



City of Flagler Beach

P.O. Box 70 • 105 South 2nd Street
Flagler Beach, Florida 32126

Phone (386) 517-2000 • Fax (386) 517-2008

February 3, 2022

Flagler Golf Management, LLC
attn: Tiffany McManus
2531 Sawyer Terrace
Wellington, FL 33414

Flagler Golf Management, LLC
c/o Adam Franzen, Esq.
1136 S.E. 3rd Avenue
Suite 200
Fort Lauderdale, FL 33316-1124

Flagler Golf Management, LLC
c/o Bruce Godwin
1001 Yamato Road
Suite 302
Boca Raton, FL 33431

Certified Mail Article No.'s:
7017 0190 0001 0002 5065
7017 0190 0001 0002 5072
7017 0190 0001 0002 5089

RE: LEASE AGREEMENT WITH THE CITY OF FLAGLER BEACH

To Whom It May Concern:

Pursuant to Article 6 of the Lease Agreement between the City of Flagler Beach and Flagler Golf Management, LLC, this letter is to advise you of multiple defaults in the performance of Flagler Golf Management's duties under the Lease. As City Manager, I have reviewed the Lease, inquired with several City staff, and personally observed the operations occurring at the golf course. I have also sent staff on several occasions to observe the operations and report back to me. I am disappointed to have to write this letter but, unfortunately, it appears necessary and below I

have detailed each instance in which it is apparent to me that you are in breach of your obligations to the City of Flagler Beach.

RECORDKEEPING, REPORTING, and AUDIT

In June of 2021, the Finance Director for the City notified you of the City's request and intent to audit your financial records related to the operation of the golf course. In July of 2021, you acknowledged receipt of the audit request and advised the City to schedule the audit with your attorney. In September of 2021, your attorney began corresponding with the City Attorney regarding the conduct of the audit. The correspondence between the attorneys is attached. On September 13, 2021, you were notified of the records requested by the accounting firm selected by the City to perform the audit. On November 8, 2021, you advised through your attorney that many of the documents requested by the auditing firm were "in place" and the City Attorney was advised that you expected to be able to schedule the audit over the next two or three weeks. On December 5, 2021, the City Attorney was advised that you had most of the records "to proceed with the audit" and your attorney requested potential dates for the audit. The City Attorney advised on December 8, 2021 that the auditing firm had availability the next week and extended an invitation for you to supply the records available electronically. On December 11, 2021, you advised through your attorney that the bank statements could be supplied electronically but that you were still waiting to receive from the State copies of the sales tax reports you had filed and that you did not know when those documents would become available. On December 14, 2021, as promised by your attorney, the bank statements were provided. In addition, on that same date, you advised through your attorney that you hoped the records requested from the State would be arriving shortly and that you had "part of the QB done but it is the last part to be finalized." On December 16, 2021 you supplied through your attorney the copies of the sales and use tax returns you had obtained from the State. On December 21, 2021, the City Attorney requested an update on when the remaining accounting records requested by the auditing firm would be available. The City Attorney was advised as follows: "The client has advised that there is no pro shop or lesson revenue that is collected and/or excluded from the revenue. As the company operates on a cash basis they used the bank statements deposits (excluding loans) to calculate the total sales. Though they have a reasonable amount of information in Quickbooks, it is not complete and they will need to be updated from the banking information." On December 29, 2021, the City Attorney inquired as to when the Quickbooks information would be available and inquired if you were in possession of a check register that could be reviewed in the audit. There has been no further communication between the attorneys since that date. In January 2022, the City provided the records you had supplied to your attorney to the auditors in an effort to at least commence the process. The City was advised by the auditors that the records supplied were not sufficient for the conduct of the audit. The correspondence from the auditors is attached.

The correspondence between the attorneys speaks volumes to me. While it appears your attorney was making his best efforts to help your cause, it equally appears you did not have and

