# International Association of Baggage System Companies
# Second Meeting Minutes: June 13, 2007
# Grand Hyatt Hotel and Conference Center
# Washington, D.C.
# 10:00 am – 11:40 pm

***Attendees:***

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|---|---|
| Mike Malkowski | President and CEO, Five Star Airport Alliance |
| Darrin Ramsey | Legal Affairs Officer, Five Star Airport Alliance |
| Ken Stevens | President, Glidepath LLC |
| David Mead | VP Sales and Marketing, Glidepath LLC |
| Steven Graviet | Director of Risk Management, Glidepath LLC |
| Gary Cline | VP and General Manager, Siemens |
| Jimmy Hanna | Business Development Manager, Vanderlande Industries |

***Others Present:***

| | |
|---|---|
| Debbie Talbert | As the administrator |

***Absent:***

| | |
|---|---|
| Bruce McMickle | Manager of Airport Projects, Forbo Siegling LLC |
| Ewout Cassee | President, Vanderlande Industries |
| Jeffrey Gavenas | Manager of Sales, Siemens |
| Michael O'Connor | Director Airport Systems, FKI Logistex |
| Brian Nichter | VP Business Development, FKI Logistex |

**List of Action Items:**

Prior to next meeting:

- Complete and return Preliminary Membership Application
- Submit mark up and comments on sample Bylaws
- Check out www.iald.org as model for building our Association
- Provide your list of priorities from Inaugural Meeting PowerPoint Presentation

Deliver items to Debbie Talbert via email at dtalbert@IABSC.org
or by fax at 972-389-6256

***Meeting Agenda:***

- Review of Last Meeting Minutes
- Discuss Established Fax, Phone, Email and Mailing Address
- Review of Unfinished Voted Upon Matters from the Last Meeting
- Membership and Membership Applications
    - Company Representatives and Delegates
- Voting Structure
- Bylaws
- Funding / Interim Funding / Dues
- Proposed New Business
    - Identify Key Issues and Prioritize
- Preparation for Next Meeting

If time allows:

- Develop Meeting Format and Resolution Process

***Proceedings:***

Mike Malkowski asked if anyone objects to the recording of the Meeting.
*[No one objects – the meeting was recorded]*

The meeting was called to order at 10:00am by Chair, Mike Malkowski.
Roll call was taken.
Mike Malkowski explained that FKI tried to attend the meeting but their travel schedules would not allow their attendance.

***Legal Disclaimer:***

Darrin Ramsey ran down the list of the steps of legal disclaimer that the Association should live by.

- The agenda should be specific and avoid topics that may cause anti-trust problems such as discussions on pricing, production, markets, selection of customers/suppliers.
- The minutes of all meetings should be kept accurately report any actions, if any, that take place. For that reason, this meeting is being recorded. After the minutes have been distributed to everyone, the recording will be destroyed and will not be stored.
- We should not discuss any prices or features that can impact prices such as discounts, costs of common inputs, inventory outputs, salaries or profit margins of the projects.
- We should not discuss division of customers, markets, territories or the sharing of data concerning fees, prices, sales, bids, costs or customer credit.
- We should not agree to refuse to deal with any certain suppliers, customers or others – although we can set up an objective rating system but we can't encourage to either work with or not work with another customer or supplier.

- Unscheduled, informal or sidebar meetings held in conjunction with this regular meeting should be avoided.
- We should not discuss or agree to refuse to deal with certain suppliers, customers, or others.

***Review of Previous Meeting Minutes:***

Bylaws:

Mike Malkowski stated that during the last meeting we discussed the importance of the Bylaws which were to be reviewed and commented on. The Association has yet to receive comments from anyone.

Gary Cline stated that from Siemens perspective, they are in the works and being looked at. Jimmy Hanna from Vanderlande stated the same. Steve Graviet from Glidepath stated the same.

*The Bylaws were distributed again to be reviewed and returned with comments.*

Membership:

Mike Malkowski stated that we need to establish our membership and our membership application. Everyone was provided with an application in the package from the previous meeting. We currently have the applications filled out and submitted by Glidepath and Five Star. Mike O'Conner has informed us that FKI's is completed and ready to submit.

Gary Cline stated that from Siemens perspective, they are not going to submit the application until the lawyers complete the Bylaws review. Jimmy Hanna stated the same is true for Vanderlande.

