

# 1st MONDAY 3rd MONDAY

September 15, 1980

Prepared for employees by the  
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To all Milwaukee Road Employees:

On September 15, Judge McMillen authorized Trustee Ogilvie to enter into wage-deferral agreements with the labor organizations representing our employees as well as a program of similar terms for all other employees. In approving the deferrals, Judge McMillen expressed his strong concurrence in this plan.

The attorney for the Railway Labor Executives Association, pointing out that a majority of the Milwaukee's employees had agreed with the plan, had told Judge McMillen previously that RLEA supports the plan and sees no reason why it shouldn't be approved by the Court. The plan is in the interests of the employees in that it will help keep the railroad working, he asserted.

As of the time of the hearing late this afternoon, it appeared that all but four of the Milwaukee's 14 unions (with which the railroad has 17 contracts in total) would affirm the wage-deferral program. Not in favor of the plan, as of today, are the Carmen, Signalmen, Sheet-Metal Workers, and Boilermakers and Blacksmiths. Arrangements will be made to refund deferred wages to members of any union which doesn't sign the plan agreement. Unions representing roughly 85% of the Milwaukee's employees are expected to sign the agreement or already have.

The wage-deferral agreement is a formal document and all specific matters are subject to the terms of the agreement and applicable law. The following are general answers to some questions which have arisen:

How is the 10% deferral computed? Why is the amount deferred more than 10% of the total salary shown on the check stub? The deferral is computed as 10% of your total earnings for the period, a figure which doesn't show on the stub. The earnings figure which does show is what you earn minus the amount deferred. Note that this figure is called "taxable earnings." To find your total earnings for the period, add this figure and the deferred wages as indicated on the stub.

How do I keep track of my deferred wages? Keep your check stubs. Each stub will show you the amount of wages deferred from that check. It's planned that at the end of the year you will receive a statement showing the total amount of wages deferred during the year.

How will the deferred wages be taxed? For federal, state or railroad retirement tax purposes, deferred wages are not taxable until paid. Your withholding taxes are based on the earnings figure shown on your paycheck stub without regard to the amount of deferred wages. Only these earnings (without the deferred wages) are reported to the Internal Revenue Service and your state for income tax purposes. Likewise, only the amount of wages currently paid is creditable compensation in determining your benefits under the Railroad Retirement Act. Tax on the deferred portion of your wages will not be due until such wages are paid to you.

What is meant in the wage-deferral agreement by "preferred stock" in the reorganized Milwaukee Road? Stock in a company is a mechanism by which investors share in the ownership of the company. Stock is an equity security which represents a share of ownership, contrasted with a debt security (such as a mortgage bond) which represents an obligation of the company to repay funds which it has borrowed from the securityholder. Generally, "preferred" or "preference" stock is an equity security which contains the right to be paid a dividend prior to the payment of dividends on common stock. When the Milwaukee is reorganized, the reorganization plan would create a class of "preferred" or "preference" stock which would reflect, as an investment in the ownership of the reorganized railroad, wages which had been deferred. This stock would be issued as the reorganization plan is put into effect. The rights of holders of this stock relative to the rights of holders of other classes of stock in the reorganized company would be specified in the reorganization plan. If federal law permits at the time, the employees' stock may be deposited in an Employee Stock Ownership Trust.

In the last two court dates, Judge McMillen has entered a series of orders which continue the disposition of those parts of the Milwaukee that cannot remain as part of a viable system. These sales amount to over \$13 million. The final sales to the Burlington Northern and Union Pacific of virtually all of the significant segments of our former lines west of Miles City which haven't already been sold were postponed. Objections to these sales must be filed with the Court by September 22.

The State of South Dakota has received the authority to rent our former line from Sioux Falls to Sioux City solely for the purpose of permitting a private carrier to operate it to haul ballast from Dell Rapids to Sioux City. Arrangements had been made earlier for the use of the line from Dell Rapids to Sioux Falls. We expect that later this month South Dakota and Trustee Ogilvie will present to the Court the state's plan to buy or lease not only this mileage but a total of some 760 miles of our former line.

Speaking of South Dakota, representatives of the South Dakota Department of Transportation have requested Federal Railroad Administration approval of a form of directed service. If South Dakota's application is approved, the Trustee expects to be requested to perform this 30-day service yet this fall. Our agreement to perform this service will be contingent on its overall effect on "Milwaukee II."

September 22, on a trial basis, under an ICC service order, the DRIS&NW, which is headquartered in Davenport, Iowa, and is jointly owned by the Milwaukee and Burlington Northern, will begin serving Iowa City, Iowa, over former Rock Island track. This will also enable interchanging traffic at Iowa City with the Crandic Railway. With this extension, the Milwaukee expects to handle roughly 15 to 20 inbound loads and 30 to 40 outbound loads a day.

The efforts of the Labor-Management Action Group are bearing fruit. One highly significant agreement between management and the UTU, concerning the interchange of cars at Milwaukee with the C&NW, is resulting in new grain traffic. Until recently, we could interchange only livestock and perishable traffic with the C&NW at Washington Street. Everything else had to be moved between Muskego Yard

and C&NW's Mitchell Street Yard over the arduous Menominee Belt. Now, through its local chairmen and general chairman, the UTU has agreed to an experimental arrangement by which road crews may deliver unit grain trains or blocks of grain cars directly at Washington Street.

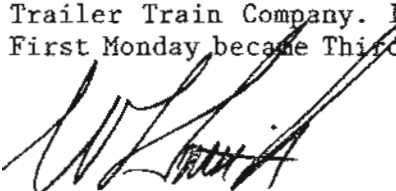
The savings in operating costs of the direct interchange has enabled the Marketing Department to put in new, lower rates for grain moving from Mason City to Continental Grain at Milwaukee. Plans call for three 65-car trains per month. The new traffic, which will comprise at least 2,100 carloads annually between April 1 and November 1, will bring in revenues of \$1.8 million and a contribution to earnings of some \$295,000 per year. New jobs are the result.

Additionally, under the auspices of LMAG local labor representatives and Marketing Department personnel have been making calls in the Austin-Calmar area. Objective: to promote our service from that region to St. Paul.

The little things count, too: There have been complaints that used air-brake hoses have been simply tossed aside when they could be collected and reclaimed. Barrels placed in yards for this purpose yielded 100 hoses in August alone, a saving of \$700.

There have been inquiries also about a proposed voluntary accelerated separation program which has been discussed at some LMAG meetings. A study has been completed which indicates that the expense of an across-the-board program would outweigh the payroll savings that could be achieved. In order to produce a savings, such a program would have to be restricted by age as well as by craft and location and would probably be considered discriminatory by the Equal Employment Opportunity Commission. As a result, no company-wide voluntary separation program will be implemented.

Wally Abbey, our chief editor for these letters, today took a new position at Trailer Train Company. Larry Long is now the editor, and with the transition, First Monday became Third Monday.



W. L. Smith  
President