have not kept or maintained accounting records in a manner consistent with the Lease. Section 4.1 of the Lease requires: "Lessee shall keep true and accurate accounts, records, financial statements, books and data (hereinafter "Records") in a form consistent with good accounting practices. Such accounts, records, books and data shall, among other things contain a breakdown of gross receipts and sales from the various activities taking place on the Premises. Lessee shall require that any consignees, sub lessees, subtenants, or others ("Others") conducting any revenue producing activity on the Premises keep accurate and complete records and accounts in accordance with this Article 4." Had this provision been observed, the records requested by the City for the conduct of its audit would have been available promptly upon the City's request to conduct an audit. Had Section 4.1 been complied with, there would be no discussion of having to update or recreate bookkeeping records that have not been kept contemporaneously with the actual transactions. Based on this interaction it is clear to me that you have not been keeping true and accurate accounts, records, financial statements, books or data in a form consistent with good accounting practices. This is extremely concerning to me as the very object of the lease payments are based on knowing the cash-flow of the business and the percentage of sales. First, as the operator of the golf course owned by the City you represent this City, how you conduct your business reflects on this City. Failing to keep proper financial records shows a complete disregard for your obligations to the City, for the community you serve, and, frankly, your own business operation. Even more troubling to me is the fact that you were reminded of your obligations under Section 4.1 and advised at that time you were not keeping your books in accordance with good accounting in a default letter sent to you in November of 2017. From my observations and upon discussion with the Finance Director, it appears your bookkeeping and reporting got worse not better after the 2017 default letter. This is a direct violation of the lease and failure of your lease terms.

In addition to the failure to properly conduct your financial record keeping, it is obvious from the correspondence between the attorneys that you are also in breach of Section 4.2 of the Lease. That Section requires you to keep all of the records identified in Section 4.1 throughout the term of the Lease and through the seventh year after the end of the Lease. Similarly, Section 19.18 requires you to maintain essentially all of your records associated with the golf course operation. Nevertheless, the small number of documents you have provided to this point was obtained from other sources, not maintained by you. This is a violation of your obligations under the Lease.

Section 4.4. of the Lease requires you to provide the City each quarter with a profit and loss statement. This profit and loss statement is supposed to be provided without request or demand. From what I have learned in my review it appears that when this profit and loss statement has been provided, it has rarely been provided without the City having to remind you of your obligation. For that reason, in the November 2017 default letter you were formally reminded of the requirement. Still, the profit and loss statements have not been provided routinely and regularly, without demand, as required. In fact, the City has not received one since 2020. This is a clear default of your obligations under the Lease.

Section 4.5 of the Lease requires you to provide to the City without request the sales tax report filed with the State. Based on my review, it does not appear that you have ever complied with that requirement. As with the profit and loss statements, if the City obtained it, it was only after request. City staff should not have to take time away from their day to day duties and we should definitely not have to pay the City Attorney to hound you for records you have a duty to supply. Even after the City Attorney advised your attorney in November 2021 of the requirement to provide these reports to the City monthly, you still have not done so. This all falls woefully short of your duties under the Lease and, like the default under Section 4.4., you were put on notice in November 2017 that you were in default of that requirement.

All of the defaults discussed so far lead us to your default under Section 4.3, the City's right to conduct an audit. As you are aware, this provision is important in no small part due to the fact that a portion of your payment obligation is revenue percentage rent. The City must be able to ensure that it is being fairly dealt with. Based on the apparent state of financial records, I am not even sure you are aware of precisely how much revenue the golf course generates. Had the City insisted on strict compliance with the audit requirements and simply advised you of a date and time to have the records available at the golf course for review by the auditors, I am confident it would have been a complete waste of everyone's time. Here, now over six months since the request to audit was first made, you have not advised that you are ready to produce the records requested for the audit. Your failure to keep and maintain records as required has resulted in the complete frustration of your obligation and the City's right to audit your financial records. This is unacceptable.

FAILURE TO OPERATE THE RESTAURANT

Pursuant to Section 5.1 of the Lease, you have committed to operate a golf course, club house, and restaurant. It has come to my attention that the restaurant has been closed for two years. You have not notified the City of this closure nor have you made any request to be relieved of your duty to operate a restaurant at the facility. The failure to operate the restaurant is a breach of your agreement to the City.

CARE AND MAINTENANCE OF THE PROPERTY

Section 7.1 of the Lease requires you to "take good care of the Premises, Fixtures, Appurtenances and Equipment therein . . ." Section 7.2 requires you to "maintain said Premises and all equipment in good order, and Lessee shall make all repairs that may become advisable or necessary to said Premises and equipment, including the structures, sidewalks, landscaping, driveways or parking areas that are part of or appurtenant to said Premises." The condition of the property is embarrassing. Simple tasks like cleaning up litter and dead vegetation are not being performed. The overall appearance reflects a business owner that does not take pride in ownership. This community deserves better with regard to the conditions of public property and the Lease requires better. Section 5.4 of the Lease prohibits you from allowing the course to become a source of embarrassment to the City. Your inattentiveness to the property has done exactly that. In addition, there is still the outstanding issue regarding the invoice for repairs to the cart barn

performed by the City as a result of your failure to conduct proper maintenance which has neither been paid, negotiated, or refused.

