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VIA E-MAIL

July 22, 2022

Kyle Benda, Esquire
Assistant County Attorney
Hernando County Attorney's Office
20 North Main Street
Brooksville, FL 34601

Re: Hernando County, Hernando Beach Marine Group, Inc.
4340 Calienta Drive, Hernando Beach, FL 34607

Dear Mr. Benda:

Please accept our thanks to you and other members of the Hernando County team for meeting with representatives of Hernando Beach Marine group, Inc. ("HBMG"), and me on July 7, 2022. We appreciate the opportunity for the candid exchange of our respective views as they relate to the lease and use of the Coast Guard Auxiliary Building in Hernando Beach. We also thank you for extending the cure period for the additional sixty day period through September 13, 2022.

As discussed in the meeting, we each have our views as to why or how things changed in late 2016 or 2017 with regard to the financial and legal obligations of the parties relating to the lease and revenue sharing. Nevertheless, all in attendance at the meeting seemed to agree that achieving a resolution of our differences is strongly preferred to continuing the dispute. To that end, we have been authorized to communicate the following settlement proposal to Hernando County.

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While we envision the parties executing a formal amendment to the lease by September 13, 2022, we propose the following mutually dependent deal points to settle the dispute:

1. The parties will agree to abide by the terms and conditions of the Amended Base Lease (as defined in my correspondence to you dated July 1, 2022), as amended by the following terms.

2. The responsibilities of the parties for maintenance and repairs of the building and its systems and area development will be allocated based upon a threshold of the anticipated repair cost. Routine maintenance and repairs costing up to \$500.00 per service call will be the responsibility of HBMG. Maintenance or repairs costing greater than \$500.00 will be the responsibility of Hernando County. This approach tasks the tenant with the responsibility of routine maintenance and minor repairs, so as to not require the County to respond unless a major repair is expected.

3. The lease term will continue to end in 2030, provided that HBMG will be granted two options to extend the lease term, each for an additional period of five years (for a total of ten additional years), with the understanding that either option could only be exercised if HBMG was then not in breach of its obligations under the lease.

4. All revenues realized from the sub-leases of the cellular telephone tower will be allocated beginning September 15, 2022, on the following basis: seventy percent to HBMG; and thirty percent to Hernando County; payable quarterly in arrears beginning December 15, 2022, and continuing throughout the balance of the lease term.

5. HBMG will be required only to provide liability insurance as set forth in the Amended Base Lease, but minimum limits of coverage will be set at \$1,000,000 per incident/\$2,000,000. aggregate and that the county would provide coverage for the repair and replacement cost of the building.

6. Provide a right of first refusal to HBMG in the event Hernando County elects to sell the leased premises;

7. Agree that the default asserted in your correspondence of March 17, 2022, has been timely cured to the satisfaction of Hernando County without any requirements for payment of the sums demanded therein or accruing since then, save and except the 2021 real property taxes that were paid by HBMG; and

8. Agree that while the County will abandon its claim for back taxes and revenue sharing, as asserted in your March 17, 2022, correspondence, HBMG will reserve its right to dispute any claim by the IRS that the same constitutes a forgiveness

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of debt or is taxable income to HBMG, despite the County's unilateral issuance of a 1099 for the abandoned claim.

This offer is made for settlement purposes only. If not accepted by September 1, 2022, this settlement offer will be automatically rescinded and of no force or effect.

We look forward to continuing to work with you for the mutual benefit of the residents of Hernando County.

Sincerely,



Ronald W. Sikes

RWS:lls

cc: Hernando Beach Marine Group, Inc.