With that being said, the Chairman requested that everyone review the draft Bylaws and submit their comments as soon as possible so we may begin making revisions to better fit our organization.

New Meetings:

The Chairman stated that at the end of the last meeting we set some dates for new meetings. The second which was to be hosted by Siemens was postponed because of the difficulty in everyone's schedules. The next meeting is scheduled to be hosted by Glidepath.

Jimmy Hanna recommends at least a 3 week look ahead before the next meeting. David Meade proposes the second week in July.

After further discussion it was agreed that the next meeting be scheduled for July 11$^{th}$ at Glidepath's offices in Grand Prairie. Those in attendance who would not able to attend that meeting agree to send a representative.

David Mead recommends that we try to hold the meetings on a regular schedule and that each company appoint delegates so that each company will always have a representative, at least one, at meetings.  Ken Stevens proposes a proxy system for voting.

Delegates:

Ken Stevens asked, is a requirement of the Bylaws that the delegates are officers of the company?  Darrin Ramsey stated that's something we need to solidify in our Bylaws.  Mike Malkowski stated he wasn't sure that they necessarily need to be officers of the company.  It was agreed that we should establish and document our delegates and their authority to vote on matters brought before the Association.

Phone, Fax, Mailing Address, Website:

The Chairman pointed out that we have established a fax line, a phone line, an email and a mailing address.  We have the ability now to receive faxes and mail.  We'll put some effort now into the development of a website.  We won't make the website usable until it has been reviewed by everyone and it is acceptable by everybody.

Chairman:  Unless anyone has anything else, that covers the high points of the previous meeting minutes.

Jimmy Hanna asks if there is anything in or on the agenda that's going to cover Webb?

The Chairman advised that Webb has reviewed the documents and the meeting minutes and they, at this particular time, have declined to join.  They are reserving the right to join later.

***Old Business and New Business***

Members, Building the Foundation:

The Chairman states that a lot of people have shown interest in this Association, mostly suppliers and consultants.  Both Mike Malkowski and Bruce McMickle have received many calls.

Jimmy Hanna suggests that a log be kept of those persons expressing interest in joining the Association and that log should be presented at these meetings.

Before opening the meeting to discussion Mr. Malkowski speaks about the consultants.  He has spoken to some who are excited about the opportunity to join and participate and some that have mixed feelings.  Those consultants have either  a "wait and see, we need more information" attitude, or they see some benefit from it, however, they have their reservations if they are not of an equal authority to vote.

Mr. Malkowski stated that his and Bruce McMickle's view in the beginning was to organize this Association into a fairly large, strong organization.  It had been stated at the last meeting that maybe it's better that we keep this small and work to move forward and get things rolling before we invite more people in.  Mr. Malkowski opens the floor to discussion.

Jimmy Hanna states that Vanderlande's position is that they would like to keep these five companies as the foundation and maintain that until we see fit that it's time to expand.

David Mead states that Glidepath's position was and still is that we need to have a narrow focus group that can move on our objectives, achieve our primary goals before we start expanding on new ones.  Our key objective of the organization should be to have associate membership, but we need to focus on higher priorities right now.

Darrin Ramsey points out that as long as we're open, the fact that we want the five companies to keep it focused, that we're objective in our standards, that we're building the foundation, there's not going to be any anti-trust violations.  As long as we stick by everything that Mr. Ramsey discussed in the last meeting and the disclaimer earlier today.  We don't have to include everyone initially so long as we're open, we're keeping minutes and we're not violating any of the *per se* violations or the Rule of Reason test.

Gary Cline seconds what David Mead said.  It continues to be Siemens' position that they would want to keep it a very small group to get this Association started.  It is his opinion that it would be a failure if we didn't have some sort of associate membership with a lot of other participation. Siemens' opinion is that those people should not be allowed to vote, they should have a different tier of membership, they're not allowed in these meetings obviously, but the strength of an overall trade association is in all the members.  Mr. Cline thinks we should first decide on Bylaws and who votes and how we vote before inviting other members.

Jimmy Hanna asks, if we exclude a legitimate baggage handling company is that an issue?

Darrin Ramsey states that as an organization or an association, you can exclude or terminate members.  Does it pass the Rule of Reason test?  Are we excluding them because we're trying to keep them away from certain clients or markets, then no it's not okay.  But if our strict intention is just to get this organization rolling and they're going to be invited in eventually through our objective standards that are made through our Bylaws and our association qualification memberships, then it's fine.

