

DEPARTMENT OF PUBLIC LANDS (DPL)
RESPONSES TO QUESTIONS REGARDING RFP18-DPL/RED-092
MARPI HOTEL AND GOLF RESORT MANAGEMENT SERVICES

Question 1: Section 4.4 of Exhibit D essentially sets forth that the operator shall be entitled to a “Basic Fee” that shall be no greater than 2% of Total Revenues of the Resort for each fiscal year, and that the “Payment of the Basic Fee and the Incentive Fee shall be monthly but is subject to subordination or deferral to payment of Operating Expenses and the Guaranteed Annual Distribution.”

Assuming hypothetically that the Total Annual Revenue is \$4,000,000.00, a Basic Fee of 2% would be \$80,000.00. Would the Basic Fee be calculated as \$80,000.00 per month x 12 months for a total of \$960,000.00 for the entire year, or would it be calculated as \$6,666.67 per month for a total of \$80,000.00 for the entire year?

DPL’s response to Question 1: *Basic Fee will be paid monthly based on Operator’s accounting of revenues for the month. In the hypothetical example posed, if revenues totaled \$4,000,000.00 for the year the fee would total \$80,000.00. This translates to an average monthly fee of \$6,666.67. Should operator prefer to be paid annually in arrears DPL can agree to such an arrangement.*

Question 2: Section 4.4 of Exhibit D essentially sets forth that the operator shall be entitled to an “Incentive Fee” that shall be no greater than 1% of Operating Cash Flows after deducting for Owner’s Guaranteed Distribution and the Basic Fee for such Fiscal Year and that the “Payment of the Basic Fee and the Incentive Fee shall be monthly but is subject to subordination or deferral to payment of Operating Expenses and the Guaranteed Annual Distribution.”

Assuming hypothetically that the Operating Cash Flow is \$4,000,000.00, an Incentive Fee of 1% would be \$40,000.00. Would the Incentive Fee be \$40,000.00 per month for a total of \$480,000.00 for the entire year, or would it be \$3,333.33 per month for a total of \$40,000.00 for the entire year?

Question 3: Section 4.4 of Exhibit D essentially sets forth that the operator shall be entitled to an Incentive Fee that shall be no greater than 1% of Operating Cash Flows. Operating Cash Flow is defined in Article 1. However, the definition of Operating Cash Flow is not understood by KPS. It would be greatly appreciated if you would please set forth in narrative fashion, possibly including a hypothetical example, an explanation of what is meant by Operating Cash Flow” in this context.

DPL’s response to Questions 2 and 3: *Incentive Fee will be paid monthly based on 1% of operating cashflows for the month after deducting for Owner’s Guaranteed Distribution and the Basic Fee for such Fiscal Year. In the hypothetical example posed, if operating cashflows totaled \$4,000,000.00 for the year the fee would be \$35,570.00, [Calculation: 1% X (\$4,000,000.00 – 80,000.00 – 363,000.00) = 35,570.00]. This translates to an average monthly fee of \$2,964.17. Should operator prefer to be paid annually in arrears DPL can agree to such an arrangement.*