

## MEMORANDUM

TO: To the Textile Rental Industry  
FROM: Michael Potack, Chairman, TRSA

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During the past several days a series of conflicting announcements have appeared regarding the fact that the consolidation between TRSA and UTSA has fallen apart. We would like to set the record straight.

Several months ago, the TRSA Board requested that its members vote in favor of having the consolidation go forward and over 80% of the members voted in favor.

After both the UTSA and TRSA membership authorized us to go forward, a Joint Committee, including Jim Buik and Kevin Crotty from UTSA, Michael Potack and Woody Ostrow from TRSA, and Steve Donly, a member of both associations held a series of meetings to discuss integrating the operations of the consolidated association, the staffing of the consolidated association and hiring a new CEO.

Many meetings were held and, from our prospective, what was initially agreed to on a unanimous basis was often reopened in later conversations.

Much time was spent on the issue of who would be the President of the new association. So much so that by the time of the TRSA Board Meeting on November 18, 2005, decisions regarding many of the major integration issues had not been made. Here are some examples:

1. The Magazines. TRSA and UTSA both publish magazines. The Joint Committee had originally recommended that both magazines be published in 2006 and then there should be one magazine in 2007. This would have given

the staffs the opportunity to integrate these publications and develop the strongest possible magazine. It would also allow development of an advertising rate schedule and permit advertisers to get advertising budgets approved. In late October UTSA Chairman Buik proposed a single magazine starting January 1, 2006 with a UTSA staff person in charge. Advertising rates would go up at least 40% (and there was discussion of eliminating the 15% agency commission). Although this proposal was pushed through the Joint Search Committee and the Board of the consolidated association, neither group was given hard numbers to analyze and TRSA Treasurer Ostrow, who was scheduled to be the Treasurer of the consolidated association, was told that this was going to happen. A subsequent review of the estimated income and expenses showed that many of the assumptions used to justify this decision were suspect. The decision to move forward with one magazine on January 1, 2006 does not make sense.

2. Associate Member Dues. TRSA has always encouraged all industry suppliers to join the association. Associate member dues were based on sales to the industry. TRSA Associate member dues started at \$845 per company. Associate members were not required to advertise in the magazine.

UTSA charged associate members a minimum of about \$10,000 per year but included 6 pages of advertising as part of the membership fee.

Initially, the Joint Executive Committee recommended that associate members pay the same amount of dues to the consolidated association and place the same advertising in 2006 as had been done in 2005. This was reported to the TRSA Board and approved. Several weeks ago, UTSA Chairman Jim Buik came back and said this was not fair. Again, without presenting a written financial analysis, he argued in favor of a proposal to raise associate member dues to a minimum of \$5,000 in 2006, \$7,500 in 2008 and \$10,000 in 2010 for associates. When it was pointed out that the great majority of TRSA associate members paid less than \$5,000 per year, the attitude expressed was

that if an associate member could not afford \$5,000 per year, we didn't need the member. This did not sit right with the TRSA Board.

3. Staffing. The UTSA negotiators proposed that UTSA staffers get the key staff positions in the Association.

4. The Presidency. The Joint Executive Committee's direction was to hire an outside consultant and then do a search for a new CEO. A consultant was hired and a former chair suggested that since both TRSA and UTSA had strong Presidents, one of the current Presidents be selected for the position.

The Joint Executive Committee, working with the consultant agreed on this position. Again, working with the consultant the Joint Executive Committee sent each President a list of questions to be answered in writing and told the Presidents that the Joint Executive Committee would like them each to be interviewed by an industrial psychologist prior to being interviewed by the Executive Committee.

TRSA's President agreed to the interview and submitted his answers to the questions. UTSA's President did not agree to be interviewed by the psychologist and submitted his answers subject to the condition that the Joint Executive Committee agree that his answers not be distributed to anyone but the members of the Joint Executive Committee.

The Joint Executive Committee decided not to take action on either candidate but to expand the search. An executive search firm was hired to do the search, the UTSA members asked that a more neutral industrial psychologist be used suggesting that there was a perception that the first psychologist was "tainted" in that he had done work for a TRSA company. They claimed this perception was not overcome by the fact that the industrial psychologist also worked for a UTSA company. Finally, it was agreed that an industrial

psychologist used by ARAMARK be retained. The Presidents of TRSA and UTSA were invited to participate in the search and were told that all candidates would be interviewed by an industrial psychologist. TRSA's President agreed to be a candidate. According to the Executive Search firm, UTSA's President advised them that he would not agree to an interview by a psychologist and he did not submit a resume to the Executive Search firm. The Joint Executive Committee discussed this situation, and in order to move forward, as a compromise position, it was decided to go forward without either current President.