COMPLIANCE WITH LAWS

Based on information received by the City, it appears you are staffing the golf course in part with volunteer labor. I believe that such use of volunteers by a for profit business may be a violation of labor laws and, potentially, tax codes. If the information and reports I have received are true and if, indeed, that activity violates labor laws or tax codes, that is a violation of law and a breach of your duties under the Lease.

Additionally, as you are aware, there is a 2.9 acre parcel located approximately where you are operating a driving range that the City does not own and, for which reason, is not included in the Leased Premises. The owner of this property has complained to the City regarding the golf balls being struck onto the 2.9 acre parcel. The City does not and cannot authorize your use of that property and any conduct by you or your patrons beyond the bounds of the Leased Premises is a trespass on someone else's property.

Finally, in reviewing the financial records that have been supplied to the City, I note that the Flagler Golf Management, LLC received a Paycheck Protection Program loan. While there is no wrongdoing in the receipt of those funds, the records received by the City thus far also do not allow us to ensure that those proceeds were for the purposes allowed. The City has no role in the enforcement of the Paycheck Protection Program but I must advise you that if we find any reason to question the use of those funds or other grants or loans received, I believe it my duty to report any such concerns to appropriate the governmental agencies.

OPPORTUNITY TO CURE AND HEARING BY CITY COMMISSION

To the extent that any of the above defaults are curable, the City demands they be cured within thirty (30) days of the date of this letter in accordance with Section 6.2 of the Lease. Given the apparent disorganized state of your records, I do not know if some of these defaults are curable. Please be advised that falsification of records (especially any data reported to taxing authorities) is a potential crime. Furthermore, as you have previously been put on notice of the same record keeping and record reporting defaults and failed to cure them, I believe the City Commission has the right to terminate the Lease. I do not state that as a threat, but rather as an effort to help you understand the severity of the situation and give you fair notice of the jeopardy you have created for yourself.

In order to ensure that you have a fair opportunity to present your side of the conversation to the City Commission, I will schedule a hearing at the regular Commission meeting to be held on March 10th at 5:30 pm in the Commission Chambers at Flagler Beach City Hall, 105 S. Second Street, Flagler Beach, Florida 32136. At that hearing, you will have the opportunity to present any evidence, testimony, or argument you wish regarding this matter to the City Commission. If you disagree with my determination that any of the above are a default under the lease, you may present

that to the City Commission at the hearing. If you believe you have cured all defaults described in this letter, you may present that evidence to the City Commission at the hearing. Ultimately, the City Commission must make the final decision as to how to address these defaults. I believe that given the history of the operation and the nature of some of the defaults, the City Commission has the right under the Lease to terminate the Lease and I encourage you to come to that hearing prepared to explain why they should not. To the extent you have a sincere desire to continue operating the golf course, I hope you will come prepared to offer a plan to ensure that this conversation will never happen again.

If you would like to discuss any of the matters contained in this letter, I will be happy to have a meeting with you. If you would like to do so, please have your attorney contact the City Attorney to coordinate a time that works for your schedule prior to the hearing on March 10, 2022 at 5:30 pm.

I hope these matters can be resolved in an expeditious manner, however, that will require a genuine commitment by you.

Sincerely,



William R. Whitson, City
Manager

Encs.

Copy: Mayor & City Commission
City Attorney
City Clerk
Finance Dept.

Drew Smith

From: Drew Smith
Sent: Monday, October 11, 2021 4:56 PM
To: THE FRANZEN FIRM
Subject: RE: FW: Flagler Golf Management, LLC-Audit

That works. I've got it on my calendar.

Thanks!

Drew

D. ANDREW SMITH, III | ATTORNEY AT LAW
BOARD CERTIFIED - CITY, COUNTY & LOCAL GOVERNMENT LAW



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From: THE FRANZEN FIRM <adamgfranzen@gmail.com>
Sent: Monday, October 11, 2021 4:50 PM
To: Drew Smith <dsmith@shepardfirm.com>
Subject: Re: FW: Flagler Golf Management, LLC-Audit

Hi Drew:

I have been a little bit jammed up, due to my father's death.
To that extent, let's talk next Tuesday. October 19 at 1 pm.
Let me know if that works?
Thanks,

Adam

On Wed, Oct 6, 2021 at 12:40 PM Drew Smith <dsmith@shepardfirm.com> wrote:

Adam:

If I received a response from you to the email below, I must have missed it. Do you have any time in the next week or so to discuss?

