

Prepared by: David Westergaard, Esq.  
 2707 Mt. Rushmore Rd.  
 Rapid City, SD 57701  
 (605) 343-2226

## Exhibit B

### USE OF EASEMENT AND INDEMNIFICATION AGREEMENT

This Agreement is made and entered into by and between the **CITY OF RAPID CITY**, a municipal corporation, hereafter called "City", and **JR Investments, LLC**, a South Dakota Limited Liability Company, hereafter called "Developer". The term "Developer" as used in this agreement includes all successors and assigns of **JR Investments, LLC**.

#### Recitals

**WHEREAS**, the Developer desires to construct a hotel and convention center, hereafter "proposed project" on certain property located in the City of Rapid City legally described as:

Tract A Revised, Tract C Revised and Tract D, Walpole Heights  
 Subdivision, Section 11, T1N, R7E, BHM, Rapid City, Pennington  
 County, South Dakota

and

**WHEREAS**, the City currently holds an easement across a portion of this property for a drainage pipe and vertical support, hereafter called "drainage pipe" and shown on the plat attached to this agreement as "Exhibit A"; and

**WHEREAS**, the Developer desires to construct its proposed project over this easement;  
 and

**WHEREAS**, the Developer will benefit from building on the easement; and

**WHEREAS**, the City desires to ensure that the drainage pipe will not be damaged by the construction of developer's proposed hotel and convention center; and

**WHEREAS**, the City desires to ensure its access to the drainage pipe for maintenance, inspection, and replacement purposes; and

**WHEREAS**, the City desires to prevent certain costs from becoming the responsibility of the City and its taxpayers, such as costs of repairing or replacing the drainage pipe incurred as a result of damage from the construction or use of the proposed hotel and convention center; and

**WHEREAS**, the Developer desires to accept the risk of damage to the drainage pipe to facilitate the completion and occupancy of its proposed project;

**NOW, THEREFORE**, for and in consideration of the mutual promises, covenants and conditions herein set forth, it is agreed as follows:

1. The City agrees to allow the Developer to enter and construct its proposed project over the City's drainage easement.
2. The Developer agrees the entry and construction of the proposed project over property covered by the drainage easement is with the permission of the City, and that the use of the easement for the drainage pipe is with the permission of the City and is not adverse or prescriptive and that the easement remains fully vested in the City.
3. The Developer agrees to promptly repair or cause to be repaired any and all damage to the drainage pipe that occurs as a result of the construction of the proposed project, subject to city review and approval, including engineering for replacement to an alternate future location.
4. The Developer agrees to indemnify and hold harmless the City for any and all damage that may be suffered by the Developer as a result of the existence of the drainage easement and any damage suffered as a result of the operation, maintenance, replacement, abandonment, or any other action or inaction by the City in regard to the drainage easement. This includes, but is not limited to, repair or replacement of: surface improvements, pavement, water or sewer pipe, damage to or removal of structures that need to be removed or are affected in any way by maintenance, repair, or replacement of the drain pipe.
5. The Developer recognizes that the presence of the drainage easement under the project may cause settling or movement of the soil and the Developer agrees to assume this risk and hold the City harmless for any damages as a result of settling or movement of the soil.

6. The Developer agrees the City may use whatever means it deems necessary or prudent to maintain, repair or replace the drainage pipe and its appurtenances and that the Developer shall hold the City harmless and indemnify the City from all claims of damage arising out of such decisions and activities.

7. The Developer agrees to provide provisions for inspection and documentation of the drainage pipe prior to construction and immediately following completion of construction, and once every five years thereafter. This report is to be filed with the City Engineering Drainage Engineer.

8. The Developer agrees the City may continue to use its drainage and vertical support easements without regard to any effect on the Developer's proposed project.

9. This written agreement constitutes the entire agreement of the parties and no other promises or conditions are a part of this agreement.

**DATED:** August 22, 2002.

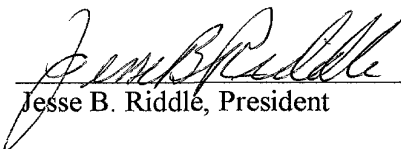
**CITY:**

**CITY OF RAPID CITY**, a municipal corporation

**DEVELOPER:**

**JR INVESTMENTS, LLC**, a limited liability company

BY \_\_\_\_\_  
Jerry Munson, Mayor

BY   
Jesse B. Riddle, President

ATTEST:

APPROVED AS TO FORM  
CITY ATTORNEY'S OFFICE

3.25.03

\_\_\_\_\_  
James F. Preston, Finance Officer

\_\_\_\_\_  
Attorney

\_\_\_\_\_  
Date

(SEAL)

State of South Dakota,     )  
  ) ss.  
County of Pennington     )

**ON THIS DAY**, \_\_\_\_\_, 2002, before me, the undersigned officer, personally appeared Jerry Munson and James F. Preston, who acknowledged themselves to be Mayor and Finance Officer of the **CITY OF RAPID CITY**, a municipal corporation, and that they, as such Mayor and Finance Officer, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the **CITY OF RAPID CITY** by themselves as Mayor and Finance Officer.

**IN WITNESS WHEREOF**, I hereunto set my hand and official seal.

(SEAL)

\_\_\_\_\_  
Notary Public  
My Comm. Expires: \_\_\_\_\_

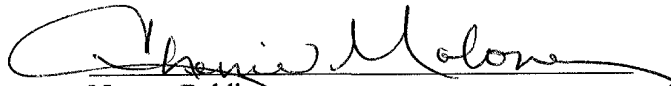
State of South Dakota,     )  
  ) ss.  
County of Pennington     )

**ON THIS DAY**, August 22, 2002, before me, the undersigned officer, personally appeared Jesse B. Riddle, known to me or satisfactorily proven to be the person

whose name is subscribed to the within instrument and acknowledged that he executed the same for the purposes therein contained.

**IN WITNESS WHEREOF**, I hereunto set my hand and official seal.

(SEAL)



Notary Public

My Comm. Expires:

**CHERRIE MALONE**  
**MY COMMISSION EXPIRES**  
**AUGUST 25, 2004**