entire hotel interior, and an elevator modernization. This project was completed last year.

Our desire is to continue to make capital improvements to the hotel property. If we are able to secure the additional options to our ground lease, we will be able to proceed with traditional bank financing and will have much more flexibility to make such improvements. In the future, we would like to do a major update to the exterior. We would also like to explore construction of a connecting walkway from the hotel to the Civic Center, which has long been thought to be desirable by us and the Civic Center. If we cannot extend the options on the ground lease, we would most likely use CMBS financing.

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We would greatly appreciate a prompt decision on the amendment to the ground lease so that this matter can be approved by the city council no later than August 1, 2017, as we need to have our new financing in place by September 1, 2017.

We greatly appreciate the working relationship we have with this Board and the City of Rapid City and we look forward to continuing to be able to improve our facility in conjunction with upcoming improvements to the Civic Center.

If you should have any questions, please feel free to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to be 'Luke Lester', with a horizontal line extending to the right.

Luke Lester
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