Thanks.

Drew

D. ANDREW SMITH, III | ATTORNEY AT LAW

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From: Drew Smith
Sent: Monday, September 13, 2021 11:00 AM
To: THE FRANZEN FIRM <adamgfranzen@gmail.com>
Subject: RE: Flagler Golf Management, LLC-Audit

Thanks, Adam. The finance director has let the City's accounting firm know and they have asked me to communicate to you the items they see as necessary for the audit. I have pasted the list below. The time period they have given me for these would be 10/1/19 – 3/31/21.

- full access to all bank statements,
- monthly sales tax reports filed with the Department of Revenue,
- internal financial statements including all GL details, and
- all supporting schedules/records to show any amount of revenue generated by the pro shop and lessons included in the sales tax report but which are excluded from the percentage rent calculations.

When you have had an opportunity to discuss with your client, maybe you and I can set up a time to discuss any issues or concerns on your end. I'm booked pretty tight this week but could squeeze in a phone call and next week is fairly open for me.

Thanks, again.

Drew

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From: THE FRANZEN FIRM <adamgfrenzen@gmail.com>
Sent: Wednesday, September 8, 2021 8:59 AM
To: Drew Smith <dsmith@shepardfirm.com>
Subject: Flagler Golf Management, LLC-Audit

Hi Drew:

It was nice speaking with you yesterday. Please provide me available dates and times that are convenient for you to perform your audit of my client, Flagler Gof Management, LLC..

Very truly yours,

Adam Franzen, Esq.
Law Offices of Adam Franzen, LLC
1136 Southeast Third Avenue
Fort Lauderdale, FL 33316
Tel: 954-462-5790
Fax: 954-734-8615
adamgfranz@gmail.com

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Drew Smith

From: Drew Smith
Sent: Wednesday, November 3, 2021 2:45 PM
To: THE FRANZEN FIRM
Subject: Ocean Palm Golf Course
Attachments: Golf Course Add'l rent 04-30-2021.pdf; Golf Course Add'l rent 01-31-2021.pdf; Golf Course Roof.pdf

Adam:

I'm following up on our conversation a couple weeks ago. Attached are the 3 outstanding invoices we discussed, two for additional rent payments as provided in the lease and one for the repairs to the car barn. In addition, as we discussed the City has not been receiving on a monthly basis a copy of the sales tax report filed by the course with the State. That report is required to be provided to the City as part of the lease in order for the City to calculate any additional rent due based on sales.

Have you had an opportunity to discuss with your client the documents the City has requested to perform its audit?

Thank you.

Drew

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Drew Smith

From: THE FRANZEN FIRM <adamgfranz@gmail.com>
Sent: Monday, November 8, 2021 5:39 PM
To: Drew Smith
Subject: Fwd: Ocean Palm Golf Course

Hello Drew,

I spoke with my client and they have a lot of the documents in place. I expect by the end of this week to confirm and then we should be able to set up a time for the audit over the next 2 or 3 weeks subject to availability and mutual agreement of the parties. We will also at that time discuss the roofing issue. I have instructed the client to pay the 2 smaller invoices in question.

We will communicate again at weeks end.

Thank you,

Very truly yours,

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Drew Smith

From: Drew Smith
Sent: Monday, December 13, 2021 9:47 AM
To: THE FRANZEN FIRM
Subject: RE: Response to Drew Smith <dsmith@shepardfirm.com>

Adam:

If you will send what documents you have, now, I'll go ahead and start getting those to the City while you work on getting the rest.

Thanks.

Drew

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From: THE FRANZEN FIRM <adamgfranz@gmail.com>
Sent: Saturday, December 11, 2021 12:58 PM
To: Drew Smith <dsmith@shepardfirm.com>
Subject: Fwd: Response to Drew Smith <dsmith@shepardfirm.com>

Hi Drew:

We can supply the Banks statements in PDF form on Monday or Tuesday. We have communicated with the State of Florida but have no confirmation but we might get those documents by

early next week also as we were to receive by now per the State. We can start with that and see what the auditors think.

Let me know your thoughts.

