

**MINUTES
SANFORD AIRPORT AUTHORITY
SPECIAL CALLED BOARD MEETING
MONDAY, SEPTEMBER 18, 2023
11:30 A.M.**

SAA BOARD

PRESENT:

Jennifer T. Dane, Chairman
Clyde H. Robertson, Jr., Vice Chairman
Kenneth Bentley, Secretary/Treasurer
Bennie Crosby
Tom Green
Chick Gregg, Sr. (appeared telephonically)
Frank S. Ioppolo, Jr.
William R. Miller
Stephen P. Smith
John Dannecker, Airport Litigation Counsel
Brett Renton, Airport Counsel
Commissioner Jay Zembower, County Liaison

SAA STAFF

PRESENT:

Nicole Martz, President & CEO
George Speake, Executive Vice President & COO
Jason Watkins, Executive Vice President & CFO
Stephen Fussell, VP Strategic Initiatives
Lori Hunt, Executive Assistant
Jeremiah Owens, VP Engineering & Maintenance

OTHERS PRESENT:

Natalie Anderson, OSI
Ron Gerber, OSI
John Green, OSI
Dana Loncar, Consensus Communications
Daniel Rogers, Shook Hardy
Charlotte Bouihet Serveille, OSI
Greg Smith, Million Air

1. CALL TO ORDER PLEDGE OF ALLEGIANCE

2. ADVERTISEMENT OF MEETING

Lori Hunt confirmed the meeting was properly advertised. (Copies attached)

3. COMMENTS FROM THE PUBLIC

John Green, OSI addressed the Board speaking on behalf of over 300 OSI employees, stated last week he asked for the opportunity to rebuild the relationship. Again, he's asking for that opportunity, it's in the best interest of the Airport and the City. At the end of his remarks, he stated he would have a proposal.

Mr. Green asserted that OSI has and will continue to meet its obligations and deliver value to the SAA and the Airport. OSI disagrees with the latest default issues and would like an opportunity to discuss them with the Board, not just exchange letters between lawyers. The passenger counts are rising year over year. There are new opportunities in addition to Allegiant, Copa & VivaAerobus are expected to become concrete in the next weeks and months. OSI recognizes Allegiant is our most critical partner, and we have their full support. He referenced the letter that Allegiant wrote that was included with OSI's letter from two weeks ago.

He stated that wrongful termination will result in a period of significant instability and unknowns and should SAA terminate OSI today, after the vote OSI will have to evaluate what we do in the coming weeks & months regarding operations, fueling and ground handling, it's a very serious matter. Terminating OSI places SAA fully responsible for all operations and expenses. SAA's payroll is currently higher than OSI's while we have more than 300 more employees and the SAA is just over 100.

Mr. Green went on to say that during COVID we lost over \$2M but we paid the Authority \$2M. That safety net will no longer exist if we are gone. We firmly believe that a termination for default in the current context would be wrongful and OSI and its shareholders will do whatever it takes to have this established in court and be compensated for all damages including reputational as a result of such wrongful action, estimated currently at more than \$100M. Mr. Green stated his proposal, he asked the Board members to exercise their fiduciary responsibility to this Airport and instead of terminating OSI give him until February 28th, let us show our commitment to the Airport, let's have honest exchanges during monthly special meetings where we can address one-on-one the issues you may have he wants to work directly with the Board and Nicole.

Chairman Dane addressed Mr. Green; your time has expired.

Thayne Klingler, Allegiant (via phone) Madam Chairwoman and members of the Board I appreciate the opportunity to take a couple of minutes to address the Board and share some thoughts on behalf of Allegiant. As you know we started service at the Airport in 2005 and have had a great run of growth and success and all of you are part of that, the Airport Authority and OSI and team Allegiant, and it's been good and we're excited about the future and want that to continue. We are certainly concerned about the potential direction of terminating the OSI agreement. We think there's a lot of significant implications with this that could potentially have an impact to Allegiant. We've had a lot of good conversations with the Authority executive management team and they've been very helpful to talk us through their thoughts and we understand the concerns and there are

definitely some issues there. We would just like to ask for some leniency maybe a little bit of patience to slow this thing down a bit so we can get both parties to work through these issues we feel it's in the best interest of the Airport and the traveling public to try and move this forward together. And you know some of the many questions we have are OSI handles our ground handling business what happens if their contract is terminated and they decide to not stick around until February and that's a possibility. The ground handling and fuel are tough and I don't think they're all that profitable so I'm not sure that they'd have a lot of incentive to stick around to see that thru. I've been reassured by the Executive Management Team at the Authority that they are willing to step in and help and do whatever it takes to minimize the impacts to our operation. SFB is our largest operation in the Country so there's a lot of concern all the way up to our executive management team about the developments there. We do service provider transitions all the time throughout our network around the country. Our ground handling business is a function that OSI also performs for us. Those transitions can take anywhere from four to six months and a base the size of SFB is probably a six month transition. So, to think of something rough of where the contract is terminated, they give notice they decide to leave we've got all this equipment that has to be purchased, transition of staff there's a lot of things to consider there and that would be a very concerning development for Allegiant not to mention OSI. We appreciate the support that everyone there has given Allegiant over the years and we respect that this is the Airport Authority's Airport and it's Allegiant's intention to serve this Airport in the future and we're excited about the future and we would ask for some more time and consideration to get both parties to work this out together we feel that's in everyone's best interest. I appreciate your time today.

4. DISCUSSION RELATED TO CURRENT NOTICES OF DEFAULT ISSUED TO ORLANDO SANFORD INTERNATIONAL, INC

President Martz noted the Board received their packets, with respect most of what was in the Agenda Memorandum, the Board has already seen almost all of the backup materials. She noted it was a lot of information, but she wanted to make sure the Board had anything they would want to refer to as they read the actual memo. She also wanted those items in the record for today's meeting. President Martz referenced her power point presentation, incorporated herein, and explained the presentation is a summary and expansion of what is in the Agenda Memo.

- History of Parties Timeline
- Contract Summary
- OSI Obligations
- Defaults to Date (13) all have passed their cure period with the exception of Omnibus #2 that was issued last week.
- Default 2023-01 Omnibus April 3, 2023
 - Management of Commercial Contracts Default – Expired Commercial Contracts & Contracts Expired before Renewal.

- FIS Defaults – leaks still occurring 168 days later.
 - Elevator and Escalator Defaults – Lerch Bates, Schindler's & Kone Reports.
 - Escalator 4 was down roughly 3 months, escalator 6 has gone down 28 times this year.
 - Jet Bridges Defaults – Timeline
 - 8/3/23 Walbridge completed the repairs of these items on August 3, 2023, within 104 days of being notified.
 - OSI advised SAA of Walbridge's completion of the work 8/8/2023.
 - The report OSI used as a basis for closing the PBBs identified a number of maintenance issues related to the PBBs. These maintenance issues fall within OSI's obligations under the Terminal Management Contract.
 - To date, these maintenance items have not been completed by OSI and PBBs 1-4 remain closed to the public.
 - Parking Garage Defaults – Background
 - Desman Design Management report.
 - Failing to properly maintain and repair Airport's parking garage.
 - Failure to implement a meaningful Maintenance & Repair Program for the parking garage as noted by Desman.
 - Failing to properly and timely perform predictive maintenance of the Airport's parking garage by taking over two years to obtain an assessment from date upon which OSI first recognized the need for such assessment.
 - Marketing and Air Service Default
 - Unauthorized Use of Space Default
 - CMMS and Reporting Defaults
 - CMMS – OSI runs two systems SAA doesn't have access to one system.
 - Reports don't include the cost of repairs.
- Default 2023-02 April 3, 2023
 - Cured, but repetitive.
 - Default 2023-03 April 3, 2023 Steel Columns Gates 5/9
 - Timeline
 - Engineer recommended cleaning then reinspection if there is a demonstration greater than 5% surface, no follow up.
 - Repair began 8/28/2023, 143 days of NOD issued, 261 days after it was exposed to OSI.
 - 9/13/2023 OSI entered a work order to remove the fire retardant and due the inspections on remaining poles, one month after engineers report that recommended, they do that.

Commissioner Zembower inquired of the 300+ employees that were referenced earlier in public comment do they gather underneath these areas where these structures are do they work in that area.

President Martz replied yes, the “block house” is located there.

Commissioner Zembower inquired are personnel walking under where these structures/beams are.

President Martz explained everybody on the ramp is walking under that and passengers are walking over it, it's on the concourse in the international terminal.

Board Director Smith asked was there engineering from a certified engineer on this repair.

Jeremy Owens replied yes.

President Martz noted OSI got a permit from the City of Sanford it just hasn't been closed out.

- Default 2023-04 April 7, 2023 Gutters – FIS, East Terminal, Gates 11-12
- Default 2023-05 April 7, 2023 Parking Garage
 - OSI closed floors 4&5 they were not doing any work on them.
 - SAA issued notice of default.
 - OSI reopened floors 4&5, started work again.
 - Reduction of 160 parking spaces, loss of revenue.
 - Nothing has been done to mitigate the loss, work started during the summer. They wanted to delay the work, someone has fallen and gotten a concussion & a piece of concrete fell on a car.
 - From a life safety standpoint SAA didn't feel it would be prudent to delay the work. Parking spaces have been taken out of commission they have not done anything to mitigate it, which has contributed to the need for overflow parking which is SAA managing and this is having an impact on SAA's resources.
- Default 2023-06 Baggage Belts - April 14, 2023
 - Damaged bag belt rollers, near term fix was done, cannibalized another belt, down 30%, issue was rollers. OSI advised in February to have parts in stock.
 - Default resolved but one of the things that was pointed out that caused the damage was stacking bag high up on the belt. Although resolved SAA is concerned that management & operations will cause another situation where there is another catastrophic failure.
- Default 2023-07 Dead Palm Tree – April 20, 2023
 - June 2022 OSI notified tree was compromised, needed to be taken out and trees around needed to be treated for lethal bronzing disease.

- April 2023 tree falls across pedestrian crosswalk. OSI trivialized this in their response exemplifies OSI's attitude toward it's obligations in the safety of staff & travelers, it demonstrates a lack of awareness for how important these maintenance items are.
- Default 2023-08 Roofs, Welcome Center – April 20, 2023
 - Welcome Center & Baggage Claim 3
 - Report at last Board Meeting these were cured, photos demonstrate continued leaks.

Board Director Ioppolo inquired OSI has 300 employees don't they have anyone who can look at and repair the continued roof leaks, and doesn't VINCI own Hubbard Construction which is a huge construction company and no one can come out here and attend to their obligations.

- Default 2023-09 Public Records – April 20, 2023
 - SAA is a public agency; this is a public building located on property owned by the City of Sanford. OSI is SAA's agent, the contract makes that clear, a recent order from the court makes that clear. As such they stand in our shoes with respect to public records. Records related to the operation and maintenance of the terminal are public records.
 - OSI is required to produce public records, we are in litigation over that.
 - Even if they aren't public records, to give SAA documents to review their compliance with the agreement.
- Default 2023-10 Meetings – May 2, 2023
 - Monthly meeting – default cured.
- Default 2023-11 Smoking Deck 1, Column, Partial closure, Full Investigation – June 12, 2023
 - Timeline
 - First default 98 days from first notice of default not cured.
 - OSI placed shoring under the smoking deck to keep it from falling or people getting hurt.
- Default 2023-12 Smoking Deck 2 Beams and Full Closure – August 16, 2023
 - Timeline
 - Not cured 33 days from NOD.
- Default 2023-13 Omnibus #2 – September 11, 2023
 - Failure to maintain terminal facilities.
 - Estimated cost \$26M in deferred maintenance.
 - Within First Cure Period, items in CMMS related to this NOD.

President Martz referenced the letter the Board Directors received two weeks ago from OSI that talked about things besides the defaults. President Martz noted that in addition to the items for which Notices of Default had been issued,

several items that were concerning & and other items are: Security/Safety, OSI/ TBI represents only 10% of the security badges at the Airport , but they represent a lion's share of the violations. To date they have 72% of all security violations this year. Other safety issues include the fuel truck that recently rolled over resulting in 7,000 gallon fuel spill. On the same day, SAA looked to make sure the fuel drivers had valid licenses and found two without a valid driver's license.

Chairman Dane inquired if a special license is required to drive a fuel truck.

Board Director Robertson felt a CDL license is required he just didn't know which class.

Commissioner Zembower noted your handling hazmat's, if it has air brakes you do have to have a special license.

Chairman Dane inquired were the two license merely suspended in general?

President Martz stated she didn't know why they were suspended; they were not valid when they were driving the trucks. Those suspended licenses have been resolved, but that's not something we should have to check on.

Ms. Marts noted that there is a lot of information in the Board packets, we've been talking about this for nine months, and the Board knows a lot more now than it did nine months ago. The operational infrastructure of the terminal facilities is failing and suffers from a lack of proper repair and maintenance. The structural integrity of the terminal facility and the parking garage are in decline due to deficient maintenance and repair. There's at least \$26M in deferred maintenance, only 6.5 years into a 22 year contract. Unless action is taken the \$200,000M+ in SAA and State and Federal investment in the terminal will be significantly devalued.

The Airport's passenger counts and terminal revenues are tracking well below those of comparable airports, and grossly underperforms what an airport in the number one tourist market should be able to render. The Authority is not being provided the information and data necessary to adequately ensure contractor compliance. Records that belong to the public and are reflective of the operation and maintenance of a public asset are being withheld. The Airport's commercial relationships are not being effectively and efficiently managed. OSI has an unacceptable frequency of a failure to perform and has refused or denied it's responsibilities to perform necessary maintenance, related to the defaults. Unless the Board does something the safety of the airport and the employees, travelers and visitors may be at risk.