Four "neutral candidates" were selected to be interviewed and interviews were scheduled for November 20 and 21. Several days before the interviews, a UTSA Board member wrote to Mr. Buik and asked that the decision not to include the UTSA President be reopened. Buik sent this letter to the Joint Executive Committee.

5. The Budget. The Budget for the consolidated association was to be developed by the staffs. UTSA Chairman Buik took responsibility for this task. TRSA Treasurer Ostrow who was scheduled to be the Treasurer of the consolidated organization was not asked to develop the budget. No budget was presented for review until the week of November 14. The proposed budget that Chairman Buik submitted had questionable assumptions.

Finally, Steve Donly, the joint TRSA/UTSA Joint Executive Committee member, resigned from ARAMARK on November 18. Therefore, he no longer qualified to participate in the process.

At its meeting on November 18, the TRSA Board reviewed the entire situation. In less than 6 weeks, the two associations were scheduled to consolidate and there was no agreement on a budget, a new President, the

magazine, associate member dues, staffing and other basic issues such as committee structure, a pension program or insurance.

The Board concluded that to go forward at this stage was not in the best interests of either TRSA or UTSA. It was concluded that the consolidation should be postponed for one year and a full plan of integration be developed by an independent association consultant.

The Board therefore unanimously resolved:

*That TRSA and UTSA continue to cooperate in 2006 but that the associations not consolidate on January 1, 2006 and that consolidation date be extended to January 1, 2007.*

*That TRSA inform UTSA that because of difficulties in reaching agreements on major issues and because there are still major significant open issues that have not been resolved, TRSA proposes the following to UTSA;*

- 1. That the consolidation not be consummated January 1, 2006.*
- 2. That TRSA and UTSA both operate as independent associations in 2006.*
- 3. That TRSA and UTSA jointly hire an independent senior-level association executive who will be assigned the responsibilities of putting together an integration plan for consolidating the operations of the two organizations so that the two organizations can consolidate on a proper basis.*
- 4. That TRSA and UTSA each appoint three persons to an advisory committee to assist the association executive in formulating the integration plan for consolidating the two associations.*
- 5. That the association executive be directed to come up with an integration plan within six months and present that plan to both associations for review.*
- 6. That the staffs of both associations be directed to fully cooperate with the association executive and assist in the development of a plan of implementation that will enable the two groups to move forward cooperatively.*

TRSA Chairman Potack called UTSA Chairman Buik and reported the substance of the TRSA Board's resolution. He said that the resolution was being e-mailed to Mr. Buik and that he hoped that the associations would continue to

work together during the next year and develop a comprehensive plan to join the two organizations. Mr. Buik said he would consider the issue and call Mr. Potack back within the hour. He called back and said that as he saw the situation, TRSA was pulling out of the deal and UTSA would issue a press release announcing that TRSA was walking away from the consolidation. He did not address TRSA's resolution, the fact that there were many open issues that had not been resolved or the fact that TRSA has not walked away from any agreement but proposing to extend the time so that agreement could be reached on crucial issues and new leadership be put in place.

Where are we now.

TRSA is an active, viable, financially solvent association. TRSA has the best publication in the industry, a series of outstanding programs planned for 2006 (see the attached list) and a great committee structure.

TRSA has a democratic tradition of encouraging participation by all companies in the industry, large and small.

TRSA has a dedicated staff lead by President Roger Cocivera and Vice President George Ferencz.

TRSA has a long-range plan for reaching out to the industry, enhancing programs and services and promoting government relations.

We will build on this foundation and expand the scope of TRSA. We hope that UTSA will join with us and accept our proposal to continue consolidation discussions. If not, we hope that UTSA will work with TRSA in areas such as government relations where the industry should speak with a unified voice.

However, with UTSA or without UTSA, TRSA will be the organization that will provide the programs and services that create value for the members.

We want our members to say that their company's best investment is the dues dollars that it pays to TRSA.