Very truly yours,

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Fax: 954-734-8615
adamgfranzen@gmail.com

Thanks, Adam.

The firm that will be conducting the audit has advised that they will have availability next week. Do you think it is possible that the documents might be ready by the end of this week? Would it be possible to provide the documents in .pdf format via email rather than producing hard copies at the golf course? It seems like that might be easier for everybody.

Drew

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From: THE FRANZEN FIRM <adamgfranzen@gmail.com>
Sent: Sunday, December 5, 2021 5:34 PM
To: Drew Smith <dsmith@shepardfirm.com>
Subject: Fwd: Response to Drew Smith <dsmith@shepardfirm.com>

Hi Drew,

Please find attached copies of two invoices you had forwarded that you showed as outstanding. We have sent under separate cover a copy of those invoices together with the corresponding checks. The 3rd invoice regarding the roof we would like to discuss at a later date. We have most of the records to proceed with the audit but await certain copies requested from the State of Florida which should arrive next week. Please advise potential dates to conduct the audit.

We would also like to advise that the November monthly payment for the annual lease has been paid but was paid at the old rate of 247.63 which is 6.71 short and that shortfall is being processed. The December payments is now being processed in the correct amount of 254.34.

Look forward to hearing from you.

Very truly yours,

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Drew Smith

From: THE FRANZEN FIRM <adamgfranz@gmail.com>
Sent: Tuesday, December 14, 2021 3:13 PM
To: Drew Smith
Subject: Fwd: Bank Documents from October 1 2019 to March 31 2021. for Drew Smith <dsmith@shepardfirm.com>
Attachments: Flagler Golf Management Chase Bank Account January 8 2021 to March 31 2021.pdf; SunTrust Bank Flagler Golf Management LLC October 1 2019 to Feb 28 2021 v3.pdf

Hi Drew;

Please find attached the bank statements from SunTrust commencing in October 2019 as requested. That bank was used until February 2021 and Chase was established in January 2021. We are working on the State of Florida documents now and hope to submit shortly. We have part of the QB done but it is the last piece to be finalized.

Very truly yours,

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Drew Smith

From: Drew Smith
Sent: Tuesday, December 21, 2021 12:11 PM
To: THE FRANZEN FIRM
Subject: RE: Florida Sales and Use Returns

Thanks, Adam. I think that leaves us with the following requests from the auditors:

- internal financial statements including all GL details, and
- all supporting schedules/records to show any amount of revenue generated by the pro shop and lessons included in the sales tax report but which are excluded from the percentage rent calculations.

Any sense of when those might be available?

Drew

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From: THE FRANZEN FIRM <adamgfranz@gmail.com>
Sent: Thursday, December 16, 2021 12:26 PM
To: Drew Smith <dsmith@shepardfirm.com>
Subject: Fwd: Florida Sales and Use Returns

Drew:

This is the Florida Sales and Use returns for Flagler Beach.

Very truly yours,

Adam Franzen, Esq.
Law Offices of Adam Franzen, LLC
1136 Southeast Third Avenue
Fort Lauderdale, FL 33316
Tel: 954-462-5790
Fax: 954-734-8615
adamgfranzen@gmail.com

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Drew Smith

From: Drew Smith
Sent: Wednesday, December 29, 2021 11:43 AM
To: THE FRANZEN FIRM
Subject: RE:

Thanks. When do you think the quickbooks records may be available? Is there a check register that can be reviewed?

Drew

D. ANDREW SMITH, III | ATTORNEY AT LAW
BOARD CERTIFIED - CITY, COUNTY & LOCAL GOVERNMENT LAW



SHEPARD, SMITH,
KOHLMYER & HAND, P.A.
2300 MAITLAND CENTER PKWY, STE 100
MAITLAND, FL 32751
TOLL FREE: 866.247.3008
OFFICE: 407.622.1772
FAX: 407.622.1884
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From: THE FRANZEN FIRM <adamgfranzen@gmail.com>
Sent: Thursday, December 23, 2021 3:03 PM
To: Drew Smith <dsmith@shepardfirm.com>
Subject:

Hi Drew:

The client has advised that there is no pro shop or lesson revenue that is collected and/or excluded from the revenue. As the company operates on a cash basis they used the bank statements deposits (excluding loans) to calculate the total sales. Though they have a reasonable amount of information in Quickbooks, it is not complete and they will need to be updated from the banking information.

Very truly yours,

Adam Franzen, Esq.