<u>Levels of Membership</u>:

Discussion ensued regarding establishing levels of membership or having a minimum threshold for market work in order to be a voting member.  Jimmy Hanna recommends that as an agenda item for our next meeting we establish those levels of qualifications before there's ever a challenge.

Everyone agrees that we should keep this organization small during the development stage and the five companies that are participating right now will set the ground rules, set the foundation for the organization and establish a threshold for membership.

Delegates:

The Chairman asks if we can now establish for each company the number of delegates we want to declare as our company representatives and what is a good number. Each company present responds.

Siemens = 3
Glidepath = between 3 and 5
Five Star = at least 3, maybe 4
Vanderlande = 3

Discussion ensued and it was decided that each company could have a maximum of five delegates and it will be the responsibility of each company to manage their own delegates. Everyone agrees to submit their delegate/representative names at the next meeting along with a statement that any one of those delegates have the authority to speak and vote on behalf of their company.

The Chairman clarifies that there will only be one vote per company.

*[The Membership Application has been revised to include a list of your delegates/representatives.]*

Voting; Quorum:

Glidepath states that we should also address any situation where maybe a company doesn't send a delegate per chance. It's important these meetings move forward and we have the ability to vote on issues. Establish a quorum?

Gary Cline raises a question from Siemens' attorneys. What are the requirements to clear the vote? Siemens wouldn't be interested in majority rules. It would have to be a unanimous vote.

Vanderlande concurs with Siemens.

Discussion ensued. Everyone agrees to the unanimous vote. We need to develop a proxy structure so in the case a voting company is not represented they may vote by proxy. That proxy would be sent out with the meeting minutes so the missing member could read the minutes and decide.

The Chairman brings two very important things. One, to have the agenda in advance so you can discuss amongst yourselves within your own company your position. Secondly, make sure that you have somebody attending the meeting. It's always going to be much better to be there in person and listen to people's arguments than to try and read everybody's position and thoughts through meeting minutes.

The Chairman asks that after this meeting Darrin Ramsey work very quickly to receive the Bylaws reviews and to set some ground rules for voting structure and get them out to everyone so we can get their feed back.

Conference Calling:

Would we have facilities to conference call in on meetings?

The Chairman stated that we should make that available. We will make that a prerequisite that we have facilities where people can call in if need be.

Establishing Set Meeting Dates:

Discussion ensued. It was agreed that with 3 to 5 delegates per company we should be able to establish set meeting dates.

Interim Funding:

The Chairman opens the meeting to discussion on interim funding to carry us forward to pay the phone bill and the ancillary bills that we have. Five Star has absorbed the costs to date.

Discussion ensued and it was suggested that:

- We get some type of flyers and envelopes printed with our name and logo and begin moving forward on those sorts of things.
- We establish an interim budget – what would be the minimum required to keep us moving forward until we get a little more organized and start voting.
- We should establish our standards and publish our standards to the public and to other organizations. Publish on our website.
- We should publish a newsletter that says some of the things that we've established and standards we've set. Where we're going to get the traction for change in this organization is educating the people.

Mr. Malkowski stated that the Five Star Airport Alliance is not comfortable handling money without an organized representation. We should have a treasurer and whoever we elect as treasurer should handle the money.

Gary Cline stated that aside from the funding, we almost need to hire an outside bookkeeper – which would probably be the best way to do it. Somebody that does it part time, just to manage the expenditures, have a checking account and pay the bills.

Officers/Directors:

The Chairman stated that at the last meeting we had discussed electing officers so that each company had an officer representation and asks if everybody is still on board with doing that.

Everyone agreed that it is going to be one officer per company.

Discussion ensued regarding Bruce McMickle. The minutes from the last meeting incorrectly stated that a vote was taken and Mr. McMickle was elected as an officer and director of the Association. The Chairman recommends that we bring it to vote at a future meeting. Mr. Malkowski points out that Mr. McMickle is one of the founders of this Association and we certainly wouldn't have gotten as far as we have today without his participation.

The Chairman moves that the minutes of the last meeting be corrected to reflect that there was a discussion (not a vote) regarding Mr. McMickle being an officer and director of this Association. Mr. Cline seconds the motion.

Discussion ensued regarding the number of officers and directors proposed at the last meeting.