Based on all of that and based on where we are with the defaults, we have confirmed that OSI continues to fail to address maintenance and operational issues. Specifically, OSI has ignored the proactive requirements to perform the duties identified in the agreement, failed to cure defaults as required by the Agreement, and failed to update the Authority of its progress relative to the default issues. Further, OSI has not provided any security to the Authority to

extend the Cure Periods under the Agreement and has demonstrated indifference to substantial safety concerns identified by the Authority. Considering these findings, staff is recommending that the Authority terminate the Agreement, providing for a limited transition period for OSI to transition the operations as is contemplated by the Agreement, and providing the effective Date of Termination to be February 28, 2024.

President Martz explained this is probably the most consequential decision you will make on this Board and it will likely get ugly. OSI has already affirmatively told us that it will pursue litigation if it's terminated, and that was reiterated again today. We have tried to deal with this contract dispute internally and saw a couple of weeks ago that OSI and VINCI have started to pull other parties into this. She referenced the letter which they both tried to intimidate and incite the City of Sanford. OSI/VINCI has brought our commercial partners into this contract issue and we understand that they placed "substantial pressure", not her words, to pick a side. The lack of concern for what this is doing to the Airport, what the dispute will do to the Airport as you saw in the letter, is troubling. They are prepared to destroy the Airport. They have threatened financial ruin, bankruptcy, and in the letter, they threatened a takeover by the Governor. These are the people that you have entrusted the care of the terminal to and that's the position that they are taking. She felt that if there is anything constructive the information here is a good case study for others that might be contemplating getting into the same circumstances that we are in. This may be part of your public service bringing this to light and providing a case study for folks that might contemplate being in the same position your in.

Ms. Martz stated you all are public servants, I'm a public servant, and have been in the public sector for 35 years. You have an obligation to the public. You've been entrusted by the Legislature and by the City of Sanford to protect a public asset and to ensure the safety of the public who are utilizing that asset. You have a heavy burden and this is really a significant issue that you have to deal with as a Board.

Board Director Ioppolo didn't know how we could continue in good faith and the fulfillment of our fiduciary duties to not terminate this contract given OSI's utter disregard of its legal and contractual responsibilities the complete contempt for operating in good faith as evidenced by its desire to manufacture or misrepresent the reports to third parties. The only thing they seem to do is take money from Sanford and send it to France without any regard to the obligations they have to operate the Airport. We went through this in 2017, and this is far and away much worse then anything we saw back then. He is sorry it has come to this because back in 2017 we had every expectation that we had turned the page, VINCI came in 2018 again every expectation that we were moving forward the positive way, and to hear today that they want to go into February 2024 and we're supposed to trust them is just ridiculous. He inquired if OSI brought a \$28M dollar check today? Didn't think so, so having said that he made the motion.

Chairman Dane inquired of President Martz since John Green came in to our meeting last Tuesday, had she heard from him or had any correspondence with the OSI team.

President Martz replied we have our regular management meeting set up for tomorrow. John did ask her to meet for coffee last week, but we were tied up with some other things.

Board Director Green stated he didn't disagree at all, but we've got a duty to act as a Board in the interest of the public, and they are in default, and personally he felt this relationship is broken. His only concern and it's a real concern, is the effect on the Airport financially. If we're making a decision based on the contract and based on the public, he wanted to make sure that financially the Airport since this is going to go to litigation, OSI already made it clear from what's been stated they might try to hurt the airport. He believes the Airport will win, the facts are so clear, but along the way it's going to be very costly. And there are two things, one is do we have a realistic transition and a cost associated with it in the budget, because it's going to be a rough ride and it's going to be costly in terms of transitioning. And second, he's concerned about the Allegiant relationship. They have a letter, the representative getting on the phone and I don't know where that's coming from, but at the end of the day we've got one tenant, we've got one client. We have more than one, but we have one that's 95% plus revenue. If for whatever reason, it appears or otherwise they seem to be on the side of OSI, they seem to be supporting them, I don't know if it's because they don't know all the things going on and if they don't know the realities of that, but at the same time they are our single largest client so that is concerning.

Board Director Ioppolo explained he wouldn't say they are on the side of OSI, he'd say they are on their own side. The way Thayne Klingler had expressed it was "hey we have a fuel contract, we need to fix that, we have the ground handling we need to take care of that" and I would think the Authority is in a position to take care of that during transition, we certainly have the expertise here.

Board Director Green thought Board Director Ioppolo was right the way he described it is better. Allegiant is obviously concerned about their own interest and those two things are critical and for that reason he didn't feel a sense of 100% confidence in a transition that it's not going to be rocky for them.

Chairman Dane inquired of Board Director Green what was his alternative, did he view it as better to stay in the contract, because you're posing things that you think are reasons for us not to terminate right?

Board Director Green clearly felt for him there's no way out, the relationship is broken and there are too many things you need to terminate. But on the other side of it it's almost like what's that look like, have we looked at it, do we have a game plan to do it, how are we going to deal with these items that are a big concern.

Chairman Dane explained these are questions she's been asking the team for the last nine-ten months, do you have a transition plan, could you do this, could you take over. She talked to George this morning about it, and she feels very confident that our team is capable and competent and can do the job that needs to be done to make sure that our carrier, 95% of our business, is okay. That's just her two cents on that. But she agreed those are legit concerns but they've been flushed out.

President Martz reiterated staff has explored these concerns; she realizes there needs to be an organized transition which is partly why we aren't saying "leave the keys on the table today". There is risk here, any change is going to be a challenge, but there's risks staying in the relationship too. She is confident that this team is ready to do this. While she's not an "aviation person", she is an "organization person" and ran a much larger organization than this. These are some of the best professionals she's ever worked with and they are highly competent, they know the business and she trusts what they say. The team has been thinking about this, they have been whiteboarding, we have given this some real thought. Honestly, part of the success of the transition will depend on OSI and whether or not it complies with its transition obligations under the contract, admittedly that's a big if. With respect to Allegiant, she and George have had conversations with Allegiant over the last couple of weeks. We had tried not to pull in our outside entities because this was an internal dispute, we were trying to resolve it internally.

We did alert Allegiant early on that there were issues here, and had a couple of conversations with them before it really started to come to a head. The letter that came out a couple of weeks ago, which included a letter from Allegiant in it, caused us to call them. We had a good conversation with them, they were not fully aware of everything that was going on here and it is completely reasonable that they would be concerned about the uncertainty of change as well. In the letter that went out on the 8th you saw OSI threaten to jack up prices on ground handling and fuel, it's going to create some uncertainty, we knew two weeks ago that was going to be an issue. There is a contract between OSI and Allegiant for ground handling, we know there is a notice period if they are not going to continue that service. We have already started looking for options. Ms. Martz doesn't expect that OSI or VINCI would burn a bridge with Allegiant. There's no telling what might happen, but we've already started talking to other partners and others who can address fueling and ground handling if that's necessary. We have an outline of how things would transition, but a lot of that will take coordination with OSI and quite frankly they've kept information from us so there's a lot we don't know. She felt there is risk in staying too.

Board Director Robertson inquired of John Green, OSI at the Atlanta Hartsfield Airport if this seems normal to him, is this how you operate in Atlanta.

John Green replied their scope of work is much different in ATL than SFB. He is not prepared to answer each one of those issues. He is comfortable that we've made progress on a good many of the issues. Ron Gerber has done a good job

in addressing many of the issues, we look forward to the opportunity to address the others.

Board Director Robertson inquired of John Green could he give us a timeline that if the Authority said, "hey we're going to give you one more chance you're going to prove it to us, that it isn't broken, it's just bent really sharply and jagged edges and instead of this six month delay on this and a one year delay on that." He knows Mr. Green runs a good ship as he checked on him in Atlanta. Can the Authority count on him to do something for this Authority and this Airport to get things done now, now, now, not a year from now.

John Green explained his three minutes for public comments ran quicker than he expected he was going to ask a board member to make a motion to give us until February 29, 2024 to remedy these issues and salvage the relationship with the Authority.

Board Director Ioppolo stated he was sorry but there are many issues that OSI won't even acknowledge that you have a legal obligation to remedy he's kind of hit the end of his rope.

Board Director Miller referenced the letter that this high end official of VINCI wrote to us and the City about Allegiant. All Nicole has to do is sit down with Thayne item by item, sentence by sentence go through that and refute them, the same way she can go to the other clients and refute. But the multiplicity of these items that have gone on for all of these years and the opportunities to remedy that it goes back to the gentleman that wrote that letter to the City and us. What was said in that letter is infuriating because of the lack of substance of it and further embroils him into the credibility which is coming out how can we trust them. Because if you're going to make statements like that coming from John's boss or whomever the title is that first has to change, that individual should come before this Board and the City and retract all of those statements and recommit the cooperation through OSI down to us if you want to have any chance of getting this person to listen to them.

Board Director Ioppolo inquired where's the check.

Chairman Dane didn't know how you enter, and continue a relationship with someone who threatens you the way we were threatened in a very public letter, on airport letterhead, and not written her guess by the person that signed it. There is no, the check isn't big enough, you couldn't bring me a big enough check at this point to continue to stay in a relationship with these people. Quite frankly, John Green is parroting the same thing that she's heard for the last nine months from OSI top down or VINCI top down. And what has happened he called Nicole to have coffee, your ship is sinking, show up, knock on her door, that is not the sign of a person who has an intention to correct a relationship. They want a period of time to correct because they got something else going on, she didn't know what it is, not her problem, her problem is this Airport and that slide show that was presented.

Board Director Smith explained his concerns are everything that we saw today in our slide show has been contested so how do you even agree to fix anything when you've already contested everything. You contested all of the repairs, and the maintenance. How do you go back now and say I'm not contesting; I'm going to go out and fix it all? You can't do that or your sinking your own ship. They're going to have to stay contesting which is not going to resolve it.

Board Director Robertson noted Board Director Ioppolo's motion was to terminate February 28th and heard him say something about or before. Is there anyway we can buy them out, would they sell out to us.

Chairman Dane felt we just need to let the legal team do what they do in accordance with the motion.

Board Director Crosby stated we get paid big bucks to make tough decisions, and we've drawn lines in the sand for months if not years so its put up or shut up in his opinion.

Board Director Ioppolo called the question.

Chairman Dane asked Board Director Bentley if he wanted to address the motion on the floor.

Board Director Bentley stated he supports everything that's been said, and agrees with Board Director Ioppolo. He pointed out he's the newest Board member right before Director Crosby but felt he could work for VINCI because he could do the same speech. He's been several places, including the meeting at the Hilton, and could go around and do that same presentation and sound exactly like they are.

Board Director Gregg stated as far as he's concerned this relationship is totally unrepairable and we just need to move on and he agreed with Board Director Ioppolo's motion.

Motion by Board Director Ioppolo, seconded by Board Director Crosby, that the Authority Terminate the Agreement with OSI and providing the effective Date of Termination to be February 28, 2024 or earlier if possible; and

Authorize the President, with the assistance from legal counsel, to send correspondence to OSI under the terms of the Agreement reflecting this Board's determination for same; and

Authorizing the President, with assistance from legal counsel, to send additional correspondence to OSI under the terms of any and all other agreements between the parties concerning the Termination as well as to all third parties for the transition of its obligations in the Agreement to the Authority. Vote was taken, none opposed. Motion passed unanimously.

5. OTHER BUSINESS

Chairman Dane asked George Speake if he circulated the VIP list for the Airshow.

George Speake replied it's still being finalized by staff, one other thing got in the way, we'll have it to you before the next Board meeting.

Board Director Smith requested before the next Board meeting to have a list of how we're going to accomplish everything we need to accomplish between now and February or now and December or whenever.

Chairman Dane introduced John Danneker, Shutts & Bowen litigation counsel with Brett Renton.

6. REMINDER OF NEXT BOARD MEETING (OCTOBER 3, 2023)

7. ADJOURNMENT

There being no further business, the meeting was adjourned at 1:11 p.m.

Respectfully submitted,



Nicole Martz, Esq., AICP
President & CEO
/lh

OSI Performance Discussion

September 18, 2023



HISTORY OF PARTIES TIMELINE

1995

Central Florida Terminals/TBI US construct international terminal and FIS to be managed by Orlando Sanford International (OSI). **Minimum Annual Guarantee, with Profit Share.**

2016

Audit reveals issues with OSI and OSD accounting. TBI US/OSI/OSD settle. OSD dissolved.

2018

Vinci purchases OSI and its parent entities.
November 2018 – First SAA/Vinci Joint Meeting

1999

SAA Constructs Domestic Terminal to be managed as agent by TBI US/Orlando Sanford Domestic (OSD).
Percentage Revenue Share Agreement

2017

OSI entered into Agreement for Operation and Management of the Terminal Parking Structures.
Percentage of Gross Revenue.

Contract Summary

- The basis for the relationship between Orlando Sanford, International, Inc. and the Sanford Airport Authority is the Operation and Management Agreement.
- Effective Date: January 1, 2017
- Termination Date: January 31, 2039
 - Unless extended or terminated early.
- Not a “Partnership.”
 - OSI is defined as “an independent contractor to the Authority for the operation and management of the Terminal Facilities...”
 - OSI is the Authority’s agent with respect to the operation and management of the Terminal Facilities in all dealings with third parties.
- Delegation of the Authority’s public function to OSI.

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<p>AGREEMENT FOR THE OPERATION AND MANAGEMENT OF THE ORLANDO-SANFORD INTERNATIONAL AIRPORT TERMINALS AND PARKING STRUCTURE BETWEEN SANFORD AIRPORT AUTHORITY AND ORLANDO SANFORD INTERNATIONAL, INC. EFFECTIVELY DATED: JANUARY 1, 2017</p>	
<p>ORLDOC'S 15406299_10 24307-0110 EXECUTION</p>	

Contract Summary – OSI Obligations



Terminal Operations – including management of the business relationships associated with the Terminal.



Maintenance and Repairs, including capital assets.



Air Service Development and Marketing.

Defaults To Date:

4/3/2023	Omnibus #1	Not Cured
4/3/2023	Health and Human Services	Cured (but repeated)
4/7/2023	Steel Support Column Corrosion	Not Cured
4/7/2023	Gutters	Not Cured
4/7/2023	Parking Lot Closure	Not Cured
4/14/2023	Bag Belts	Cured (93 days to cure)
4/20/2023	Palm Tree	Not Cured
4/20/2023	Bag Claim 3 & Terminal WC Complex	Not Cured
4/20/2023	Public Records	Not Cured
5/2/2023	Monthly Meetings	Cured
6/12/2023	Smoking Deck/Sky Lounge #1	Not Cured
8/16/2023	Smoking Deck/Sky Lounge #2	Not Cured
9/11/2023	Omnibus #2	Within First Cure Period



1200 Red Cleveland Blvd
Sanford, Florida 32773

April 3, 2023

**Via Facsimile, and Certified Mail,
Return Receipt Requested**

Attn: CEO and President
Orlando Sanford International, Inc.
3200 Red Cleveland Blvd.
Sanford, Florida 32773

Fax No. (407) 585-4545

**Via Facsimile, and Certified Mail,
Return Receipt Requested**

Attn: General Counsel
Orlando Sanford International, Inc.
3200 Red Cleveland Blvd.
Sanford, Florida 32773

Fax No. (407) 585-4596

NOTICE OF DEFAULT

YOU ARE HEREBY NOTIFIED that you are in default of that certain *Agreement for the Operation and Management of the Orland-Sanford International Airport Terminals and Parking Structure*, effectively dated January 1, 2017 (the "Agreement"), between Orlando Sanford International, Inc. ("OSI") and Sanford Airport Authority ("SAA"). Any capitalized term used in this Notice of Default (this "Default Notice") not otherwise defined herein, shall have the same definition and meaning as ascribed in the Agreement.

The SAA has made numerous good-faith attempts to try to assist and to encourage OSI to fully perform the Agreement—to no avail. Accordingly, as enumerated in Section 13.1 of the Agreement ("Contractor Event of Default"), the following constitute a "Contractor Event of Default":

I. Breaches of Section 2.3 of the Agreement

Section 2.3 of the Agreement declares that OSI shall maintain "the right and responsibility to perform in connection with the Terminal Facilities, all services that are commonly understood in the industry to be required for operation and management of a passenger airport terminal," except to the extent otherwise expressly provided. (emphasis added). It then further describes OSI's rights and responsibilities "with respect to certain specific functions." In contravention of such rights and responsibilities, OSI has breached—and continues to breach—multiple

Default 2023-01

April 3, 2023

Omnibus #1

Summary

- 2.3.5 Failure of Management of Agreements.
- 2.3.6 Failure to Maintain the Parking Garage, FIS Facility, Terminal Ramps, Jet Bridges, Vertical Transportation, and CMMS.
- 2.3.12 Failure of Marketing, Communications and Air Service Development.
- 2.7 Office and Administrative Space Breach.
- 12.1 Failure to provide Inspection of Records and Reports.
- 12.2.2 Failure to provide meaningful CMMS reports with required information.

Status as of 9/18/23 – NOT CURED

Management of Commercial Contracts Default



Required to be open per new agreement
6:55pm 9/17/23

Expired Commercial Contracts:

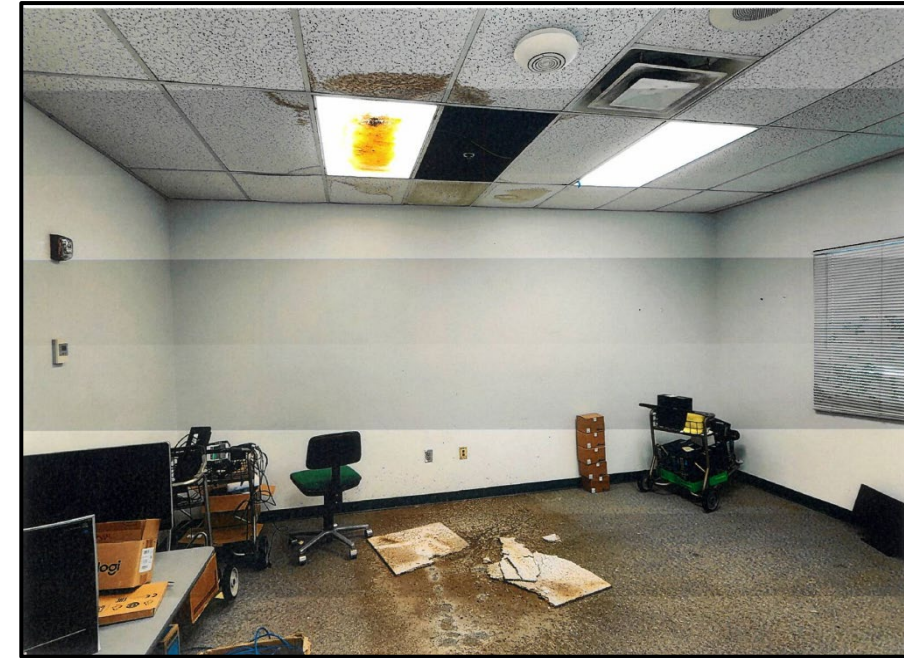
- Compass (vending) – 9/10/09
- Florida Van Rentals – 8/1/12, no written notice of renewal
- Sun Country NPAUA – 8/15/14
- Smarte Carte (luggage carts) – 4/16/2011

Contracts Expired before Renewal:

- SSP “Domestic” expired 12/31/2019 – addendum 9 executed 1/4/22, backdated.
- AVIS-Budget/HERTZ-Dollar/Enterprise-Alamo – 5/31/23, extended 5/2/23
- Alpha Inflight (in flight catering) - 3/31/23. Renewal executed 7/11/23, backdated.
- Flair NPAUA – expired 6/22/23 (Incentive agreement to expire end of this month)

FIS Defaults

- ✦ Failing to replace flooring removed by OSI in the FIS Facility.
- ✦ Failing to properly maintain and repair the roof of the FIS Facility such that leaks have caused, among many other things: (a) cracks in the ceiling, (b) water damage and discoloration of ceiling tiles, and (c) potential biological contaminants in air vents and ceiling tiles.
- ✦ Failing to properly maintain and repair the plumbing, such that discolored water and materials leaked through the roof and into the FIS.
- ✦ Failing to timely respond and perform corrective maintenance to incidents at the Terminal Facilities. As a specific example, OSI received reports of discolored water and materials leaking through the roof and into the FIS Facility on March 17, 2023. As of March 26, 2023, no action had been taken by OSI to address or resolve this matter. OSI took more than a week to send ServPro out to investigate the issue—who deemed the issue a Category Three (the highest) contamination event.



FIS Defaults

OSI Response

- ✦ It contested the default and/or claimed it is in progress to cure or cured.
- ✦ OSI claims that it “completes predictive maintenance as needed whenever it is alerted to an issue with the roofing system.”
- ✦ OSI stated that it entered into a contract in 2020 with Advanced Roofing to perform an assessment of the Terminal Facilities roof and provide a preventative maintenance plan.
- ✦ OSI also asserts OSI states that any discolored ceiling tiles have all been removed and replaced, curing the issue.
- ✦ Blames condensation for the discolored ceiling tiles.

History/Status

8/2/22	SAA transmitted two third-party reports outlining water damage.
9/20/22 to 1/19/23	SAA requested on no less than 5 occasions a copy of OSI report.
1/19/23	SAA filed a public records request.
1/23/23	SAA received a copy of the one-page report from OSI. The report was dated 10/27/22.
4/3/23	Notice of Default
9/1/23	WO 7176218 states 13 ceiling tiles need replaced that have stains from a roof leak in the FIS lounge.
9/18/23	SAA Board Meeting – Leaks still occurring in FIS..... 168 Days later.



FIS Defaults



Elevator Defaults

Failing to:

- ✦ Properly maintain and repair Elevator No. 2, Elevator No. 3, Elevator No. 4, Elevator No. 5, and Elevator No. 12, so as to avoid and/or correct the forty-five (45) deficiencies noted by Lerch Bates in its November 29, 2022 report, including without limitation, deficient cleaning, improperly fastened travel cables, inoperable sump pump(s), and water intrusion;
- ✦ Immediately begin to repair the deficiencies found in Elevator No. 2, Elevator No. 3, Elevator No. 4, Elevator No. 5, and Elevator No. 12, as recommended by Lerch Bates in its November 29, 2022 report;
- ✦ Include all elevators in inspections in subsequent elevator inspection reports, so as to ensure standard routine maintenance and repairs and to comply with preventative maintenance and corrective maintenance obligations. Those specifically excluded include Elevators No. 1, 7, 8, 9, 10, and 11;
- ✦ Properly maintain and repair Elevator No. 1, such that a bad seal on the hydraulic jack has caused a relay to repeatedly trip, resulting in closures of such elevator, even as recently as February of this year;
- ✦ Replace the controller in Elevator No. 1, which Schindler declared as past its useful life in its February 1, 2021 inspection report;
- ✦ Properly maintain and repair Elevator No. 5, such that a layer of water currently lies in the pit under Elevator No. 5;
- ✦ Replace Elevator No. 7, which Schindler declared as obsolete in its February 1, 2021 inspection report;
- ✦ Properly maintain and repair Elevator No. 8 in manner resulting in its closure since January of 2022;
- ✦ Replace Elevator No. 9, which Schindler declared as obsolete in its February 1, 2021 inspection report;
- ✦ Properly maintain Elevator No. 9, which resulted in its closure from approximately June 6, 2022, through February 15, 2023, as well as sporadically throughout 2021;
- ✦ Repair a gouge in the shaft of Elevator No. 9, despite knowledge of such issue for over four (4) years; and
- ✦ Replace Elevator No. 10, which Schindler declared as obsolete in its February 1, 2021 inspection report.

Plus, overall inadequate maintenance of the Terminal Facilities in a manner that Lerch Bates has characterized as “lead[ing] to decreased equipment lifecycle, preventable shutdowns and unnecessary cost outside of the maintenance agreement.”

Escalator Defaults

Failing to:

- ✦ Properly maintain and repair Escalators Nos. 1, 2, 3, 4, 5, and 6, so as to avoid and/or correct the eighteen (18) deficiencies noted by Lerch Bates in its November 29, 2022 report, which ranged from deficient cleaning creating fire hazards, to improper wiring and derelict handrails;
- ✦ Properly maintain Escalators Nos. 1 through 4, such that their lack of cleanliness has been identified as a potential fire hazard at the Airport;
- ✦ Properly maintain Escalator No. 5 and Escalator No. 6, such that Lerch Bates recommended their immediate modernization in its November 29, 2022 report; and
- ✦ Promptly modernize Escalator No. 5 and Escalator No. 6, as recommended by Lerch Bates in its November 29, 2022 report.

Plus, overall inadequate maintenance of the Terminal Facilities in a manner that Lerch Bates has characterized as “lead[ing] to decreased equipment lifecycle, preventable shutdowns and unnecessary cost outside of the maintenance agreement.”

Elevator and Escalator Defaults

Per OSI's Lerch Bates Report :

- Typical Elevator Lifespan: 20-25 years.
- Typical Escalator Lifespan: 25-30 years.

Although the typical lifespan is cited at the above durations, Lerch Bates noted: "Overall adjustments, maintenance and housekeeping need immediate improvement. Lack of any one of these items leads to decreased equipment lifecycle, preventable shutdowns and unnecessary cost outside of the maintenance agreement. Immediate attention to the deficiency list is highly recommended and spot audits to ensure continued effort is recommended."

This indicates that the actual lifespan of these facilities could be less than typical due to subpar maintenance.

Elevator and Escalator Defaults

OSI Response

- ✦ Rather than use its vast resources to perform such maintenance as required by the Agreement, OSI elected to contest whether the Schindler's and Lerch Bates' professional recommendations impose obligations upon OSI, and/or to challenge whether OSI is obligated to do anything in light of those inspection reports.
- ✦ OSI hired KONE on April 25, 2023, to provide ongoing regular maintenance to the elevators and escalators. KONE is to do an assessment of the elevators and escalators and then OSI will assess and determine what needs to be addressed.
- ✦ In its response to the Notice of Default, OSI claimed that certain deficiencies noted in the Notice of Default have been addressed without identifying which one(s).

Status

- ✦ Out of the six escalators only two have been partially cleaned and repaired.
- ✦ With the exception of the two new elevators (11 and 12) and Elevator 9, the remaining Terminal elevators are obsolete.
- ✦ Escalator 4 (up escalator to security screening) was down for roughly three months causing operational issues.
- ✦ Escalator 6 in the East Terminal has gone down 28 times this year (handrail safety switch and pressure plate sensor issues.)
- ✦ OSI has failed to cure within sixty (60) days all of the identified defaults and no assurances or security have been provided to the Authority to extend the Cure Period(s).
- ✦ Requests for copies of any contracts or payments made under same to address these deficiencies have been ignored by OSI or refused.

Jet Bridges Default

Failing to perform routine maintenance of Terminal Facilities, including, without limitation, the passenger boarding bridges located at Gate No. 1, Gate No. 2, Gate No. 3, and Gate No. 4 .

Timeline:

2/23/21 - CO issued by the City of Sanford.

4/30/21 – OSI uses Gate 4 for the first time.

6-8/2021 – OSI coordinates inspections and repairs of PBB 1-4.

3/25/23 – OSI notifies SAA it is closing PBB 1-4 without explanation.

3/27/23 – OSI transmits a report indicating structural “integrity issues.”

5/3/23 – OSI disavows responsibility for the PBB 1-4, claiming it did not take over responsibility until 3/2023 – throws it back to SAA.

5/2023 – In order to address the issue, SAA deals directly with Walbridge.

8/3/23 - Walbridge completed the repairs of these items on August 3, 2023, within 104 days of being notified.

Jet Bridges Default

Status:

- ✦ SAA advised SAA of Walbridge's completion of the work of 8/8/2023.
- ✦ The report OSI used as a basis for closing the PBBs identified a number of maintenance issues related to the PBBs. These maintenance issues fall within OSI's obligations under the Terminal Management Contract.
- ✦ To date, these maintenance items have not been completed by OSI and PBBs 1-4 remain closed to the public.
- ✦ These bridges were constructed a great expense to SAA and the inability to have the use of bridges has a significant adverse material effect on the Airport's operations, and the failure to maintain the bridges results in the deterioration of the condition, and value, of the Authority's Fixed Assets.



Parking Garage Defaults - Background

- ✈ 2/27/19 – OSI requests proposal for garage assessment....nothing happens...
- ✈ 7/3/21 – OSI circles back to consultant to resurrect the request for a proposal.
- ✈ 9/24/21 – Contract with Desman Design Management executed.
- ✈ 11/2/21 – 1st Draft of Garage Assessment Report submitted to OSI.
- ✈ 3/1/22 – Final Draft (#7 by the records provided to us) submitted to OSI.
- ✈ OSI spent the 4 months between the first draft and the 3/1/22 draft requesting revisions to revise characterizations of the safety of the structure and to remove details regarding specific repairs and pricing from the version to be provided to SAA.


Parking Garage Defaults - Background

The initial version of the report:

B. SUMMARY OF FINDINGS From our observations and review of the existing documents, DESMAN has found the facility **generally in fair condition** overall **with areas deemed in poor condition** including portions of the Top Level and overhead areas on lower levels. **The facility was found to be structurally safe with repairs identified in this report.** The garage has been in service for nearly twelve years and it does not appear that a major maintenance repair program has been implemented. The garage will require preventive maintenance and repair measures for the continued maintenance of the facility to preserve its long-term economic viability.

The version of the report provided to SAA:

From our observations and review of the existing documents, DESMAN has found the facility **generally in fair condition** overall with **no structural concerns.**



Parking Garage Defaults - Background

The initial version of the report:

Within this summary, recommended maintenance measures have been categorized as “Near Term” and “Long Term” or Programmed Maintenance repairs. “Near Term” repairs include the work required to be completed in the first few years to maintain the facility in a safe condition. The initial “Near Term” repairs should be addressed within twelve months of the condition assessment. Deferring the “Near Term” repairs will further undermine the structural integrity and serviceability of the garage which in turn increases the repair quantities and associated costs. Programmed Maintenance repairs are those which include preventive and scheduled maintenance to extend the service life of the facility.

The version of the report provided to SAA:

Within this summary, recommended maintenance measures have been categorized as “Near Term” and “Long Term” repairs. “Near Term” repairs include the work required to be completed within 0-3 years of the condition assessment to maintain the facility in a safe and serviceable condition.

Parking Garage Defaults - Background

From: James P. HACK

Sent: Tuesday, November 23, 2021 11:25 AM

To: Santos, Mark <msantos@desman.com>

Subject: RE: Orlando Sanford Int'l Airport Parking Garage Assessment - DESMAN October Invoice

Mark,

A few items the company is looking for

1. We would like a high-level structural report stating the safety of the garage. The intent of this report is to give to the owner/ airport authority to show the building is safe.
2. In our report, we would like you to quantify what condition stands for (fair, poor, and good).
3. The verbiage about trip hazards and ADA compliance removed from this report, not in scope.

I have asked our lawyer to send me her questions and if I receive them, I will forward them to you, but I think I got most of her items listed above.

The last thing that was emphasized is we are working with you on the garage and do not want any communications between the airport authority and your firm.

Parking Garage Defaults - Background

From: James P. HACK

Sent: Wednesday, February 02, 2022 2:22 PM

To: Luz, Christian <cluz@desman.com>

Subject: RE: Condition Assessment Report update

Christian,

Other than Stephanie's comment about the name referenced, there is a concern about the statement below.

Deferring the "Near Term" repairs will further undermine the structural integrity and serviceability of the garage which in turn increases the repair
(NOTE: The highlighted emphasis here was included in the original e-mail transmission)

This would have us searching for \$500,000 in our budget this year which was not budgeted for. I am not sure if this can be worded differently?

This line would be in a abbreviated version as well if one was going to be provided to include just 1. Introduction and 2. Executive Summary.

I am getting estimates for #1 and 2 of the near-term repairs, but with budget constraints both may not be completed this calendar year.

I asked Dave for his input so if anything, else arises I will let you know.

Parking Garage Defaults - Background

From: James P. HACK
Sent: Thursday, February 10, 2022 2:47 PM
To: Luz, Christian <cluz@desman.com>
Cc: Shannon Bentz <sbentz@desman.com>
Subject: RE: Updated Condition Assessment report

Chris,

The highlighted section, I do not think the intention is to give out this information. We intend to do the repairs but do not need outside eyes on our cost of doing business. This will be better served for us during contract negotiations/extensions. (Note: The highlighted Section addressed costs.)

Jim



Parking Garage Defaults - Background

From: James P. HACK

Sent: Wednesday, February 23, 2022 8:00 AM

To: Christian Luz <cluz@desman.com>

Subject: FW: Garage Assessment Report

Chris,

It seems like we would like to eliminate any section that has cost in the full document, mainly Section 2.C and all of section 5. The remaining Pg 21,23 and 24 are items the team does not feel are not relevant for this report.

Below is from our president and she has the final say.

From: Elizabeth M. Brown <Elizabeth.Brown@aww.aero>

Sent: Tuesday, February 22, 2022 3:28 PM

To: James P. HACK <James.Hack@aww.aero>; Stephanie Griffin <Stephanie.Griffin@aww.aero>

Subject: Garage Assessment Report

ATTORNEY-CLIENT PRIVILEGED INFORMATION REDACTED

Parking Garage Defaults

- ✦ Failing to properly maintain and repair the Airport's parking garage. OSI's professional consultant, Desman Design Management ("Desman"), expressly characterized areas of the garage as in "poor condition," such as portions of the top level of the garage, among others.
- ✦ Failing to implement a meaningful maintenance repair program for the Airport's parking garage, as noted by Desman.
- ✦ Failing to properly and timely perform predictive maintenance of the Airport's parking garage by taking over two years to obtain an assessment of the parking garage from the date upon which OSI first recognized the need for such assessment.



Marketing and Air Service Default

Section 2.3.12(e) (ii and iii) of the Agreement require OSI to

“...maintain a full-time Director of Marketing whose primary focus is to work with the Authority to develop new air service and maintain/grow existing air service...” and

“...provide the Director of Marketing with all of the necessary resources to work with the Authority to execute the goals and objectives of Section 2.3.12 including without limitation the services of an Air Service Consultant...”

OSI Response

- ✦ OSI contested the default, with a convoluted explanation of why the obligation to “maintain a full-time Director of Marketing” does not require OSI to maintain a full-time Director of Marketing.
- ✦ OSI takes the position that it employs a Director of Air Service Development & Commercial Development, Todd Payne. OSI contends that Mr. Payne was hired in 2021, and OSI has started a new air service outreach including a refreshed airline incentive program and an aggressive outreach to airlines world-wide and to incumbents.
- ✦ OSI also notes that Mr. Payne is assisted by Marketing Manager, Raul Veizaga, and an Air Service Analyst, Alexandre Darpy, but admits that Mr. Payne is also responsible for managing commercial contracts for the Terminal Facilities

Marketing and Air Service Default

Status

Mr. Payne provides the following description of his job on LinkedIn, which encompasses most of—if not all of—the commercial activities conducted by OSI at the Airport:

- Executive Management Team Director for private airport management company responsible for air service pursuit, marketing, commercial operations including concessions, car rental, parking and terminal advertising. My role is in coordination with the local Sanford Airport Authority and international VINCI Airports team.

Thus, “air service pursuit” merely constitutes one of multiple responsibilities listed by Mr. Payne as falling under his purview. Furthermore, Mr. Payne’s profile indicates that he is employed by Vinci Airports and not OSI. OSI does not employ and maintain a Director of Marketing “whose primary focus is . . . to develop new air service and maintain/grow existing air service at the Airport through various outreach efforts.”

Marketing and Air Service Default

The direct impact of NOT having a full-time Director of Marketing is evident when considering OSI's complete failure to attain any of the specific marketing and Air Service goals and objectives set forth in the Agreement. Section 2.3.12(b) (ii) of the Agreement provides:

- **Marketing and Air Service Development** (Contract Section 2.3.11)
 - Purpose - Increase the amount of Airport passengers, attract new air carriers to the Airport, expand the number of markets served, attract new and/or expand existing aeronautical and non-aeronautical business at the Airport, attract local business to the Airport, and increase local community awareness of and involvement with the Airport
 - Goals:
 - Increase the number of air carriers at the Airport. – Fail
 - Increase the number of businesses and annual business revenues at the Terminal Facilities. – Fail
 - Increase the Airport brand identity through measurable terms to be established and mutually agreed to by the Parties – Unknown because measurable terms have not been established.
 - Increase the amount of new inbound and outbound markets to and from the Airport. – Say a prayer of gratitude for Allegiant and Flair.
 - Increase the number of inbound and outbound passengers to and from the Airport. Fail – below 2017 levels
 - Retain the existing air carrier service. Fail
 - Add to the frequency of existing services. – No meaningful gains
 - Improve service reliability (recognizing many service reliability issues are out of the Party's control) – Measurement not established, or if so, not shared with SAA.

Marketing and Air Service Default

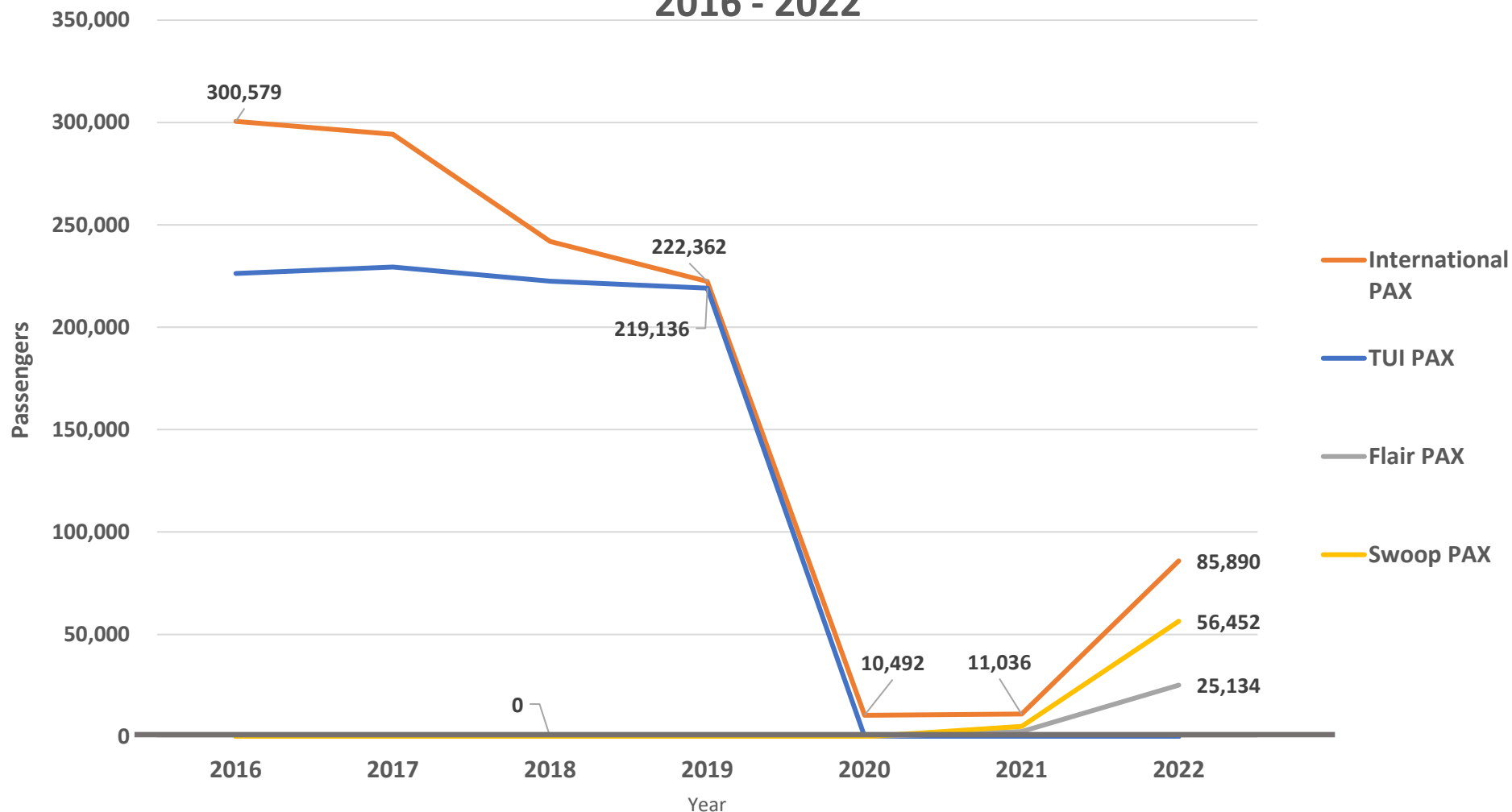
Since 2017:

- ✦ The Airport has achieved zero net gain of carriers;
- ✦ It has reported a lower passenger volume;
- ✦ It has lost numerous air carrier service providers such as TUI Group and Swoop, Inc.; and
- ✦ It has failed to create measurable terms to analyze improvements to brand identity.
- ✦ This was highlighted by the Joint Meeting presentation by OSI on March 24, 2023, where OSI showed zero net new carriers (internationally or domestically) and instead modeled its growth off of Allegiant's growth alone.





SFB: TUI, Flair, Swoop, and Total International PAX 2016 - 2022





CONSEQUENCES:

- Reduced staffing in Customs creating a challenge for Air Service
- Impacts to concession spending and federal grant appropriations
- Reduction in ground transportation revenue

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Sarasota Bradenton airport is getting a major makeover. Here's what's coming in 2023

[Laura Finaldi](#) and [Derek Gilliam](#) Sarasota Herald-Tribune

Published 4:00 a.m. ET Jan. 6, 2023 | Updated 3:56 p.m. ET Jan. 6, 2023

Hear this story



“The airport welcomed a record 3,163,543 passengers in 2021, a 155% increase over 2020 and a 61% increase from 2019. Total passenger traffic for 2022 is expected to be around 3.8 million, according to the airport.”

NOWCAST WESH 2 News at Noon

Watch on Demand

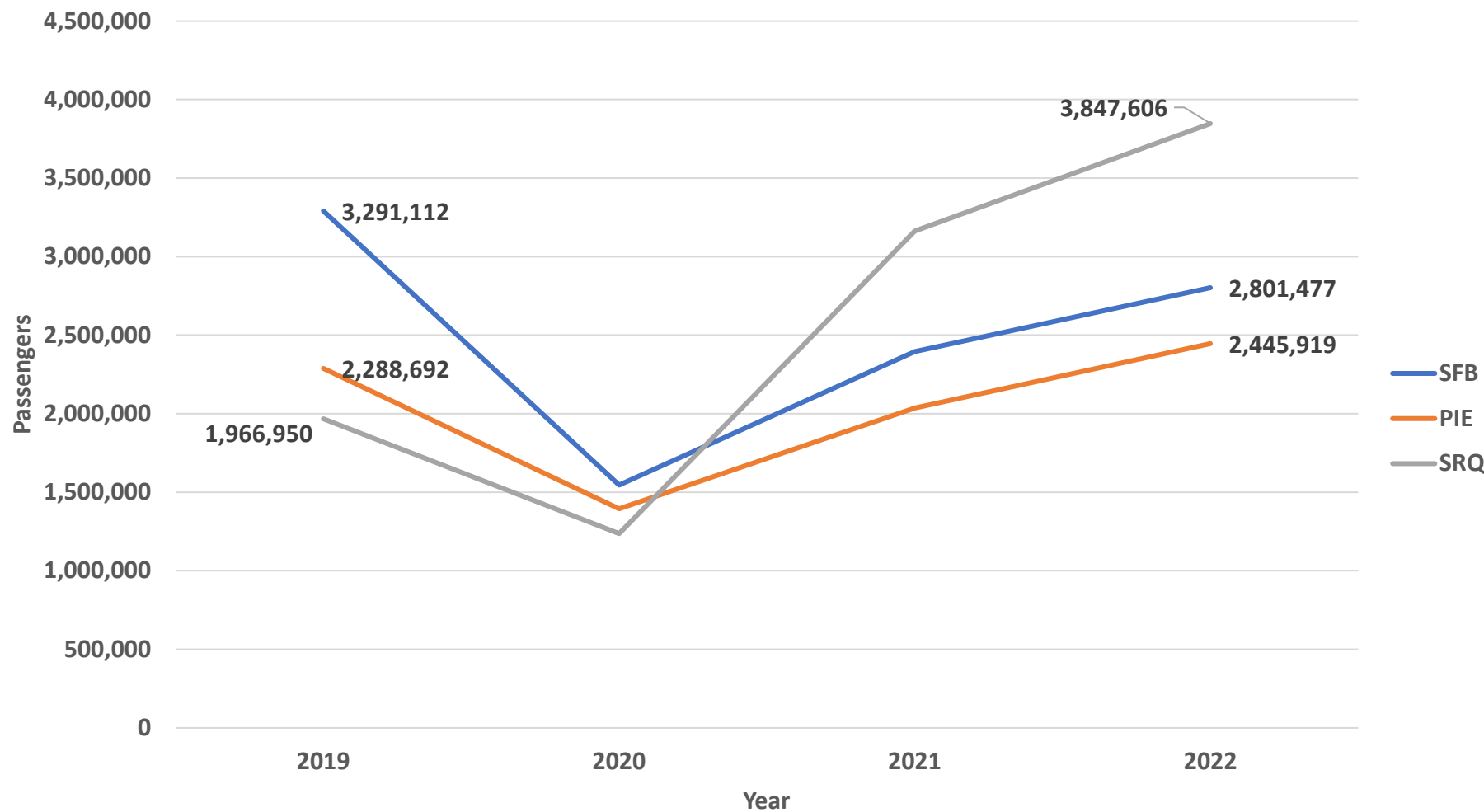


Updated: 2:48 PM EDT Mar 16, 2023

79°
WEATHER SEARCH

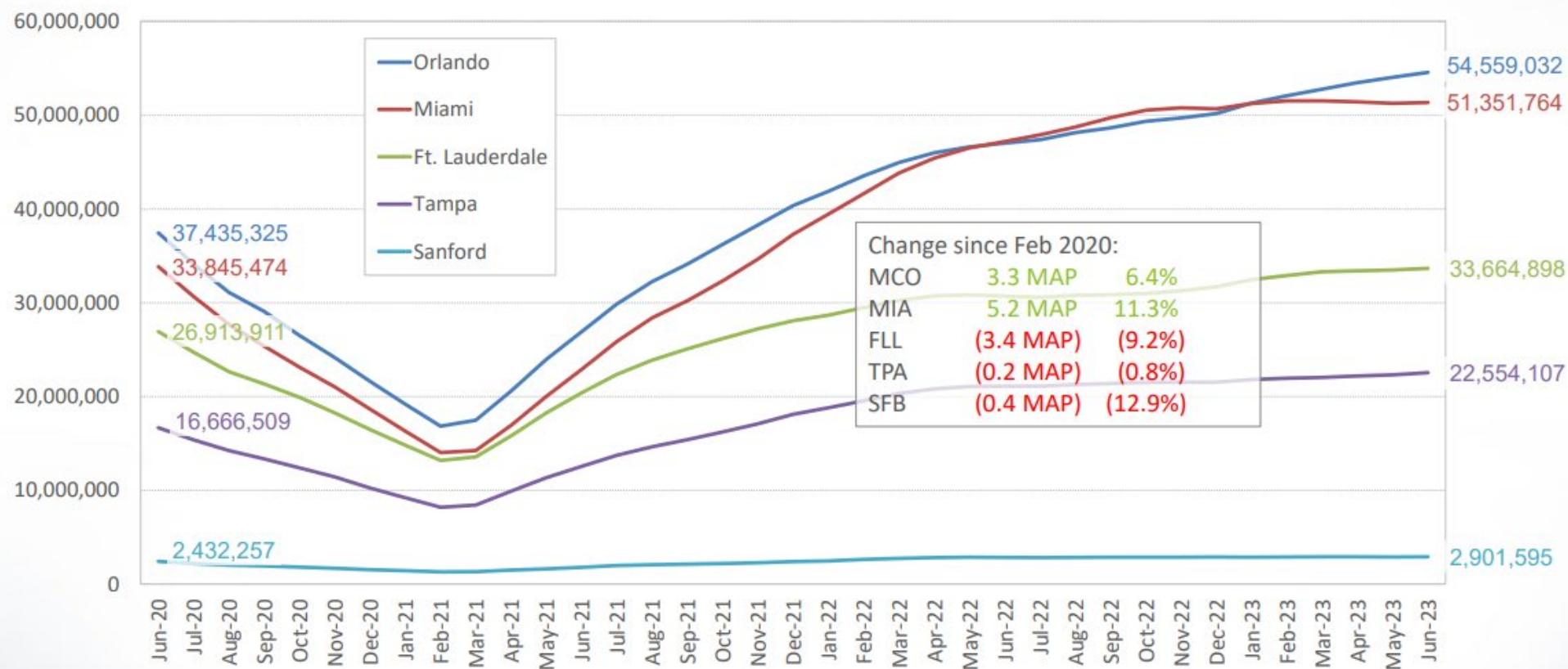
Orlando International Airport sets new record for busiest day in history

PAX 2019 - 2022 Comparison SFB, PIE, SRQ



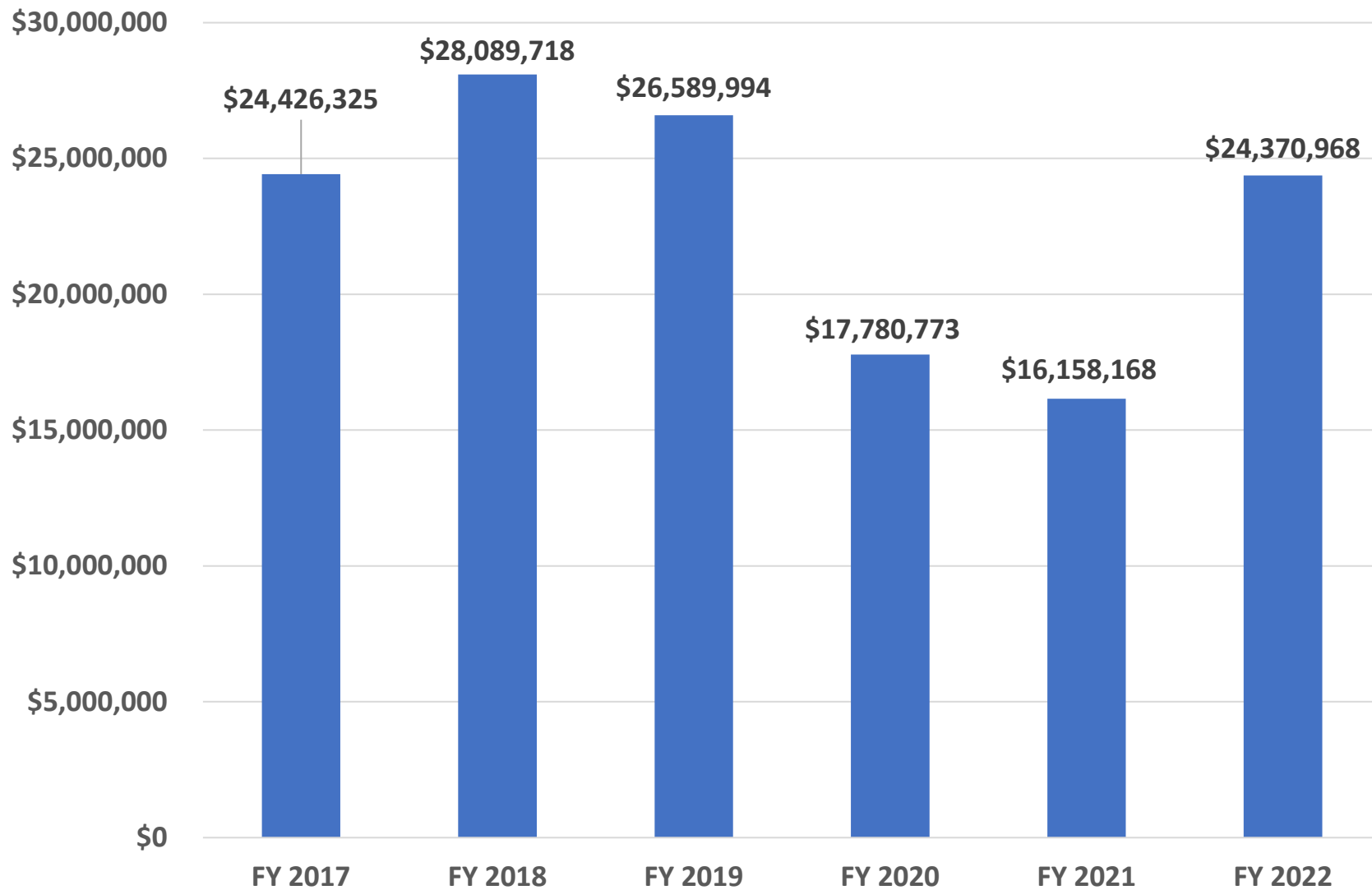
**% Change
2019 - 2022**
SFB: - 15%
PIE: + 7%
SRQ: +96%

FLORIDA AIRPORTS ROLLING 12-MONTH PASSENGER TRAFFIC



Source: Airport web sites for select Florida airports.

Passenger Revenue FY 2017 - FY 2022



Context Matters...

“OSI’s commercial performance has been outstanding. Passenger numbers are up compared to prior years, and the SAA’s share of Terminal Revenue (generated by OSI) is 13% over budget. The SAA’s other revenue streams, which it controls, are barely at budget or are under budget. As the attached charts show, per passenger spend at SFB in key commercial metrics (food/beverage, rental car, and retail) is above or equal to the Airport’s benchmark competitors. Ex. 4. As SAA’s CFO told the City on August 28, 2023, the “name of the game in the Airport business is to generate as much non-airline revenue as possible.” OSI, not SAA Staff, negotiates, manages, and operates all commercial operations at the Airport.”

- ✦ The Authority’s FY23 budget was conservatively built on a per passenger revenue level guided by the FY 2021 per passenger in terminal spend patterns. FY21 was very much in the throws of the COVID recovery with Food and Beverage and Rental Cars especially depressed.
- ✦ Passenger recovery FY23 year-to-date was 5.5% at the time of the Sanford City Commission presentation which underperforms to budgeted pax growth.
- ✦ The 13% over current year budget figure OSI is citing is largely a product of CPI increases rather than program enhancement.
- ✦ The more relevant comparison is one which adjusts for substantial increases in the consumer price index OSI appears to be ignoring.
- ✦ While it is also true per passenger spend levels in FY 2022 approximated the FY 2018 level, inflation has increased 24% in that period.
- ✦ Roughly speaking, per passenger sales should be 13% higher than they are now and that’s without any actual improvements to enhance the program. 2023 projected in terminal revenues, on an inflation adjusted basis, will finish the current FY lower than FY 2019.
- ✦ Of even more significance, if a comparison is made of the average passenger revenue in 2017, the year the current OSI agreement went into effect, to current year, it should be 31.6% higher than it is now on an inflation adjusted basis.

Unauthorized Use of Space Default

Section 2.7 of the Agreement permits OSI to use certain space in the Terminal at no cost provided it is related to carrying out OSI's obligations under the Agreement. However, any third-party occupying space in the Terminal Facilities must enter into a tri-party Terminal Agreement with the Authority and OSI.

SAA provided a Notice of Default to OSI because it has allowed its affiliates to use certain space for free at the Airport in violation of Section 2.7 of the Agreement. This has deprived the Authority of rental fees that it otherwise should have received.

OSI Response

OSI asserts that OSI or its affiliates are permitted to use the Terminal free of charge and are exempted from entering into any agreements for the use of the space. OSI also argues that its use of the space has had no impact on the Authority and accordingly there is no Event of Default.

Status

OSI continues to allow employees of its affiliates (i.e. TBI and Vinci) to utilize the Terminal facilities free of charge. This not only violates the terms of the Management Agreement, but also places our federal funding at risk.

CMMS and Reporting Defaults

Sections 12.2.1 and 12.2.2(c) of the Agreement, provide, in pertinent part, as follows:

12.2.1 Periodic Reports.

The Contractor shall provide: periodic reports to the Authority on such aspects of the operation of the Terminal Facilities as the Authority may reasonably request from time to time,

12.2.2 Additional Monthly Reporting Requirements of the Contractor. The Contractor shall provide:

** * * * **

(c) A written report for the operation, maintenance, repair, and replacement activities, using a CMMS-generated monthly (and a quarterly consolidated) report, and incorporating a defined scope of activities to be approved by the Authority that will be included in the CMMS report, and which will include, but not necessarily be limited to the status of repair completion of any given item and the related costs (emphasis added)), all with allowable access to the CMMS reporting system.

Status

OSI remains in violation of Sections 12.2.1 and 12.2.2(c) as the written reports generated on the CMMS system do not contain all information from which to run accurate reports and the information does not include the cost of repairs as required by this provision.



1200 Red Cleveland Blvd
Sanford, Florida 32773

April 3, 2023

**Via Facsimile, and Certified Mail,
Return Receipt Requested**

Attn: CEO and President
Orlando Sanford International, Inc.
3200 Red Cleveland Blvd.
Sanford, Florida 32773

Fax No. (407) 585-4545

**Via Facsimile, and Certified Mail,
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Attn: General Counsel
Orlando Sanford International, Inc.
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NOTICE OF DEFAULT

YOU ARE HEREBY NOTIFIED that you are in default of that certain *Agreement for the Operation and Management of the Orlando-Sanford International Airport Terminals and Parking Structure*, effectively dated January 1, 2017 (the "**Agreement**"), between Orlando Sanford International, Inc. ("**OSI**") and Sanford Airport Authority ("**SAA**"). Any capitalized term used in this Notice of Default (this "**Default Notice**") not otherwise defined herein, shall have the same definition and meaning as ascribed in the Agreement.

Previously, on June 19, 2019, the SAA sent a Notice of Default to OSI enumerating numerous multiple Contractor Events of Default, as defined in Section 13.1 of the Agreement, based upon the results of an inspection conducted by the Department of Health and Human Services/Food and Drug Administration on June 13, 2019. A copy of this prior Notice of Default is attached to this Notice of Default. Unfortunately, it has recently come to our attention that OSI has failed to rectify these issues, including without limitation, fecal matter inside the uncapped and unsecured hoses kept on Lavatory Trucks # 701, # 703 and an additional unnumbered truck. For your convenience and review, we enclosed pictures taken on March 27, 2023 of these issues—each of which constitute a Contractor Event of Default under the Agreement.

Pursuant to Section 13.3 of the Agreement ("**Notice and Cure**"), you have thirty (30) days from the date of receipt of this Default Notice to:

Default 2023-02

April 3, 2023

13.1 Department of Health and Human Services/Food and Drug Administration operational violation in relation to Lavatory Trucks.

OSI Response:

OSI contested the default and/or claimed it is cured. Specifically, OSI notes that it did not believe this to be a life safety issue, however OSI inspected the Lavatory Trucks and OSI maintains that they do not show any signs of fecal matter or uncapped or unsecured hoses.



Status – CURED, but...repetitive.



1200 Red Cleveland Blvd
Sanford, Florida 32773

April 7, 2023

**Via Facsimile, and Certified Mail,
Return Receipt Requested**

Attn: CEO and President
Orlando Sanford International, Inc.
3200 Red Cleveland Blvd.
Sanford, Florida 32773

Fax No. (407) 585-4545

**Via Facsimile, and Certified Mail,
Return Receipt Requested**

Attn: General Counsel
Orlando Sanford International, Inc.
3200 Red Cleveland Blvd.
Sanford, Florida 32773

Fax No. (407) 585-4596

NOTICE OF DEFAULT

YOU ARE HEREBY NOTIFIED that you are in default of that certain *Agreement for the Operation and Management of the Orlando-Sanford International Airport Terminals and Parking Structure*, effectively dated January 1, 2017 (the "**Agreement**"), between Orlando Sanford International, Inc. ("**OSI**") and Sanford Airport Authority ("**SAA**"). Any capitalized term used in this Notice of Default (this "**Default Notice**") not otherwise defined herein, shall have the same definition and meaning as ascribed in the Agreement.

The SAA has made numerous good-faith attempts to try to assist and to encourage OSI to fully perform the Agreement—to no avail. Accordingly, as enumerated in Section 13.1 of the Agreement ("**Contractor Event of Default**"), the following constitute a "Contractor Event of Default":

I. Breach of Section 2.3.6 of the Agreement

Section 2.3.6(a) of the Agreement declares that "the Contractor shall perform standard routine maintenance and repairs, predictive maintenance, preventative maintenance, and corrective maintenance of the Terminal Facilities, including, without limitation, the Fixed Assets." OSI has, however, breached these routine maintenance and repair obligations as follows:

Default 2023-03

April 7, 2023

2.3.6 Failure to maintain the terminal building.

Steel Support Corrosion – Gates 5/9 Pier – 10+ columns



Status as of 9/18/23 – NOT CURED

Structural Support Default

Timeline:

12/30/22 - OSI entered a work order into CMMS with a request to "straighten siding on a column."

1/2/23 – OSI "removed sheathing on one side to inspect column."

4/4/23 – SAA commissioned a review by a structural engineer. The report confirmed that "...the current condition observed is not severe enough for an immediate concern of collapse or damage to the framing above" but "[i]f not addressed, the corrosion will advance further, weakening the column enough to allow for displacement to occur during a high wind event." The report also recommended "a formal structural investigation of all the columns associated with the old International Concourse."

4/7/23 – Notice of Default issued.

4/24/23 - OSI conducts an assessment of the single column. States repairs will be done by 5/4/23. 5/4/23 – Repairs are not initiated.

5/25/23 – OSI sends correspondence contesting its responsibility for repair.

8/16/23 – OSI supplies a structural engineer's initial assessment of 11/12 columns at Gates 5/9 and two columns at the Smoking Deck/Skylounge. Engineers recommends cleaning then reinspection if greater than 5% surface area lost.

8/28/23 – Repair on the single column begins. 143 days after the Notice of Default is issues; 261 days after it is exposed for inspection by OSI.

9/13/23 – OSI enters WO7198085 to remove fire retardant for inspection. Work Order is "Pending Resolution".



Structural Support Default

OSI Response

- ✦ The compromised support beam holding up the concourse to Terminal A does not create a Material Adverse Effect.

Status

- ✦ The permit for the repair of the structural support beam has not been finalized with the City of Sanford.
- ✦ 9/13/23 – OSI enters WO7198085 to remove fire retardant for inspection. Work Order is “Pending Resolution”.
- ✦ SAA is still waiting for information on the rest.





1200 Red Cleveland Blvd
Sanford, Florida 32773

Default 2023-04

April 7, 2023

April 7, 2023

**Via Facsimile, and Certified Mail,
Return Receipt Requested**

Attn: CEO and President
Orlando Sanford International, Inc.
3200 Red Cleveland Blvd.
Sanford, Florida 32773

Fax No. (407) 585-4545

**Via Facsimile, and Certified Mail,
Return Receipt Requested**

Attn: General Counsel
Orlando Sanford International, Inc.
3200 Red Cleveland Blvd.
Sanford, Florida 32773

Fax No. (407) 585-4596

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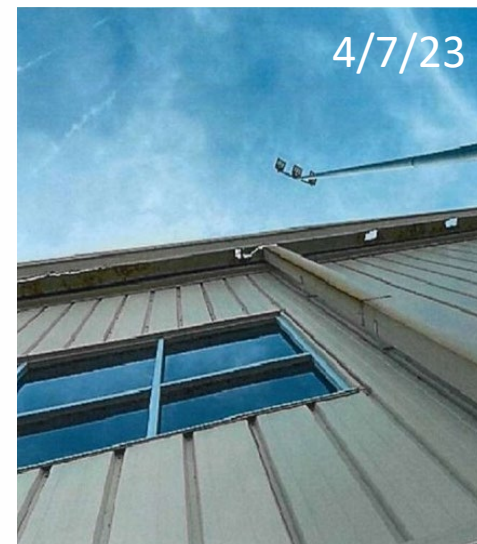
The SAA has made numerous good-faith attempts to try to assist and to encourage OSI to fully perform the Agreement—to no avail. Accordingly, as enumerated in Section 13.1 of the Agreement ("**Contractor Event of Default**"), the following constitute a "Contractor Event of Default":

I. Breach of Section 2.3.6 of the Agreement

Section 2.3.6(a) of the Agreement declares that "the Contractor shall perform standard routine maintenance and repairs, predictive maintenance, preventative maintenance, and corrective maintenance of the Terminal Facilities, including, without limitation, the Fixed Assets." OSI has, however, breached these routine maintenance and repair obligations by

2.3.6 Failure to maintain the terminal building.

Gutters – FIS, East Terminal, and Gates 11-12



Status as of 9/15/23 – NOT CURED

Default 2023-05

April 7, 2023



1200 Red Cleveland Blvd
Sanford, Florida 32773

April 7, 2023

**Via Facsimile, and Certified Mail,
Return Receipt Requested**

Attn: CEO and President
Orlando Sanford International, Inc.
3200 Red Cleveland Blvd.
Sanford, Florida 32773

Fax No. (407) 585-4545

**Via Facsimile, and Certified Mail,
Return Receipt Requested**

Attn: General Counsel
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Sanford, Florida 32773

Fax No. (407) 585-4596

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Breach of Section 2.3 of the Agreement

Section 2.3 of the Agreement declares that OSI shall maintain "the right and responsibility to perform in connection with the Terminal Facilities, all services that are commonly understood in the industry to be required for operation and management of a passenger airport terminal," except to the extent otherwise expressly provided. (emphasis added). It then further describes OSI's rights and responsibilities "with respect to certain specific functions," including Section 2.3.5 which contemplates that the administration of Non-Aeronautical Services, including

2.3 Failure to operate parking garage.

Parking Lot Closure – Garage Floors 4 and 5

Summary

Although OSI briefly re-opened floors 4 and 5, they are largely now closed with no mitigation of the reduction in parking spaces. This reduction has contributed to the need for overflow parking which requires additional SAA resources.



Status as of 9/18/23 – NOT CURED



1200 Red Cleveland Blvd
Sanford, Florida 32773

April 14, 2023

Via Facsimile, and Certified Mail,
Return Receipt Requested

Attn: CEO and President
Orlando Sanford International, Inc.
3200 Red Cleveland Blvd.
Sanford, Florida 32773

Fax No. (407) 585-4545

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Return Receipt Requested

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Orlando Sanford International, Inc.
3200 Red Cleveland Blvd.
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Section 2.3.6(a) of the Agreement declares that "the Contractor shall perform standard routine maintenance and repairs, predictive maintenance, preventative maintenance, and corrective maintenance of the Terminal Facilities, including, without limitation, the Fixed Assets." OSI has, however, breached these routine maintenance and repair obligations by

Default 2023-06

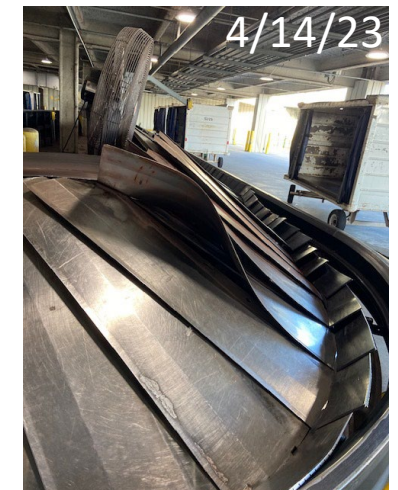
April 14, 2023

2.3.6 Failure to maintain the terminal facilities.

Baggage Belt

Summary

The Baggage Makeup Unit (BMU)2 had a catastrophic failure causing failure of multiple parts of the system. OSI's damage report states it was a parts failure of the rollers and operational issues with overloading, but SAA was told it was a "bag tag" issue in the default response. With no parts on hand, not even the recommended parts, OSI had to disassemble BMU3 for parts in BMU2.



Status – CURED....technically...



1200 Red Cleveland Blvd
Sanford, Florida 32773

April 20, 2023

VIA HAND DELIVERY

Attn: CEO and President
Orlando Sanford International, Inc.
3200 Red Cleveland Blvd.
Sanford, Florida 32773
Elizabeth.Brown@aww.aero

VIA HAND DELIVERY

Attn: General Counsel
Orlando Sanford International, Inc.
3200 Red Cleveland Blvd.
Sanford, Florida 32773
Natalie.Anderson@aww.aero

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Section 2.3.6(a) of the Agreement declares that "the Contractor shall perform standard routine maintenance and repairs, predictive maintenance, preventative maintenance, and corrective maintenance of the Terminal Facilities, including, without limitation, the Fixed Assets." OSI has, however, breached these routine maintenance and repair obligations by neglecting to adequately maintain the Terminal landscaping resulting in a catastrophic collapse of a mature palm tree.

On June 10, 2022, SAA transmitted a report to OSI that specifically identified the compromised condition of the referenced palm tree (see attached transmittal e-mail). The report, prepared by the University of Florida IFAS Extension Service and attached hereto, relayed the finding that this specific palm tree tested positive for Lethal Bronzing Disease. The IFAS report also details the recommended protocol for dealing with a positive finding of Lethal Bronzing Disease, including removal of the infected tree and inoculation of the other trees proximate to the infected tree. OSI clearly did not remove the infected tree. Additionally, there is no evidence

Default 2023-07

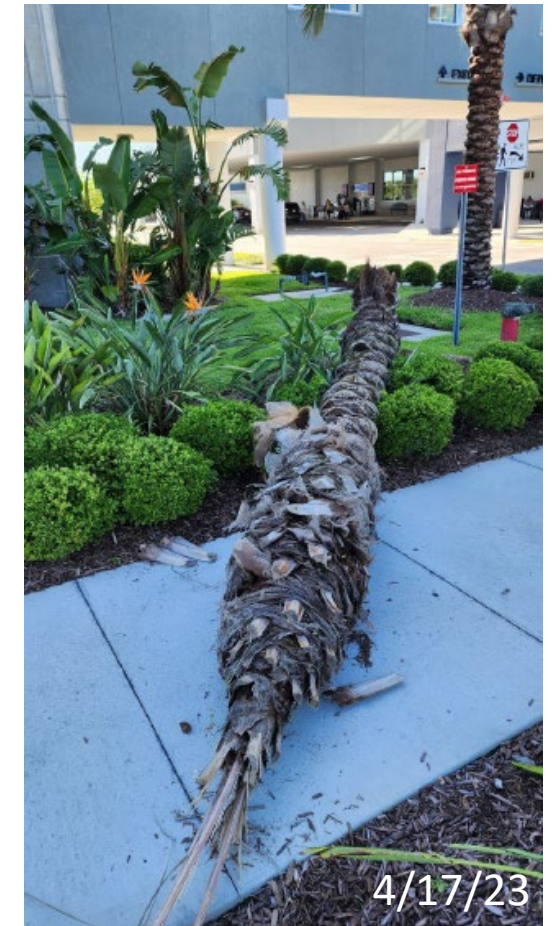
April 20, 2023

2.3.6 Failure to maintain the terminal facilities.

Palm Trees

OSI Response:

The treatment of this issue exemplifies OSI's attitude towards its obligations and the safety of the Airport staff and travelers:
"...this palm tree's unlucky demise to Lethal bronzing disease...";
"...the death of one tree...";
"...some as inconsequential as a fallen palm tree..."



Status – Partially CURED

15-year-old boy killed by falling tree outside grandparents' South Carolina home

Those who knew Evan Kinley describe him as fun to be around and always surrounded by friends. 'If you knew him, you liked him.'

Nina Tran USA TODAY August 10, 2023

Child killed by falling tree at Okanagan campground

JULY 31, 2023

A child has died after being injured at an Okanagan campground this past weekend. Reports indicate the incident happened at Okanagan Lake Provincial Park's south campground on Saturday.

5-year-old child killed in Jennings after tree falls on house

By Rheanna Wachter and Kalie Strain *Published: Jul. 2, 2023 at 3:58 PM EDT* JENNINGS, Mo. (KMOV)

Father, child killed after tree falls on their truck, authorities say

By Brennan Crain and Jordan Gartner *Published: Jul. 1, 2023 at 2:19 PM EDT* MORGANTOWN, Ky. (WBKO/Gray News)

2-year-old boy killed by falling tree limb in Bucks County as weekend storm moved in

The Bucks County coroner says the boy was with his mom and older sibling when strong winds swept through the area.

By6abc Digital Staff Monday, April 24, 2023

‘We want to help save someone else’: Mom speaks out after 2 kids killed by falling tree

by: Lindsay Stone Posted: Mar 2, 2023 / 04:09 PM EST

‘Freak accident’: Tree falls on camper killing 3-year-old girl

By Ryan Wyatt Turbeville *Published: Sep. 28, 2022 at 9:27 AM EDT* OCALA, Fla. (WCJB)



1200 Red Cleveland Blvd
Sanford, Florida 32773

April 20, 2023

VIA HAND DELIVERY

Attn: CEO and President
Orlando Sanford International, Inc.
3200 Red Cleveland Blvd.
Sanford, Florida 32773
Elizabeth.Brown@aww.aero

VIA HAND DELIVERY

Attn: General Counsel
Orlando Sanford International, Inc.
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Sanford, Florida 32773
Natalie.Anderson@aww.aero

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Section 2.3.6(a) of the Agreement declares that "the Contractor shall perform standard routine maintenance and repairs, predictive maintenance, preventative maintenance, and corrective maintenance of the Terminal Facilities, including, without limitation, the Fixed Assets." OSI has, however, breached these routine maintenance and repair obligations by neglecting to adequately maintain the roof at the Terminal Welcome Center complex and Baggage Claim 3, as reflected in the attached photographs taken on April 17, 2023. The failure to repair and replace roofing facilities in a timely and comprehensive manner materially impacts the integrity of SAA assets. The occurrence of these leaks in public spaces also negatively affects the SAA passenger experience.

Pursuant to Section 13.3 of the Agreement ("**Notice and Cure**"), you have thirty (30) days from the date of receipt of this Default Notice to:

Default 2023-08

April 20, 2023

2.3.6 Failure to maintain the terminal facilities.

Roofs – Welcome Center and Baggage Claim 3



Status – NOT CURED



1200 Red Cleveland Blvd
Sanford, Florida 32773

April 20, 2023

VIA HAND DELIVERY

Attn: CEO and President
Orlando Sanford International, Inc.
3200 Red Cleveland Blvd.
Sanford, Florida 32773
Elizabeth.Brown@aww.aero

VIA HAND DELIVERY

Attn: General Counsel
Orlando Sanford International, Inc.
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Sanford, Florida 32773
Natalie.Anderson@aww.aero

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As you know, after multiple efforts by SAA to obtain documents from OSI,¹ on April 7, 2023, the SAA sent OSI a further demand for production or inspection of certain electronic communications no later than close of business on April 14, 2023, pursuant to OSI's obligations under Section 18.27 of the Agreement (the "April 7, 2023 Demand"). A copy of the April 7, 2023 Demand is enclosed with this Notice. OSI failed to comply with the April 7, 2023 Demand by timely producing the records sought therein. Instead, OSI responded, incorporated its prior March 31, 2023 letter concerning the prior public records request made by the SAA, and unequivocally stated "...OSI will not be producing the requested communications."

As set forth in the letter dated April 18, 2023 to OSI, a copy of which is enclosed with this notice, OSI's position is without legal merit. OSI's failure to comply with the April 7, 2023

¹ On February 24, 2023, the SAA sent a third Public Records Request, to which OSI has objected. Further, on April 3, 2023 SAA provided a Notice of Default pursuant to section 12.1 of the Agreement due to OSI's failure to provide the requested documents. To date, no documents have been produced in response to either request.

Default 2023-09

April 20, 2023

12.1 Terminal Records and 18.27 Public Records

Section 12.1 of the Agreement, requires OSI *"...to make available to the Authority for its inspection ...such records and reports regarding the Terminal Facilities and its operation and maintenance as is reasonably necessary to ensure that the Contractor is in compliance with the Contractor's obligations under this Agreement."*

Section 18.27 of the Agreement, requires OSI to comply with Florida's public records law and to keep, maintain, and produce the public records related to its services on behalf of the Authority.

Status – NOT CURED



1200 Red Cleveland Blvd
Sanford, Florida 32773

May 2, 2023

VIA HAND DELIVERY

Attn: CEO and President
Orlando Sanford International, Inc.
3200 Red Cleveland Blvd.
Sanford, Florida 32773
Elizabeth.Brown@aww.aero

VIA HAND DELIVERY

Attn: General Counsel
Orlando Sanford International, Inc.
3200 Red Cleveland Blvd.
Sanford, Florida 32773
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The SAA has made numerous good-faith attempts to try to assist and to encourage OSI to fully perform the Agreement—to no avail. Accordingly, as enumerated in Section 13.1 of the Agreement (“**Contractor Event of Default**”), the following constitute a “Contractor Event of Default”:

Breach of Sections 12.2.4 and 2.10 of the Agreement

Section 12.2.4 of the Agreement requires the Parties “hold regularly scheduled monthly meetings, which shall be attended by the Parties’ respective executive staff and their designees only, to verbally and informally discuss (1) the ongoing status of operational issues; (2) recent airline negotiations, and (3) information regarding any new airline procurement negotiations for the Airport by the Contractor or any other affiliated entity.” OSI has, however, breached its obligation to meet regularly by cancelling two consecutive scheduled monthly meetings.

Default 2023-10

May 2, 2023

12.2.4 and 2.10 Failure to Meet

Monthly Meetings

Status – CURED



1200 Red Cleveland Blvd
Sanford, Florida 32773

June 12, 2023

Via Hand Delivery and Email

Attn: CEO and President
Orlando Sanford International, Inc.
3200 Red Cleveland Blvd.
Sanford, Florida 32773

Email: Elizabeth.Brown@aww.aero

Via Hand Delivery and Email

Attn: General Counsel
Orlando Sanford International, Inc.
3200 Red Cleveland Blvd.
Sanford, Florida 32773

Email: Natatie.Anderson@aww.aero

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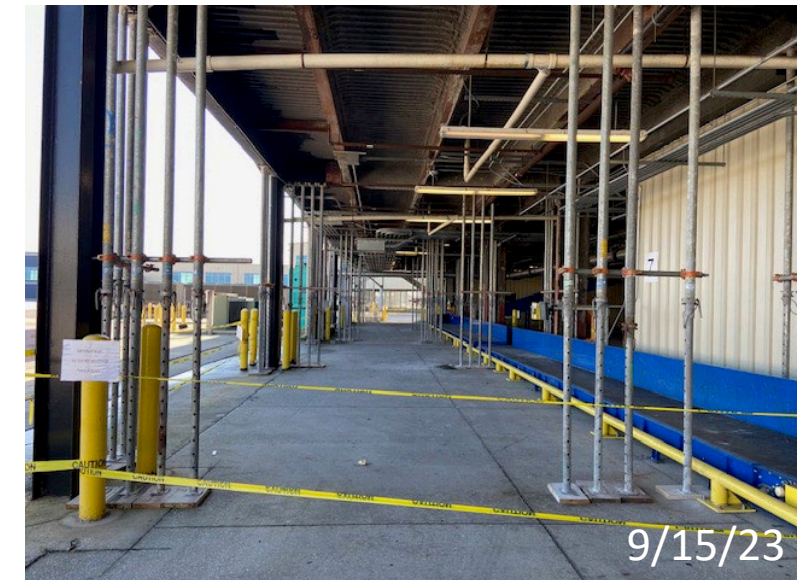
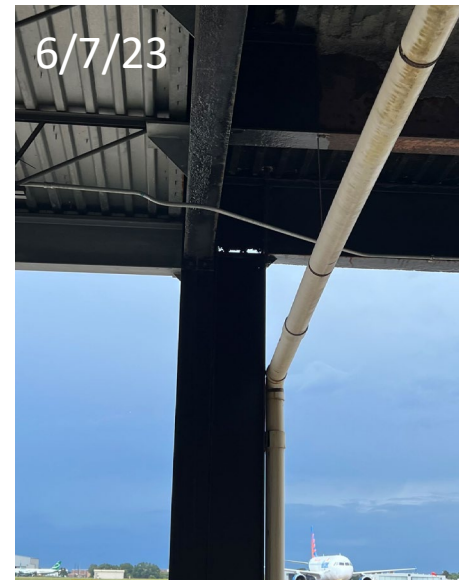
Section 2.3.6(a) of the Agreement declares that "the Contractor shall perform standard routine maintenance and repairs, predictive maintenance, preventive maintenance, and corrective maintenance of the Terminal Facilities, including, without limitation, the Fixed Assets." OSI has, however, breached these routine maintenance and repair obligations by neglecting to maintain, repair, and/or replace the smoking deck structure located on the north side of Terminal A. On July 13, 2020, Diane Crews notified Elizabeth Brown of SAA's concerns regarding the structural integrity of the smoking deck. The following month, SAA provided OSI with an Architectural

Default 2023-11

June 12, 2023

2.3.6 Failure to maintain the terminal facilities

Smoking Deck – 1, Column, Partial Closure, and Full Investigation



Status – Not CURED, 98 Days Later



1200 Red Cleveland Blvd
Sanford, Florida 32773

August 16, 2023

Via Hand Delivery and Email

Attn: CEO and President
Orlando Sanford International, Inc.
3200 Red Cleveland Blvd.
Sanford, Florida 32773

Email: Elizabeth.Brown@aww.aero

Via Hand Delivery and Email

Attn: General Counsel
Orlando Sanford International, Inc.
3200 Red Cleveland Blvd.
Sanford, Florida 32773

Email: Natatie.Anderson@aww.aero

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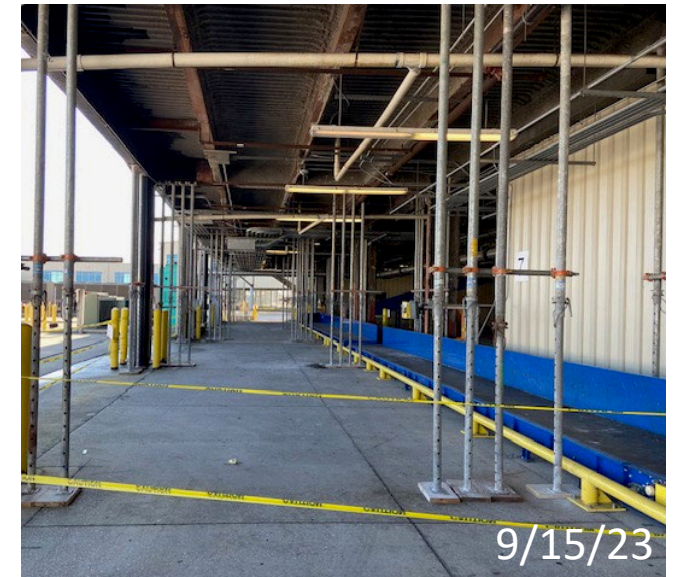
Section 2.3.6(a) of the Agreement declares that "the Contractor shall perform standard routine maintenance and repairs, predictive maintenance, preventive maintenance, and corrective maintenance of the Terminal Facilities, including, without limitation, the Fixed Assets." OSI has, however, breached these routine maintenance and repair obligations by neglecting to maintain, repair, and/or replace the smoking deck structure located on the north side of Terminal A.

Default 2023-12

August 16, 2023

2.3.6 Failure to maintain the terminal facilities

Smoking Deck – 2, Beam and Full Closure



Status – Not CURED, 33 Days Later

Smoking Deck/Sky Lounge Defaults

Timeline:

July '20 - SAA notifies OSI of concerns related to the Smoking Deck/ Sky Lounge

August '20 - Authority provided OSI with an Architectural & Engineering Visual Report prepared by CPH, Inc. (CPH) that recommended (1) cleaning areas showing high levels of corrosion (Steel Columns and Steel Beams), (2) conducting proper inspection of these areas following sand or water blasting to identify any section loss due to corrosion, and (3) providing a repair solution.

June '21 – OSI notifies SAA that OSI was “finishing up” the RFP for smoking deck repairs.

June '22 - OSI reported that a contractor had been retained to “get the Smoking Deck project underway.”

November '22 - OSI transmitted construction plans to the Authority that purportedly included the necessary structural repairs to the smoking deck, however, those plans did not address all the structural issues related to the smoking deck, but instead related to glass wall system and the column base at the ground of the smoking deck.

Smoking Deck/Sky Lounge Defaults

Timeline con't:

6/7/23 – SAA requests a follow-up inspection from CPH. That inspection prompted a recommendation for immediate closure of the smoking deck to the public. The Authority did so and advised OSI of same.

6/8/23 - CPH provided written confirmation that the corrosion condition had deteriorated since CPH's 2020 report, with considerable section loss in various structural columns of the frame. CPH noted that one of the columns is showing a section loss close to 90%.

6/12/23 – SAA issues a Notice of Default.

6/13/23 - OSI responded to the Notice of Default, by stating that it would investigate the issue, but did not acknowledge the existence of any life/safety condition as the smoking deck had been closed. In fact, OSI sought to downplay the deterioration of the structure by stating that “the smoking deck, while an added feature for some customers, is not material to the operation of the Airport.”

8/15/23 – SAA received notice from one of its subcontractor that it had undertaken another evaluation of the structural integrity of the smoker's deck indicating that the “bolted connections on large beams beneath the ‘Smoker's Deck’ that had deteriorated to the point where there was no observable head or nut present at one connection” and other locations with a lack of discernable weld material. This is more than sixty (60) days after the June 12 Notice of Default.

8/15/23 – SAA immediately taped off the area to maintain the health and safety of Airport personnel as recommended, and notified OSI of the August 15, 2023 letter from its subcontractor.

Smoking Deck/Sky Lounge Defaults

8/16/23 – OSI supplies a structural engineers initial assessment of 11/12 columns at Gates 5/9 and two columns at the Smoking Deck/Skylounge. Engineers recommends cleaning then reinspection if greater than 5% surface area lost.

8/17/23 - SAA issues a second Notice of Default.

8/19/2023 - OSI had American Eagle Scaffolding install temporary shoring – 4 posts. Area remains closed.

9/1/2023 - OSI informed SAA of impending work under the Smoke Deck on 9/5/23 to further investigate the beam in question.

9/1/2023 - SAA requested paperwork from OSI supporting it was safe for workers within the closed portion of the Smoke Deck.

9/6/2023 - City of Sanford Building Inspector reinforced the documentation requirements for working under the Smoke Deck.

9/12/2023 - OSI had American Eagle Scaffolding install additional temporary shoring – 156 post shores and accessories to support the Smoke Deck.

9/13/2023 - OSI enters WO7198082 to remove fire retardant for inspection. Work Order is “Pending Resolution”.

No significant repairs on the entire structural support for the smoke deck to date.





1200 Red Cleveland Blvd
Sanford, Florida 32773

September 11, 2023

Via Hand Delivery and Email

Attn: Acting CEO and President
Orlando Sanford International, Inc.
3200 Red Cleveland Blvd.
Sanford, Florida 32773

Email: john.green@aww.aero

Via Hand Delivery and Email

Attn: General Counsel
Orlando Sanford International, Inc.
3200 Red Cleveland Blvd.
Sanford, Florida 32773

Email: Natallie.Anderson@aww.aero

NOTICE OF DEFAULT

YOU ARE HEREBY NOTIFIED that you are in default of that certain *Agreement for the Operation and Management of the Orlando-Sanford International Airport Terminals and Parking Structure*, effectively dated January 1, 2017 (the "**Agreement**"), between Orlando Sanford International, Inc. ("**OSI**") and Sanford Airport Authority (the "**SAA**" or the "**Authority**"). Any capitalized term used in this Notice of Default (this "**Default Notice**") not otherwise defined herein, shall have the same definition and meaning as ascribed in the Agreement.

The SAA has made numerous good-faith attempts to try to assist and to encourage OSI to fully perform under the Agreement-to no avail. Accordingly, as enumerated in Section 13.1 of the Agreement ("**Contractor Events of Default**"), the following constitutes a "Contractor Event of Default":

Breach of Sections 2.3.6 and 2.5.1 of the Agreement

Section 2.3.6(a) of the Agreement states that "the Contractor shall perform standard routine maintenance and repairs, predictive maintenance, preventive maintenance, and corrective maintenance of the Terminal Facilities, including, without limitation, the Fixed Assets."

Section 2.5.1 of the Agreement states that "[d]uring the first eleven (11) years of this Agreement, the Contractor shall be solely responsible for the repair or replacement of a Fixed Asset (except for Terminal Ramps which shall be governed by Section 2.5.3 below) resulting from and due to normal wear and tear.

Default 2023-13

September 11, 2023

Omnibus #2

Summary

2.3.6/2.51 Failure to maintain the terminal facilities

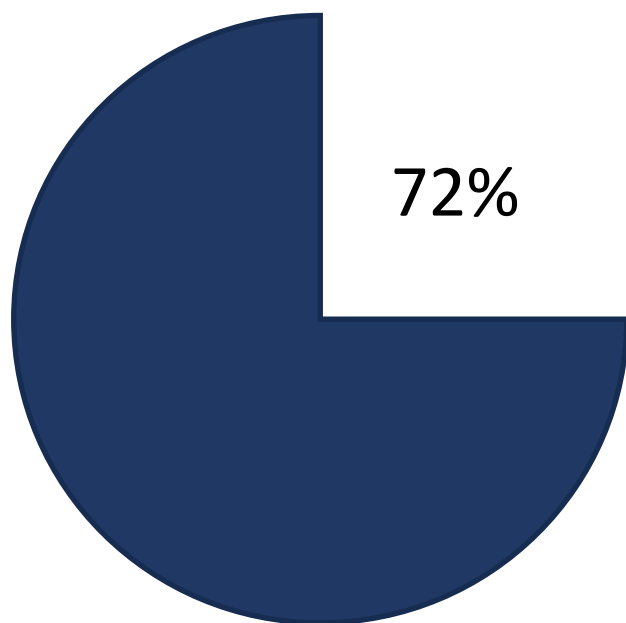
- A. Safety – 39 Items
- B. Site Conditions – 23 Items
- C. Structural and Building Envelope Conditions – 41 Items
- D. HVAC Appurtenances/Mechanical – 12 Items
- E. Electrical – 40 Items
- F. Plumbing – 19 Items
- G. Fire Systems – 6 Items
- H. Vertical Transportation – 9 Items
- I. Interior Spaces – 25 Items

\$26M of Deferred Maintenance

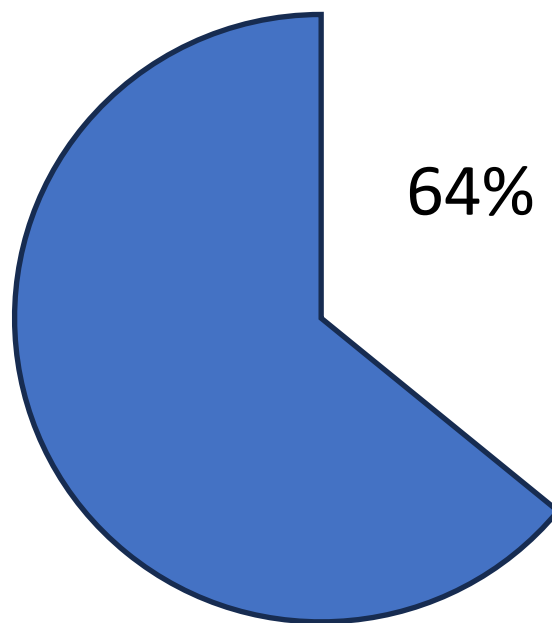
Status – Within First Cure Period

Security Violations – Total Airport

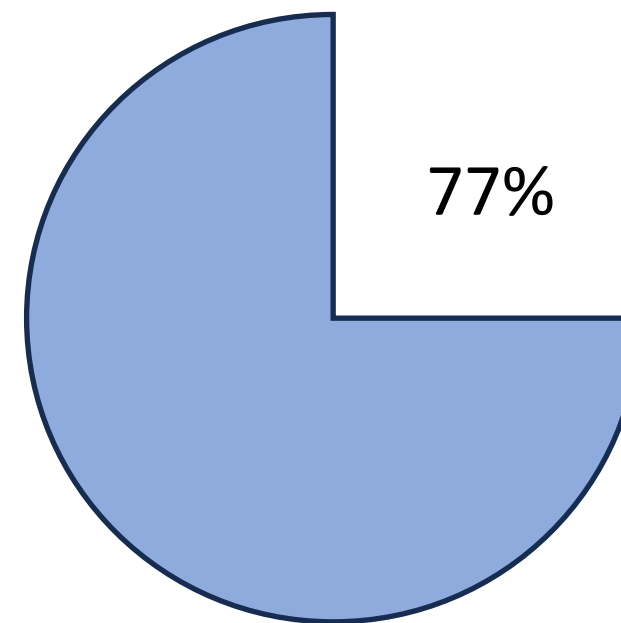
With only 10% of the Security Badged Personal at the Airport, OSI/TBI represents...



CY23 (to 9/14)
Violations



CY22
Violations



CY21
Violations

Terminal Safety

- ✦ An OSI employee's reckless driving led to a jet fuel spill from an overturned full 7,000 gallon fuel truck on the tarmac.
- ✦ On the same day as the incident, an investigation revealed a pattern of unlicensed drivers operating fuel trucks.



You know a lot more now than you did nine months ago...

You know that:

- ✦ The operational infrastructure in the Terminal Facility is failing and suffers from a lack of proper repair and maintenance.
- ✦ The structural integrity of the Terminal Facility and Parking Garage are in decline due to deficient maintenance and repair.
- ✦ There is at least \$26M in deferred maintenance only 6.5 years into a 22-year contract. Unless action is taken, the \$200M+ of SAA, state, and federal investment in the Terminal will be significantly devalued.
- ✦ The Airport's passenger counts and terminal revenues are tracking well below those of comparable airports and gross underperforms what an airport in the number one tourism market should render.
- ✦ The Authority is not being provided the information and data necessary to adequately ensure contractor compliance.
- ✦ Records that belong to the public and reflective of the operation and maintenance of a public asset are being withheld.
- ✦ The Airport's commercial relationships are not being effectively and efficiently managed.
- ✦ OSI has with unacceptable frequency refused or denied its responsibility to perform the necessary maintenance.
- ✦ Unless you do something the safety of the Airport employees, travelers and visitors may be at risk.

Recommendation

SAA staff has confirmed that OSI continues to fail to address maintenance and operational Issues. Specifically, OSI has ignored the proactive requirement to perform the duties identified in the agreement, failed to cure defaults required by the Agreement, and failed to update the Authority of its progress relative to the default issues. Further, OSI has not provided any security to the Authority to extend the Cure Periods under the Agreement and has demonstrated a wanton indifference to substantial safety concerns identified by the Authority. Considering these findings, **staff recommends that the Authority terminate the Agreement, providing a limited transition period for OSI to transition the operations as contemplated by the Agreement, and providing the effective Date of Termination to be February 28, 2024.**