Law Offices of Adam Franzen, LLC
1136 Southeast Third Avenue
Fort Lauderdale, FL 33316
Tel: 954-462-5790
Fax: 954-734-8615
adamgfranzen@gmail.com

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City of Flagler Beach

P.O. Box 70 • 105 South 2nd Street
Flagler Beach, Florida 32126

Phone (386) 517-2000 • Fax (386) 517-2008

June 7, 2021

CERTIFIED MAIL

RECEIPT NO.: 7012 2920 0001 1319 5610, 7012 2920 0001 1319 5634

Flagler Golf Management, LLC
931 Magnolia Terrace
Flagler Beach, Florida 32136

Terrence McManus
224 Datura Street
Suite 409
West Palm Beach, FL 33401

Re: Notice of Exercise of Right to Audit Records

Dear Mr. McManus:

Pursuant to Section 4.3 of the Lease Agreement between Flagler Golf Management and the City of Flagler Beach, which provides:

4.3 RIGHT TO INSPECT AND AUDIT BY LESSOR. Lessee hereby agrees that Lessor, its employees, agents and representatives, at all reasonable times, shall have the right to inspect and examine all such records which will enable Lessor to ascertain the amount of Lessee's gross receipts and revenue generated at the Premises. Lessee shall, upon request and at no cost to Lessor, make all or any part of its records available to the Lessor during normal business hours throughout the term of this Agreement for the purposes of inspection or audit. The cost of any audit performed by Lessor shall be at Lessor's expense.

The City hereby exercises its right to perform an audit of the financial books and records related to golf course operations. Please contact the undersigned to make arrange a date, time, and location for the records to be made available for audit. The City desires to conduct this audit as soon as possible with the least amount of inconvenience to you. I look forward to hearing from you at your earliest convenience.

Sincerely,

A handwritten signature in black ink, appearing to read 'K Doyle', written over the printed name.

Kathleen Doyle
City of Flagler Beach
Finance Director

Copy: City Manager
City Attorney

Flagler Golf Management, LLC

d/b/a Ocean Palm Golf Club
3600 S Central Ave.
Flagler Beach, FL 32136
(561) 234-0598

July 22, 2021

VIA CERTIFIED MAIL
VIA EMAIL: wwhitson@cityofflaglerbeach.com
ATTENTION: William R. Whitson, City Manager
Flagler Beach City Commission
105 S. 2nd Street
Flagler Beach, FL 32136

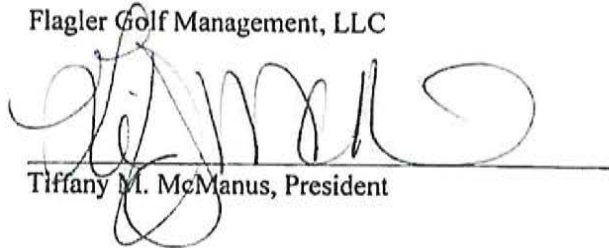
RE: Notice

Dear Mr. Whitson:

This letter is to notify you that all future letters, notices, etc., need to be mailed to my attorney, Adam Franzen, Esq., c/o Bruce Godwin, 1001 Yamato Road, Suite 302, Boca Raton, FL 33431, phone number (561) 953-1200.

I have received your letter dated, July 12, 2021. Please schedule the audit with my attorney.

Flagler Golf Management, LLC



Tiffany M. McManus, President

cc:
Drew Smith, City Attorney: dsmith@shepardfirm.com
Kathleen Doyle, Finance Director: kdoyle@cityofflaglerbeach.com



SHEPARD, SMITH, KOHLMYER & HAND, P.A.
ATTORNEYS & COUNSELORS AT LAW
SHEPARDFIRM.COM

November 17, 2017

Flagler Golf Management, LLC
931 Magnolia Terrace
Flagler Beach, Florida 32136

Terrence McManus
224 Datura Street
Suite 409
West Palm Beach, FL 33401

Re: Notice of Default of Golf Course Lease Agreement and Request to Cure

Dear Mr. McManus:

Pursuant to Section 6.2 of the Golf Course Lease Agreement (the "Lease") between Flagler Golf Management, LLC ("Flagler Golf Management") and the City of Flagler Beach (the "City"), you are hereby notified that Flagler Golf Management is in default of the Lease.