The Chairman states that we want to establish a single officer representation from each company in the organization. We should have a President, Treasurer, Secretary, Public Relations Officer and a fifth - five officer positions. Each organization will have a representation spot of an officer.

Gary Cline questioned whether we needed officers with individual titles as well as directors who would hold key positions.

Mr. Malkowski explained that someone needs to represent us as a Treasurer even if we hire an independent outside accountant. We'll also need a Secretary and a Public Relations Officer to handle the media. We will establish the five officer positions in the beginning and no member company can hold more than one officer position at any given time.

Darrin Ramsey noted that once we start adding the associate members and others we will have different levels of voting capacities for referendums and if there's issues among the officers the Board is structured so they can decide disputes among the officers – because the officers are not necessarily the directors.

Jimmy Hanna proposes that we set some ground rules, budgets and schedules and hold a few meetings before we decide what senior management of this organization looks like.

*[Everyone agrees]*

***New Business:***

Darrin Ramsey stated that we need to incorporate the Association because it protects all of us. Mr. Ramsey will make a list of all the things we need to vote on so that immediately after the next meeting he can file the incorporation papers. There should be no open issues to incorporation.

Gary Cline proposes we decide how we're going to vote procedurally and formalize those procedures before we start coming up with objectives. Discussion ensued and it was agreed that we need to determine:

- How the voting works
- What's considered a quorum to conduct a meeting
- There's no quorum for voting because it's unanimous
- How we get absentee votes
- How long does an absentee have to submit his vote, 5 business days? Are there governing rules?
- We need written guidelines – Darrin Ramsey to draft the guidelines
- We should use other associations who have developed this process as an example

The Chairman stated that at the next meeting we should establish the minimum Bylaws and get them in place. They may always be modified. It is the intent to incorporate the Association after the next meeting and we intend to file the Bylaws with the incorporation papers.

*[Everyone agrees]*

The Chairman asks, "What should be some of our key issues moving forward?"

Gary Cline recommends that we establish areas of interest. There are certain things we need to look at with regard to training, talent development, education, certain marketing related issues. We should come up with some broad categories for the next meeting – maybe on a white board. For example, we ought to be able to put 12 things we need to fix on our contracts, or suggested amendments/changes. Let's say we all agree on these 12 things, then what do we do with them? CDs? LDs?

Discussion ensued regarding Consequential Damages.

Mike Malkowski stated there's no one in this entire organization that wants to face consequential damages. We can't simply say we're not accepting consequential damages as a group, but we can set an organizational standard that says this is the standard of this Association.

Darrin Ramsey stated that we could tie that in with the training and publish an article on our website about how it affects the suppliers - how it costs the customer more in the long run. When we put legitimate research behind our standards then that takes it away from being anti-competitive.

Steve Graviet suggests that we could eventually come up with our own contract.

Darrin Ramsey explained that many organizations do that. However, we cannot impose a fine on a member for not using our contract but he can potentially be terminated as a member. Or we can make it painful for that member by requiring him to provide us with their last 3 years financials. If you're going to use the legitimacy of the IABSC and if you're going to be using the status of the Association in your contract negotiations and want stand behind it, then as a member of the Association, there has to be some accountability for breaching its standards. The members have to ask - why are you signing up for consequential damages? Are you having cash flow issues? Is there a business issue? Again, that's less punitive than a fine.

Gary Cline stated that this is another thing that came up in Siemens discussions about the Association. While the Association may say we accept no CDs, what if we signed up, for example 2% on a contract. We need to have discussions about those sticks or anything that limits flexibility.

Darrin Ramsey stated that we can use the organization as a standard to negotiate out consequential damages and back it up with legitimate research by presenting articles or newsletters from the Association.

Mike Malkowski suggested that maybe we establish a minimum threshold that gives us that flexibility to exercise what we want to as an organization. He stated his position is extremely strong – he's not going to accept consequential damages. But he would not preclude another member from taking on 2%, if that member's position is he's not going to accept them but he wants the flexibility.

Gary Cline explained that his point is with regard to flexibility, he believes our overall intent is to establish a trend in the industry with regard to Terms and Conditions, even though we may end up negotiating some of it.

Mike Malkowski agreed and because of the project sizes we are currently negotiating now is the ideal time to capitalize on the leverage we've established and change this industry for the betterment of baggage suppliers.

Gary Cline stated that he believes a customer looks to a consultant as a third party validator so they won't be taken advantage of. So, from a training perspective, we should develop a standard contract which ultimately we can show the customer that it has been used many times before at other airports. If you look at all the reasons why a customer gets a consultant they all have to do with education and training. We need to start documenting what's been happening in the market so that we can prove that this is a fair assessment of the market.

Mike Malkowski agreed that we need to be educators of the customer on things that mean a lot to the baggage companies such as eliminating consequential damages, limiting liquidated damages, and our exposure on the bonding side.

Darrin Ramsey also agreed that one of the greatest successes of this organization would be to put out a contract that everybody signs up to saying these are the Terms and Conditions we believe protects not only us, but the customer as well.

Discussion ensued. The development of a standard contract would help to protect us from unfair bidding process and, if not change the Consequential Damages or Liquidated Damages clauses, at least it would open it up to negotiation.

<u>Prioritizing</u>:

David Mead commented that the presentation from the Inaugural Meeting was very good. Bruce McMickle had ran through some key areas which we talked to in length. Mr. Mead suggested that we circulate that presentation again or paraphrase the key points that were in that presentation and have each company prioritize them so that we can compare notes at the next meeting.

The Chairman stated that Debbie will distribute the original PowerPoint presentation to the members who will prioritize their key issues to bring to the next meeting.

Darrin Ramsey stated that for the next meeting he would solidify all the questions he needs to complete the Articles of Incorporation and the Bylaws. Issues such as the membership levels can be generic until we have definitive answers.

<u>Future Meetings</u>:

The Chairman suggests we invite airport directors to speak at future meetings. They could share their views towards consultants and baggage companies. We can gain real insight of how the directors of airports view things in comparison to what's reality. While we're trying to do good things for ourselves, we're only going accomplish that by doing good things for others and getting the support from airport directors and airport people. We need to get our message out that we're here to help the whole industry.

Discussion ensued.

- We would need different levels of meetings - meetings where we vote about business of the association meetings where we might have suppliers or others speak.
- We should have a forum where we might sponsor a seminar featuring key note speakers.
- We could invite representatives from the AAAE or the ACI.
- Key note speakers present a great opportunity to capture some of their quotes on our website; third party validation adding credibility to our website.
- We could possibly broadcast the event so that we could invite a broader audience such as potential associate members.
- We could have experts to talk about the new technology and advancements of the CTX and L3 machines and what kind of rates we're going to look for and tunnel speeds and gaps between the bags.

Gary Cline suggested we come up with a list of those type of topics. Most airports have the older machines and they know the new machines are on the horizon. They want to know what steps they need to take to be able to take advantage of the higher thru put with their system. What better role than for our Association to give them a roadmap that's non-bias.

<u>"International" in our name</u>:

Jimmy Hanna asks, because we have the word "International" in our name, is this organization going to represent all the companies from an international perspective – what are the guidelines?

The Chairman stated that Siemens, Vanderlande and Glidepath are all international companies that do work around the world but the Association's primary focus at the present time is North

America.  If our focus was in Europe and Asia, for example, some of the views would be entirely different because they don't face things like consequential and liquidated damages.

David Mead noted that based on discussion in our previous meeting the intent in registering "International" in our name was to give us the flexibility to expand.

Future Agenda Items:

- Review items to incorporate
- Establish the items of interest; priorities
- Set an interim budget and a forecast
- Keeping it affordable
    - Organizational costs
    - Overhead – Staffing/part-time bookkeeper – everyone volunteer (task sharing)
    - Membership dues – Charter Members/Associate Members
- Dealing with people interested in becoming members – formulate a standard response.  Keep a log of all inquiries - possibly through our website while it's under construction.
- Membership levels
- Voting standards

The Chairman reminded everyone to pull from the first presentation a list of areas of interest which, at our next meeting, we will organize in the priority we want to address them.

Darrin Ramsey asked if anyone would be opposed to using the National Association of Registered Agents to act as our registered agent to receive any type of legal correspondence if someone filed a lien or lawsuit.  A fee of about $100 per year.

*[No one opposed]*

The Chairman moves to adjourn the meeting.  Gary Cline seconds the motion.

The Meeting was adjourned at 11:40a.m. Eastern time.

***These Minutes prepared by:*** *Deborah Talbert*