

Biman Bangladesh Airlines Limited
Registered Office: Balaka, Kurmitola, Dhaka-1229

**Minutes of the 120th Meeting of
the Board of Directors held on 28th November 2013**

The 120th Meeting of the Board of Directors of Biman Bangladesh Airlines Limited was held on 28th November 2013 at 06:00 p.m. in the Board Room of the Company's Registered Office, Dhaka. Air Marshal Jamal Uddin Ahmed, ndc, bems, psc (retd), Chairman, Biman Board presided over the meeting.

Directors Present:

1. Air Marshal Jamal Uddin Ahmed, ndc, bems, psc (retd)
Chairman, Biman Bangladesh Airlines Limited
2. Mr. Fazle Kabir
Secretary, Finance Division, Ministry of Finance & Director, Biman Bangladesh Airlines Limited
3. Mr. Khurshed Alam Chowdhury
Secretary, Ministry of Civil Aviation & Tourism & Director, Biman Bangladesh Airlines Limited
4. Justice (Former) A. F. M. Mesbahuddin
Senior Advocate, Supreme Court of Bangladesh & Director, Biman Bangladesh Airlines Limited
5. Air Vice Marshal Abu Esrar, ndc, acsc
Assistant Chief of Air Staff (Operation & Training) & Director, Biman Bangladesh Airlines Limited
6. Maj Gen Abul Hossain, ndc, psc
Engineer-in-Chief, Bangladesh Army & Director, Biman Bangladesh Airlines Limited
7. Mr. Abul Kashem Ahmed
Former First Vice President, FBCCI & Director, Biman Bangladesh Airlines Limited
8. Professor Iqbal Ahmad
Institute of Business Administration, DU & Director, Biman Bangladesh Airlines Limited
9. Mr. Shah Md. Zakaria Bhuiyan, FCA
Principal, S.M. Zakaria & Co. Chartered Accountants & Director, Biman Bangladesh Airlines Limited
10. Mr. Kevin John Steele
Managing Director & CEO, Biman Bangladesh Airlines Ltd.

Leave of Absence granted to:

Mr. Molla Waheeduzzaman
Senior Secretary, Prime Minister's Office
& Director, Biman Bangladesh Airlines Limited

The Chairman welcomed the Hon'ble Directors of the Board present. The meeting then proceeded with following agenda for discussion:

BM 120thAGENDA # 01

Confirmation of the Minutes of 119th Meeting of the Board held on 16th November 2013:

Managing Director & CEO, with kind consent of the Chair, read out the minutes of 118th Meeting of the Board and intimated the progress on implementation of the decisions so taken.

In reply to queries on PRA system of Mercator as recorded in the discussion during confirmation of the minutes of 118th Meeting, following information were intimated to the Board:

1. What would be the cost involvement in implementation of new system i.e. PRA system from Mercator?

As per report on selection of vendors for PRA system attached with the working paper under Agenda-4 of 118th Meeting of the Board, total projected cost for five years would be USD 983,399.73 including non-recurring cost of USD 168,750.00 in implementation of PRA system from Mercator. Biman Board in 118th Meeting held on 6th November 2013 approved procurement of PRA system offered by Mercator.

2. How many days it will take to install the software?

04 to 06 months will be required for installation of the software for new PRA system.

3. How many people will require to be trained up for the system?

Initially 10 officials (approx.) of Revenue Department to be trained up as TOT (Training of Trainers) under the agreement with Mercator, who will subsequently impart training to other officials of Revenue Department on the new PRA system.

4. When the system shall be introduced/implemented?

Expected to be implemented by May/June 2014.

Being informed of the status on implementation of the decisions, the meeting confirmed the minutes of 119th Meeting of the Board of Directors.

AGENDA # 02

Five years dry lease of two 777-200ER aircraft from Egypt Air:

A working paper on the subject was placed before the Board Meeting, which reads as under:

01. Pursuant to the recommendation of the Board Committee on Procurement of Aircraft, Biman Board of Directors in its 116th meeting held on 03rd September 2013 decided to float RFP for five years dry lease of two B777-200ER aircraft. Accordingly, RFP was floated on 11 September 2013 and 04 offers were received on the closing day of RFP on 03 October 2013. A brief on the offers so received is mentioned below:



Sl.	Bidder	Type of Aircraft	MSN	Seat Capacity	YOM	Monthly Lease Rent US\$
01.	Egypt Air Holding Company	(02) 777-200ER	32629 32630	319 (12F+21B+28Y)	2001 2001	\$625,000
02.	Euro Atlantic Airways	777-200ER	28513	323 (30C + 293Y)	21 May 1998	\$695,000
03.	Standard Chartered	777-200ER 777-200ER	28529 28532	323 (30C/293Y) 285 (30C/255Y)	28 Feb' 2002 21 Jan' 2002	\$ 675,000 \$675,000
04.	Jessco Aviation Ltd (Steel Aviation Inc. USA)	777-200ER 777-200ER	26926 26927	376 two class 378 two class	27 Apr' 1998 13 Nov' 1997	\$1,625,000 \$1,550,000

02. In evaluation of offers by Biman's Techno Financial Sub-committee (TFSC), the offer of Egypt Air Holding Company was found responsive. The Board Committee on Procurement of Aircraft headed by Air Vice Marshal Abu Esrar, Director Biman Board, in its meeting held on 24 October 2013 recommended to carry out physical inspection of two 777-200ER aircraft offered by Egypt Air (Annex-A of the working paper). Biman Board of Directors in its 118th meeting held on 06 November 2013 accorded post-facto approval for sending a team to Cairo for physical inspection of the aircraft.

03. A team comprising of Biman and CAAB officials headed by Director Flight Operations inspected two 777-200ER aircraft (MSN 32629; SU-GBX and MSN 32630; SU-GBY) and its documents from 9th to 14th November 2013. As mentioned in the inspection report, EGYPTAIR Holding Company is the owner and EGYPTAIR Airlines Company is the operator or legal holder of the offered. Findings and recommendations laid down in the inspection report are mentioned below:

Findings of the Inspection Report

4.1. Based on the relevant documents provided by Egypt Air Maintenance & Engineering and physical inspection of both the 777-200ER (MSN: 32629, Reg: SU-GBX and MSN: 32630, Reg: SU-GBY) aircraft-the Inspection team has some findings and observations points noted below for acceptance and delivery team. The acceptance and delivery team before delivery of both the aircraft must check, verify and confirm availability of all relevant documents, compliance of all findings and fulfill the requirements of final dry lease agreement between Biman and Egypt Air. Following are to be checked for proper condition, correctness and operation at the time of delivery of both the aircraft:

- a. Cabin: All First Class and Business Class seats electrical operation, IFE, call and reading LT, Reclining system of Economy Class seats and meal table condition, Overhead bin for cleaning & painting as required, All toilet interior to be cleaned & painted as required including toilet bowls, All galley water (hot/cold) to be checked, Seat covers and carpet as required washing / deep cleaning, Life jackets & First aid box validity must remain one (01) year from delivery date;
- b. Exterior: Fuselage rivet heads are visible at many places, thorough sanding & paintings required as per agreement, All Nose & Main landing gear wheel well thorough cleaning & painting required, Cleaning required inside the Fan & reverser cowl of both engines, Repair and dent chart to be reviewed for class of repair & SRM references, Oil seepage / traces of oil observed inside no. 01 engine reverse cowl of SU-GBY aircraft;
- c. Wheels and Brakes: Wheels and Brakes part numbers are different than Biman 777-300ER aircraft, required spares and tools for build-up in-house;

- d. All hard time component remaining life as per Egypt air offer to be verified, Engine & APU LLP to be verified as per Egypt air offer for remaining life, All EBU / LRU installed on both engines of both aircraft to be verified for remaining life at delivery according to utilization, AD compliance requirement, All Records to be checked per planning requirement, LLP status of APU s/n-P1444/SU-GBY, Shop reports of all engines and APU, On wing EGT margin and latest LLP life remaining of all fitted engine of both aircraft, landing gear ship set latest status and last shop visit report, *Pax Oxygen life remaining to be verified & approx. 340 Oxygen generator replacement will be due within 02 years of aircraft delivery;*
- e. Avionics component serviceability to be verified, Copy of all approval of Regulatory Authority on applicable Avionic system, Supplementary Type Certificate (STC), data sheet as required by I&QA & CAAB to be verified at the time of both 777-200ER aircraft delivery.
- f. BFCC: Meal carts fitted in both the offered Egypt Air dry lease Aircraft are of Jamco-Singapore Brand. Egypt Air has agreed to provide two ship set galley equipment per each aircraft through an e-mail (copy attached). For LHR & FCO station operation 02 (Two) more ship sets will be required. *Required Branded Galley equipment and Insert (full meal cart, oven rack/insert and baby bassinet)* need to be procured at Biman's own cost for smooth operation of LHR & FCO;
- g. Egypt Air authority verbally conveyed that they would deliver the mentioned two 777-200ER aircraft within 20 days from the date of signing final dry lease agreement with Biman upon accomplishment of "C" check;
- h. Both the 777-200ER aircraft are equipped with cockpit and cabin crew bunk. The cabin crew bunk is installed in the cargo hold. Egypt Air authority verbally conveyed that they could deliver both the 777-200ER aircraft removing the cabin crew bunk within the period of delivery check mentioned above, if required;
- i. Both the 777-200ER aircraft will be delivered with marathon white at the cost of Lessor. Aircraft may be painted with Biman livery as same will remain with Biman for a longer period of time;
- j. Both the aircraft are capable to operate no-stop direct flight between Dhaka and London without any load penalty. It has also been verified by the office of Chief of Technical of Biman;
- k. Egypt Air expressed their eagerness in cooperating Biman regarding maintenance of aircraft, spares pooling and training of crews, ground engineers and operations staff by concluding separate agreements;
- l. Egypt Air authority verbally confirmed to lease the mentioned aircraft to Biman for a period of 05 (five) years on dry lease basis;

4.2. Recommendations of the Inspection Report

- a. Biman inspection team has carried out physical inspection on both Egypt Air offered Boeing 777-200ER aircraft (MSN: 32629 & 32630) including its Engine, Auxiliary Power Unit (APU) & Landing Gear. Subsequently aircraft original certificates / documents onboard of both the aircraft including manufacturer & owner name plate and original maintenance record/documents, aircraft delivery documents kept in the Egypt Air record section were verified. Biman inspection team has conducted several meetings with engineering

management of Egypt Air to clarify different queries of team members. Inspection team has also sat together including representative of CAAB for their own discussion & decision.

After a thorough inspection of aircraft, airworthiness documents, ongoing flight performance, the inspection team found the submitted documents comply with the original documents and the team unanimously agreed and recommend that the two 777-200ER (MSN: 32629, Reg: SU-GBX and MSN: 32630, Reg: SU-GBY) aircraft are found satisfactory for Dry Lease;

- b. At the time of "Delivery C-Check" and acceptance of the Egypt Air Boeing 777-200ER aircraft (MSN32629 & MSN 32630) the delivery & acceptance team will require to verify proper rectification of all the above mentioned findings & observations;
- c. Aircraft Maintenance program of Egypt Air is different from Biman Aircraft Maintenance program. So Bridge-In inspection shall have to be carried out for converting the same to Biman Maintenance Program;
- d. Considering the present Biman Engineering facilities and to ensure smooth Operations/Maintenance of the subject dry lease aircraft from the day one of induction, Inspection team recommended to settle the following issues with Egypt Air Holding Company during the negotiation period:
 - i. Initial Maintenance (Line & Base) support at Dhaka by Egypt Airlines Company;
 - ii. Spare parts support at Dhaka base for all rotatable & consumables required for two leased Boeing 777-200ER aircraft during dry lease period;
 - iii. Loan of Tools & Test Equipment as and when required during the lease period;
 - iv. Engineer's training on P&W4090 engine with Ground Run and Boroscope Inspection;
 - v. Spare P&W4090 Engine & Auxiliary Power Unit (APU) support from Egypt Air may be arranged on loan/lease basis for two offered dry leased Boeing 777-200ER aircraft;
 - vi. Aircraft Nose/Main wheels & its change kits (tools) are completely different Part number than Biman 777-300ER aircraft. So, Inspection team recommends to arranging from Egypt Air Airlines Company to use from the day of induction;
 - vii. Pax Oxygen life remaining to be verified & approx. 340 Oxygen Generator replacement will be due within 02 years of delivery of both the aircraft;
- e. BFCC Meal carts fitted in both the offered Egypt Air dry lease aircraft are of Jamco-Singapore Brand. Egypt Air has agreed to provide two ship set galley equipment per aircraft through an e-mail. For LHR & FCO station operation 02 (Two) more ship sets will be required. Required Branded Galley equipment and Insert (full meal cart, oven rack/insert and baby bassinet) need to be procured at Biman's own cost for smooth operation of LHR & FCO;
- f. LLCR (Lower Lobe Crew Rest) for 06 (six) Cabin crew rest area at lower deck forward of AFT cargo may be removed to accommodate more cargo container in aft cargo compartment;
- g. total number of passenger seats on both the 777-200ER aircraft is 319 in three class configurations (12 First class, 21 Business class and 286 Economy class). Both the aircraft may be reconfigured into two classes (Business and Economy) as the existing fleet of Biman is under same configurations;

- h. Aircraft should be delivered to Biman with existing livery of Biman;

05. Board Committee on Procurement of Aircraft in its meeting on 23 November 2013 reviewed the inspection report including the findings and recommendations thereto. The meeting of the Board Committee considered that both 777-200ER aircraft of Egypt Air are acceptable for dry lease from technical point of view. The Board Committee also opined that the recommendations at para-4.2 (d) to be discussed in the Board Meeting. Financial analysis was carried out on following routes initially taking into consideration of 85% Cabin Factor with 2 X 777-200ER aircraft based on last year's yield rate:

DAC-ROM-DAC, DAC-MCT-DAC, DAC-CGP-MCT-CGP-DAC, DAC-CGP-AUH-CGP-DAC, DAC-CGP-DXB-CGP-DAC, DAC-DXB-CGP-DAC.

The meeting of the Board Committee reviewed the financial analysis and considered the following parameters to recast the financial analysis in operation of two 777-200ER aircraft:

- a. 80% Cabin Factor to be taken into consideration as Biman's system-wide Cabin Factor was 79% last year.
- b. Transportation of cargo (belly cargo) to be accounted for in financial analysis as there is increasing demand for cargo.
- c. Current yield rate to be considered in financial analysis, which is more likely to increase due to implementation of new Revenue Management System and marketing program.
- d. Mainly point to point operation to be scheduled including 'W' pattern operation via Chittagong which will reduce operating cost.
- e. Also carry out comparative financial analysis on DC10-30 and 767-300ER (ACMI) operation.

The Board Committee advised to recast the financial analysis accordingly and place the same before the meeting of the Board of Directors.

06. In consideration of the parameters as above, financial analysis will be placed before the Board Meeting separately. It may be mentioned that induction of proposed two 777-200ER aircraft will pave the way of interim fleet solution of Biman virtually as capacity replacement of Biman's two DC10-30s being completely phased out by December 2013. Moreover, operation of two 777-200ER (MSN 32629 and 32630) from Egypt Air under five years' dry lease from day one of induction may be advantageous in terms of initial maintenance support (line and base), spare-parts & tooling arrangement, engineers training, arrangement of fast moving items etc. under separate agreement with Egypt Air as mentioned at para-4.2(d), which may also be considered by the Board.
07. Submitted for kind discussion and approval of the Board of Directors regarding five years' dry lease of two 777-200ER (MSN 32629, 32630) from Egypt Air subject to review of financial analysis being placed in the meeting.

08. Discussion:

- 8.1. Managing Director & CEO informed that as per inspection report, two 777-200ER (MSN 32629 & 32630) aircraft of Egypt Air were found satisfactory for dry lease. The inspection team also recommended to settle some issues mentioned at para- 4.2 (d) during negotiation with Egypt Air for arrangement of operation and maintenance of two 777-200ER immediately after induction on dry lease.

- 8.2. Mr. A.S.M. Monjur Emam, Controller of Accounts & Director Finance (Actg) presented financial analysis of two 777-200ER offered by Egypt Air and distributed among the Directors of the Board as an attachment of the subject working paper. The financial analysis has been done on the routes to Muscat, Kuwait, Dubai, Abu Dhabi, Doha via Chittagong and some direct flights including Singapore, Kuala Lumpur. It was observed that in spite of 80% cabin factor having considered with current yield rate and transportation of cargo, total Marginal Contribution has been found negative of USD 1,61,334.00, out of total operation in one month on different routes viz.

Routes	Positive Marginal Contribution	Routes	Negative Marginal Contribution (USD)
CGP-MCT-CGP	USD 73,061	DAC-KWI-DAC	(USD 2,84,604)
CGP-DXB-CGP	USD 10,225	CGP-KWI-CGP	(USD 8,036)
DAC-DXB-ZYL-DAC	USD 38,171	DAC-DXB-DAC	(USD 35,596)
DAC-DOH-CGP-DAC	USD 14,382	DAC-DOH-DAC	(USD 11,093)
CGP-DOH-CGP	USD 58,778	DAC-CGP-AUH-CGP	(USD 82,196)
DAC-SIN-DAC	USD 1,21,575	DAC-AUH-DAC	(USD 48,627)
		DAC-KUL-DAC	(USD 7,374)

In a comparative statement of profitability analysis for 777-200ER, DC10-30 and 767-300ER operation, it was also observed that the loss in Marginal Contribution of 777-200ER is much lower than DC10-30 and 767-300ER as mentioned below:

- 777-200ER : Negative Marginal Contribution (Total USD 161,334/ Per Hour USD 206)).
- DC10-30 : Negative Marginal Contribution (Total USD 1,387,261/Per Hour USD 1,769)
- 767-300ER : Negative Marginal Contribution (Total USD 1,341,439/Per Hour USD 1,711)

- 8.3. It came up in the discussion that leasing new type of aircraft in Biman fleet with negative marginal contribution will add on Biman's financial loss. Kevin John Steele, Managing Director & CEO mentioned that increase of fleet and operation will reduce fixed cost and overhead per flight/aircraft. He also mentioned that implementation of new Revenue Management (RM) and Revenue Integrity (RI) systems now on progress, will increase passenger yield and decrease GDS cost and that "W" pattern operation to some Middle East routes via Chittagong will reduce operating cost to some extent. Moreover, Biman will negotiate with Egypt Air to reduce monthly lease and maintenance reserves for their offered two 777-200ER and it is expected to achieve a better result which will improve marginal contribution towards positive he added. Managing Director & CEO further mentioned that one of two DC10-30s already grounded permanently on 10th November 2013 and another one will be phased out by December 2013. As such Biman must replace capacity of two DC10-30s immediately, otherwise there will be an acute capacity shortage and result in serious dislocation of normal flight schedule regularity.

- 8.4. The Board appreciated the extreme necessity of leasing at least two wide-bodied aircraft to supplement the capacity of two DC10-30s to sustain the existing operation and maintain normal flight schedule regularity. The Board observed that loss in operation of DC10-30 and 767-300ER is much higher than 777-200ER. In reply to a query of the Board, Managing Director & CEO mentioned that the performance of A330-200/300 aircraft appears to be better than 777-200ER aircraft. However, A330 aircraft is completely a new type in Biman fleet and operation of A330 will require huge investment in spare-parts inventory, conversion training of cockpit crew and type rating of ground engineers for maintenance along with long lead time for maintenance training. On the other hand, 777-200ER from the view point of fleet commonality in Biman already having 777-300ER for medium-haul and long-haul operation, would be a suitable replacement of DC10-30 aircraft from operation and maintenance point of view. The Board appreciated the views of Managing Director & CEO.

- 8.5. Air Vice Marshal Abu Esrar, Chairman of the Board Committee on Procurement of Aircraft opined to recast the financial analysis of 777-200ER taking into account of negotiated lease rent and maintenance reserves and other propositions as stated by Managing Director & CEO at para-8.4. The meeting also agreed with the opinion of AVM Esrar and finally reached consensus to invite Egypt Air delegation for negotiation of lease contract and financial terms & conditions of the dry lease offer of two 777-200ER aircraft; MSN 32629 & 32630.

09. **Decision:**

After a detailed discussion the meeting **RESOLVED THAT -**

- a. Egypt Air delegation will be invited immediately for negotiation of contract regarding five years' dry lease of two 777-200ER aircraft; MSN 32629 and 32630 and Biman team will make efforts for reduction of monthly lease rent and maintenance reserves.
- b. Based on negotiated lease rent and maintenance reserves, financial analysis on dry lease of two 777-200ER to be recast and presented before the Board of Directors' Meeting along with outcome of negotiation for final approval.
- c. During negotiation with Egypt Air delegation, issues mentioned at Para-4.2(d) as per recommendation of Biman inspection team pertaining to operation and maintenance of 777-200ER aircraft immediately after induction may be discussed and resolved as would be deemed appropriate.
- d. Action may be taken before finalization and confirmation of the minutes of the meeting.

AGENDA # 03

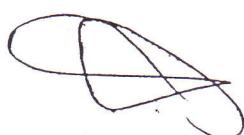
20% Dearness Allowance against Basic Salary of Biman Employees :

A working paper on the subject was placed before the Board Meeting, which reads as under:

01. The Government has issued a notification of granting 20% Dearness Allowance against Basic Salaries vide notification no. 07.00.0000.161.07.00.000.13-229, Dated 07-10-2013. This notification has been issued by the Ministry of Finance, which would come into effect from 01 July of 2013. All workers and officers employed in public, semi-public and autonomous institutions as well as state-owned banks, including investment firms, will be eligible to enjoy the Dearness Allowance (DA). This DA will also be eligible on an interim basis for members of the armed forces. Amount of the DA, however, has to stay between Tk.1,500 and Tk.6,000.

02. The Government has taken the following decision to implement the Dearness Allowance (DA):

- a) The employees under Post Retirement Leave (PRL) will get the same rate of DA based on their last Basic before going to PRL;
- b) The employees, who have retired with effect from 01 July 2013 or will be retired before implementing of next New National Pay Scale, will get pension amount adding this DA;
- c) The employees under suspension will get 20% DA on their 50% of Basic salary just before the date of suspension.
- d) The pension holder will get 20% DA on the pension able amount;



- (c) However, deduction of income tax at 10% on basic salary of general employees will continue till further clarification is obtained from the government on the status of Biman employees with regard to payment of income tax.
- (d) Biman will write a letter to the Ministry of Civil Aviation & Tourism to obtain clarification about the status of Biman employees with regard to payment of income tax in the light of clarification of NBR.

AGENDA # 10

Agreed minutes of the meeting between Biman and Air Atlanta Icelandic regarding final reconciliation of outstanding issues :

A working paper on the subject was placed before the Board Meeting, which reads as under:

01. Biman took wet lease of one 747-400 aircraft (Regn. TF-AMY, MSN-25260) from Air Atlanta Icelandic for a period of 12 months under the lease agreement concluded on 14 August 2011. The lease term was scheduled to expire on 20 September 2012. However, the lease was terminated before the expiry date as AAI unilaterally withdrew the aircraft from Biman's scheduled operation at Muscat on 11 September 2012. Due to withdrawal of aircraft unilaterally by AAI from Muscat, there remained some outstanding issues. Both sides agreed to arrange a reconciliation meeting at Dhaka to settle these outstanding issues.
02. Accordingly, Biman Bangladesh Airlines Ltd. (Biman) and Air Atlanta Icelandic (AAI) met at Dhaka on 19-21 November 2012 for final reconciliation on outstanding issues pertaining to lease termination of 747-400 aircraft (Regn. TF-AMY, MSN-25260)
03. During the meeting, both sides tabled their issues and claims/counter claims under the provisions of the Aircraft Wet Lease Agreement.

3.1 Biman team placed their claims as under:

- a. Total Minimum Guaranteed Block Hours was 3,000 as per the lease agreement. During the 12 months lease period, Biman utilized 3,354.26 Block Hours and a total amount of USD21,752,264.00 was due for payment as per hourly rate in accordance with the provisions of clause-6.1, 6.2 and 6.3 of the Lease Agreement. Biman in the process of advance payment paid to AAI USD21,995,204.25 including security deposit for the entire lease period. As such an amount of USD242,940.25 is due to be returned by AAI to Biman.
- b. Biman provided engineering handling services to AAI aircraft for which an amount of USD16,809.27 is due to be paid by AAI to Biman.
- c. Due to unilateral withdrawal of aircraft by AAI from scheduled operation before expiry of the lease term, Biman had to incur huge financial loss for hotel accommodation, ground feeding and transfer of stranded passengers to other airlines at Dhaka and different foreign stations which is estimated at USD373,469.29.
- d. Biman provided a list of outstanding Galley Equipment and inserts of leased 747-400 aircraft to AAI team for returning back to AAI.

3.2 The Air Atlanta Icelandic team tabled the following claims to Biman:

- a. Claim of USD1,352,558.49 to Biman in compliance of the provision for payment of monthly minimum Guaranteed 250 Block Hours under clause 6.1 and 7.2 of the Lease Agreement. This claim arises for non-payment of deficit hours for few months under the lease term according to the interpretation of AAI.
- b. Claim of USD438,469.57 against the incident of winglet, damage of cargo door of leased 747-400 aircraft and also cleaning and replacement of aircraft interior parts.

3.3 The summary of the claims of both the parties are as follows:

Claims of Air Atlanta Icelandic		Claims of Biman Bangladesh Airlines	
	USD		USD
Claims for deficit monthly BH	1,352,558.49	Excess payment over utilization	242,940.25
Cost of repair and cleaning	438,469.57	Engineering handling services	16,809.27
		Financial loss for withdrawal of aircraft	373,469.29
Total	1,791,028.06	Total	633,218.81

04. Both sides presented arguments and counter arguments in favor of their claim:

- a. Biman made advance payment for Block Hour rent as per the agreement and security deposit of USD1,600,000 had been adjusted towards utilization of the aircraft in last month of the lease term resulting in additional payment of USD2,42,940.25 as at para 3.1. The mentioned amount has to be refunded by AAI to Biman;
- b. Biman team asked for collateral damage arising out of cancellation of flights with 747-400 due to unilateral withdrawal of the aircraft by AAI from Muscat on 11 September 2012 i.e. before expiry of the lease. This unoward action of AAI caused sufferings of Biman's passengers and resulted in huge financial loss due to hotel accommodation, ground feeding, endorsement of stranded passenger to other airlines. The financial loss is estimated at USD373,469.29 including catering of USD1874.94 which is due to be compensated by AAI.
- c. AAI team mentioned that they served a notice on 24 August 2012 for scheduled maintenance of the aircraft requiring five days from 10 September 2012. Biman team pointed out that as per clause 11.3 of the lease agreement, minimum one month's notice was required. AAI team mentioned that scheduled maintenance of the aircraft had advanced due to excess utilization compared to minimum guaranteed hours. Thus one month's notice was not applicable and as such AAI was not obligated to compensate for cancellation of flights. Biman team requested AAI on 25 August 2012 for shifting the maintenance program after 20 September 2012 as the flight schedule was already built up accordingly. Since AAI did not reply to Biman, it was understood by Biman that AAI had concurred to Biman's request and as such flight schedule with 747 aircraft was planned. So Biman team reiterated claiming the collateral damage.
- d. AAI asked for payment of USD1,352,558.49 as per provision of monthly minimum guaranteed hours under the contractual obligation stipulated at para 7.2 of the lease agreement. Biman team expressed different views in interpretation of the provision of clause 7.2 of the lease agreement.
- e. AAI team also claimed for payment of USD438,469.57 as at para 3.2 (b). Biman team argued that since joint inspection during redelivery of the aircraft as stipulated in amendment no. I to the contract dated 14 August 2012 could not be done due to withdrawal of the aircraft by AAI from Muscat on 11 September 2012, Biman team expressed inability to make such payment as

mentioned at para 3.2 (b). AAI team mentioned that the winglet damage was caused due to negligence of Biman's push-back operator which led to collision of the aircraft with another aircraft of GMG airlines. So Biman is obligated to pay the compensation for winglet damage. AAI team also claimed for payment of cleaning of the aircraft, fuel, cargo door repair and also replacement of some aircraft interior items.

- f. In the context of arguments and counter arguments of both sides the meeting at one stage became stagnant.

05. With a view to come to a conclusion acceptable to both the parties, AAI came up with a proposal that AAI would return USD242,940.25 to Biman and Biman would pay to AAI USD349,111.86 as under:

i.	Winglet incident as per invoice	USD2,81,117.00
ii.	Clean up after contract	USD61,494.86
iii.	Fuel adjustment (difference of arrival & departure flight)	USD6,500.00
Total:		USD349,111.86

After adjustment, Biman is required to pay to AAI (USD349,111.86 – USD242,940.25) USD106,171.61.

06. Biman team agreed, in principle, to make payment for the cost of winglet repair only provided that the cost of winglet repair was not realized from the insurer. AAI team confirmed that they have not received any insurance claim for winglet damage. Biman team further mentioned that in addition to excess payment of USD242,940.25, AAI is also required to pay Biman USD16,809.27 for engineering service and USD1,874.94 for loss of uplifted meal. Expenses on account of hotel accommodation of stranded passengers and ground feeding is also a valid claim of Biman to AAI.

07. After a protracted discussion, both sides with a view to come to a solution acceptable to both the parties in consideration of long business relationship, agreed on the following:

- a. Biman's claim of excess payment for block hour utilization, cost for engineering services and catering will be adjusted against AAI's claim of winglet damage, cleaning and fuel. Both sides will waive each other from all dues and obligation under the agreement.
- b. Remaining galley equipment and inserts of 747-400 aircraft will be returned to AAI.
- c. The agreed minutes will come into force subject to approval of the management of both sides.

Agreed Minutes of the Meeting between the both parties is placed as Annex-'A' of the working paper.

08. The above matter was placed in the 2nd/2013 meeting of the Executive Directors held on 07 February 2013. The ED meeting concurred on the final reconciliation as agreed in the meeting between Biman and AAI (Annex-'B' of the working paper). However, during the confirmation of the minutes in 3rd/2013 Executive Directors meeting held on 14 March 2013 (Minutes circulated on 28/05/2013), it was opined that the matter be placed in the meeting of the Board of Directors for approval (Annex-'C' of the working paper).

09. In view of the above, the agreed proposal for final reconciliation between Biman and Air Atlanta Icelandic as at para-7 is placed before the meeting of Board of Directors for kind consideration and approval.

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10. Discussion :

10.1 General Manager Planning, Biman presented a summary on the subject agenda as under:

- a. One year ACMI lease of 747-400 (Regn. TF-AMY) from Air Atlanta Icelandic (AAI) was due to expire on 20th September 2012, but the lessor had withdrawn the aircraft from Biman's scheduled operation at Muscat on 11 September 2012.
- b. Earlier on 24 August 2012, AAI served a notice to Biman for scheduled maintenance of the aircraft requiring 5 days from 10th September 2012. Biman requested AAI on 25 August 2012 for shifting of the maintenance program after 20th September 2012, but AAI did not reply.
- c. As per clause-6.1 of the lease agreement, lessee (Biman) agrees to pay a minimum of 250 block hours per month during the entire lease period (Minimum Block Hour Guarantee) or no less a total of 3,000 block hours for the lease period and pay rent for that block hours at the rate as per clause-6.2. Clause-7.2 of the lease agreement stipulates that reconciliation to be made for the actual number of block hours operated during the previous month versus minimum block hours paid and lessee shall pay to lessor for all excess block hours, if any, within 05 business days.
- d. Biman paid total USD 21,995,204.25 including security deposit of USD 1,600,000.00 in the process of advance payment. A total of 3,354.26 block hours were utilized till withdrawal of the aircraft and USD 21,752,264.00 was due for payment as per utilization of the aircraft. As such excess payment was USD 242,940.25.
- e. In the final reconciliation meeting on 19 – 21 November 2012, Biman team claimed USD 633,218.81 including excess payment of USD 242,940.25, on the other hand AAI claimed USD 1.791 million on account of deficit block hour payment of USD 1.353 million based on 250 monthly minimum guaranteed hours as per clause 7.2 of the ACMI lease agreement and cost of repair and cleaning USD 0.438 million as mentioned at para-3.3 above.
- f. Biman team asked for collateral damage arising out of cancellation of flights with 747-400 due to unilateral withdrawal of aircraft by AAI from Muscat before expiry of the lease agreement.
- g. After argument and counter arguments of both sides, AAI team finally agreed to return Biman's excess payment of USD 2,42,940.25 but claimed upon Biman an amount of USD 3,49,111.86 including repair cost of winglet (USD 281,117.00) damage caused by the negligence of Biman's push back operator which led to collision of 747-400 with one 767 aircraft of GMG Airlines at Hazrat Shahjalal International Airport, Dhaka on 23 December 2011.
- h. As per provision of the agreement, Biman's obligation, among others, was to provide efficient pushback operator, but in the investigation of the incident conducted by Biman and CAAB, the inefficiency of Biman's Push Back operator was revealed. As such Biman's obligation was to compensate AAI causing damage to their aircraft noting that AAI did not get money from insurance company, which was learned by Biman's Insurance Section from the Insurance Company.

- i. It is a fact that Biman made less payment than monthly utilization hours from 1st withdrawal of the aircraft and the deficit payment was account for about 370 block hours, which was contrary to clause 7.2 of the lease agreement.
 - j. Biman legal adviser opined that if there has been a breach of monthly payment of lease rent under clause-6.2, AAI was entitled to take back possession of the aircraft.
 - k. At last AAI claimed net payment of USD 1,06,171.61 after adjustment of Biman's excess payment of USD 2,42,940.25 i.e. USD 349,111.86 – USD 2,42,940.25 = USD 1,06,171.61.
 - l. Biman team did not agree to make any further payment, whatsoever. After a long bargaining both sides with a view to resolve the issue, agreed to waive each other from all dues and obligation under the agreement. Biman Executive Directors Meeting (02/2013) held on 7th February 2013 agreed with decision of final reconciliation meeting.
 - m. It may be mentioned that conflict arose on interpretation of the agreement clause 6.1, 6.2 and 7.2 and that such provisions of the agreement was not favourable to Biman. The issue could be involved in litigation in the court of law outside Bangladesh, in which case Biman would have to incur huge financial expenses.
- 10.2 The meeting reviewed the entire issue and concurred on the agreed decisions of the financial reconciliation meeting. The Board also expressed dissatisfaction over the faulty agreement and disproportionate monthly utilization of the leased aircraft and opined to carry out an investigation on the matter.

11. Decision :

After a detailed discussion, it was **RESOLVED THAT-**

- (a) The Board concurred with the decisions of the agreed minutes regarding final reconciliation of accounts between Biman and Air Atlanta Icelandic for ACMI lease of 747-400 (Regn. TF-AMY) aircraft.
- (b) However, Biman management will carry out an investigation on signing of the faulty agreement with Air Atlanta Icelandic and disproportionate utilization of leased 747-400 (Regn. TF-AMY) aircraft.

AGENDA # 11

Manpower set-up of Foreign Stations:

A working paper on the subject was placed before the Board Meeting, which reads as under:

01. Pursuant to the decision of the 103rd & 104th Meetings of the Board of Directors held on 28 November 2012 & 15 December 2012 respectively, a Board Sub-Committee on Foreign Stations has been constituted vide Office Order No.-52/2012 dated 26.12.2012.
02. Subsequently, 04 (Four) meetings were held in the Board room of Balaka under the Chairmanship of Major General Md. Habibur Rahman Khan, ndc, psc. The Committee discussed and analyzed in

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AGENDA # 12 Miscellaneous-04

Evaluation of the Proposal for PDP financing of two 737-800 aircraft :

A working paper on the subject was placed before the Board Meeting, which reads as under:

01. Biman invited Request for Proposal (RFP) for PDP financing of USD 53.50 million for two 737-800 aircraft due to be paid on 1st December 2013 against the Sovereign Guarantee of the government of Bangladesh provided, in principle. On the closing day of RFP on 18th December 2013, Biman received only one offer from Deutsche Bank, Germany. The meeting for evaluation of offer is scheduled to be held on 1st December 2013. Pursuant to the request of Biman, Boeing Company has agreed to extend the Pre-delivery Payment (PDP) date up to 1st March 2014 without changing the delivery schedule in November and December 2015 but subject to payment of interest amounting to USD 2,241,863. Biman is taking up the matter with Boeing not to impose any interest on PDP amount.

02. In evaluation of the single offer, if it is found non-responsive by the evaluation committee, in that case re-invitation of RFP with 28 days' time will be required as per provision of PPR 2008. As such, Biman Board of Directors may kindly approve re-invitation of RFP for PDP financing of two 737-800 aircraft if the offer is not found responsive in evaluation.

03. Submitted for kind approval of the Board of Directors.

04. **Discussion :**

The meeting discussed on the subject agenda and concurred to re-invite RFP for PDP financing of two 737-800 aircraft if the single offer received from Deutsche Bank is found non-responsive in evaluation.

05. **Decision :**

After the discussion, it was **RESOLVED THAT-**

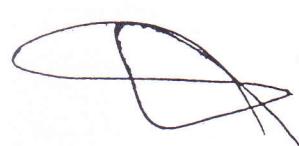
- a. Biman will immediately re-invite RFP for PDP financing of two 737-800 aircraft, if the single offer received from Deutsche Bank, Germany is found non-responsive in evaluation.
- b. Action to be taken before finalization and confirmation of the minutes of the meeting.

Having no other issues for discussion, the meeting ended with a vote of thanks to and from the Chair.



12/12/13

Air Marshal Jamal Uddin Ahmed
ndc, bems, psc (Retd)
Chairman, Board of Directors
Biman Bangladesh Airlines Limited



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Biman Bangladesh Airlines Limited
Company Secretariat

Eg rpt A 22

Ref: DAC/DEC/31/2013/527

15 December 2013

- Director Planning
 - Director Customer Services
 - Director Engineering & Material Management
 - Director Marketing & Sales
 - Director Administration
 - Director Flight Operations
 - Director Procurement & Logistic Support
 - Director Finance
- Biman Bangladesh Airlines Ltd.
Dhaka.

Sub: Minutes of the 120th Meeting of the Board of Directors

As directed, the Minutes of the 120th Meeting of Board of Directors of Biman is enclosed herewith for your kind information and necessary action on relevant matters.

T/6 15.12.2013
M Fazlur Rahman

Asstt. Manager Administration
Company Secretariat

Encl : As above (29 Pages).

Copy :

Manager Co-ordination to MD & CEO - For kind information of the Managing Director & CEO along with above mentioned Minutes.