Section 4.1 of the Lease requires Flagler Golf Management to maintain "true and accurate accounts, records, financial statements, books and data (hereinafter "Records") *in a form consistent with good accounting practices.*" The Lease further requires in Section 4.3 that "Lessor [the City], its employees, agents and representatives, at all reasonable times, shall have the right to inspect and examine all such records which will enable Lessor to ascertain the amount of Lessee's gross receipts and revenue generated at the Premises. Lessee shall, upon request and at no cost to Lessor, make all or any part of its records available to the Lessor during normal business hours throughout the term of this Agreement for the purposes of inspection or audit." Flagler Golf Management has not maintained its records in a form consistent with good accounting practices. Specifically, Flagler Golf Management has failed to keep an accurate and up to date check register logging expenses incurred in operation of the golf course. In addition, the financial records provided to the City upon requests to inspect have been disorganized, incomplete, and not consistent with good accounting practices. The failure to keep accurate, timely financial records consistent with good accounting practices has impaired the City's ability to exercise its rights granted by the Lease. The City has, on multiple occasions, requested more organized and more detailed accounting records be kept and provided to the City. To date, these requests have been unheeded.

Pursuant to Sections 4.4 and 4.5 of the Lease, Flagler Golf Management is required to provide the City with a profit and loss statement on a quarterly basis and a copy of its sales tax report filed with the Department of Revenue on a monthly basis within fifteen days of filing said report with the State. Neither report has been submitted to the City in a manner consistent with the Lease.

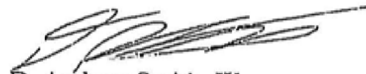
toll free 866.247.3008 office 407.622.1772 fax 407.622.1884

2800 MANHATTAN CENTER PLAZA, SUITE 1100 - MANHATTAN, FL 32250

Flagler Golf Management has failed to pay rent in the months of November and December 2016 and January, February, March, July, August, September and October 2017. To date, the City has received payment of \$600.00 toward the base rent amount for the period of November 1, 2016 to October 31, 2017 of \$2,645.04, the remainder of which is now overdue with penalties as per the Lease. Additionally, Flagler Golf Management is in arrears on its water bill in the amount of \$1,023.16 in violation of Section 7.4 of the Lease.

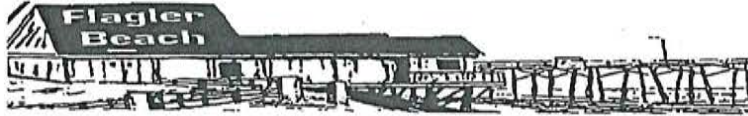
Pursuant to Section 6.2 of the Lease, if the above described defaults are not cured within thirty (30) days of the date of this letter, the City may, at its option, consider termination of the Lease. The City hopes that by bringing these matters to your attention you and it can work together to resolve these issues.

Very truly yours,

A handwritten signature in black ink, appearing to read "D. Andrew Smith, III", written over a horizontal line.

D. Andrew Smith, III

cc: Larry Newsom; Penny Overstreet; City Commission



INVOICE

CITY OF FLAGLER BEACH
105 S 2ND STREET
FLAGLER BEACH, FL 32136

(386) 517-2000

FLAGLER GOLF MANAGEMENT
105 S NARCISSUS AVE, SUITE 508
WEST PALM BEACH, FL 33401

Customer ID: 0126
Invoice Number: 0000001699
Service Date: 01/01/2020
Invoice Date: 05/19/2021
Due Date: 06/18/2021

Property Address:

| Quantity | Description | Unit Price | Amount |
|----------|-------------------------|------------|-----------|
| 1 | CART HOUSE ROOF REPAIRS | 18,566.00 | 18,566.00 |

PER LEASE, REIMBURSEMENT TO CITY FOR ROOF REPAIRS TO CART HOUSE.

| | |
|--------------------------|-----------|
| Total Invoice: | 18,566.00 |
| Credits Applied: | 0.00 |
| Payments Applied: | 0.00 |
| Invoice Balance: | 18,566.00 |

Remit payment to:

CITY OF FLAGLER BEACH
105 S 2ND STREET
FLAGLER BEACH, FL 32136

(386) 517-2000

FLAGLER GOLF MANAGEMENT
105 S NARCISSUS AVE, SUITE 508
WEST PALM BEACH, FL 33401

INVOICE

Customer ID: 0126
Invoice Number: 0000001699
Service Date: 01/01/2020
Invoice Date: 05/19/2021
Due Date: 06/18/2021
Total Invoice: 18,566.00

Property Address: