

P.S.

Prepared for employees by the
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January 27, 1982

To All Milwaukee Road Employees:

Judge McMillen has set further hearings on the 7% wage reduction for January 29, 1982.

Following is the complete text of the agreement between Trustee Ogilvie and the Labor Organization representing Milwaukee Road employees that has been presented to the Reorganization Court.

You are invited to keep this for your personal record and reference.

WAGE REDUCTION AGREEMENT

Effective as of January 1, 1982, Richard B. Ogilvie, Trustee of the Property of the Chicago, Milwaukee, St. Paul and Pacific Railroad Company and the undersigned Labor Organizations hereby enter into the following agreement.

1. Effective January 1, 1982, all hourly, daily mileage, miscellaneous differentials, and monthly rates of pay in effect shall be decreased during the term of this Agreement in the amount of 7%, applied so as to give effect to this decrease in pay irrespective of the method of payment. The reduction shall be applied after application of any applicable general, cost-of-living adjustment or any other type of rate increases to be effective January 1, 1982, or thereafter on such subsequent effective date. During the period this Agreement is in effect, employees will receive 93% of the gross taxable earnings which they would have earned in the absence of this Agreement. Beyond what is provided in this Agreement, the Trustee shall seek no further general wage reduction, deferral or decrease.

2a. Labor Organizations which Participated in 1980-81 Wage Deferral.

Pursuant to the Wage Deferral Agreement of August 1980, the Trustee will seek Reorganization Court approval to place into effect the terms of the national wage agreements which have been reached or which are subsequently reached between the National Carrier's Conference Committee and those Labor Organizations which participated in the Wage Deferral Agreement of August, 1980. The Trustee will use his best efforts to obtain court approval to pay, as soon as possible, back pay due for the years 1978, 1979, 1981, and 1982, if any, as soon as the court approves this agreement and it is ratified, if such ratification is required, by all signatory unions. Back pay attributable to the years 1978, 1979, or 1981 shall not be subject to the 7% wage reduction under this agreement.

2b. Labor Organizations which did not Participate in 1980-81 Wage Deferral.

In consideration of the ratification of this Agreement by the respective Labor Organizations, the Trustee will use his best efforts to obtain Reorganization Court approval to place into effect the terms of the national wage agreements which have been reached or which are subsequently reached between the National Carriers' Conference Committee and those Labor Organizations which did not participate in the Wage Deferral Agreement of August, 1980. In addition, the Trustee will use his best efforts to obtain Reorganization Court approval to pay, as soon as possible, back pay due for the years 1978, 1979 and 1982 as soon as the Court approves this Agreement. Back pay attributable to the years 1978, 1979, 1981 shall not be subject to the 7% wage reduction under this agreement. Back pay due for 1981 shall become a class "C" claim against the estate but shall be paid at the same time the preferred stock is issued to employees who participated in the wage deferral provided, however, that in the event of liquidation, the claim for 1981 back pay shall be treated in accordance with paragraph 6(b) of the Wage Deferral Agreement approved by the Court in Order No. 397. No interest shall accrue on any unpaid back pay.

3. The 7% reduction shall not apply to any payment which is a non-taxable item, such as meal expense, lodging expense, taxi fare, etc.

4. The 7% reduction will apply to all employees not represented by a labor organization ("non-contract employees") in the same manner as is provided by paragraphs 1 and 3.

5. During the term of this Agreement, aggregate annual merit increases to non-contract employees shall not exceed the aggregate annual increases granted to employees represented by labor organizations ("contract employees"), expressed on a percentage basis. Prior to March 1, 1984 the Trustee may after consulting with labor

representatives designated pursuant to paragraph 6, hereof, make a reasonable estimate of anticipated pay increases to be granted to contract employees, and may use that estimate to continue implementation of the non-contract employee merit increase program subject to the limitations of this paragraph and of paragraph 6, hereof.

6. The Trustee reserves the authority to grant larger increases to individual non-contract employees where, in his sole discretion, such increase is merited, provided that such larger increases are offset by smaller increases to other non-contract employees so that at year-end the total increases expressed as a percentage granted non-contract employees shall not exceed the total increase expressed as a percentage granted to contract employees. The Labor Organizations may appoint a committee of not more than three individuals who may confer with the Trustee on a quarterly basis concerning the Trustee's implementation of this paragraph and paragraph 11 hereof. The Trustee will, prior to such conferences, provide such committee with quarterly reports of the non-contract employees' aggregate salaries and increases broken down by departments, and with quarterly reports of all non-contract employee promotions during such quarter (such report to include a list of names of promoted employees and their respective former and promoted title).
7. The Agreement shall terminate on the earlier of:
 1. (a) consummation of a merger or a sale of all or substantially all railroad lines currently operated,
 - (b) Reorganization Court approval of cessation of operations and commencement of liquidation proceedings of the assets; or
 - (c) January 1, 1985.

The termination of this Agreement shall not affect the validity of claims an employee may have against the estate or Reorganized Railroad pursuant to Section 2, 8 or 9 of this Agreement.

8. In the event of consummation of an approved plan of reorganization, the Reorganized Railroad shall pay a contingent incentive bonus for each of the first five years following the year in which such plan is consummated.
 - a. The total contingent incentive bonus payable for any year shall be 50% of the amount by which net railway operating income, as calculated in accordance with Exhibit 3 of the 1981 Revised Plan of Reorganization, exceeds the greater of \$45 million or that amount which represents an adequate return on investment as determined by the ICC under Section 205 of the Staggers Rail Act of 1980, 49 U.S.C. 10704(a)(4), for that year;
 - i) In no year shall the total contingent incentive bonus exceed 50% of the total amount by which wages were reduced under this agreement.
 - ii) In no event shall the total bonus compensation paid hereunder exceed 115% of the amount by which wages were reduced under this agreement.
 - b. Each employee who had wages reduced pursuant to this agreement, including all non-contract employees, shall have the right to receive for each of the first five years following the year in which an approved plan of reorganization if consummated that percentage of the total contingent incentive bonus payable for the year that equals the percentage his reduction represents of the total reduction over the term of this agreement.
 - c. In any year or years for which under paragraph 8(a), there is no contingent incentive bonus payable, there shall be no right on any employee to receive any contingent incentive bonus attributable to that year.
9. a. In the event of the consummation of a transaction for the sale or merger of all or substantially all of the railroad lines currently operated prior to consummation of an approved plan of reorganization, employees who had wages reduced under this agreement, including all non-contract employees, shall be entitled to the return of up to the amount by which wages were reduced determined as follows. The aggregate amount returned to employees shall equal the product of:
 - i) the amount by which the total consideration for the sale or merger exceeds the ICC basis book value, as determined at the close of business the day before the sale or merger, of the assets transferred;
 - ii) a fraction, the numerator of which is the total amount of reductions and the denominator of which is the sum of the total amount of reduction plus the total borrowing authority exercised pursuant to Court Order No. 534, entered December 7, 1981, and as it may be amended.
- b. In the event the total consideration does not exceed the ICC book value, as determined at the close of business the day before the sale, of the assets transferred, no employee shall be entitled to the return of any amount by which wages were reduced under this agreement.

c. Each employee shall be entitled to that percentage of total wages returned under paragraph 9(a) which equals the percentage his reduction represents of the total reductions under this agreement.

d. In the event of cessation of operations and liquidation of the railroad, no employee shall be entitled to the return of any amounts by which wages were reduced under this agreement.

10. Any early termination or other modification of this agreement is subject to approval by the United States District Court for the Northern District of Illinois. At any time during the term of this agreement, the Trustee or any labor organization signatory hereto may request a conference to discuss early termination or other modification of this Agreement. If, after such conferences between the Trustee and the labor organization(s), no agreement is reached as to an early termination or other modification, either the Trustee or the labor organization(s) may, no sooner than 30 days after the conference request, request the Court to approve an early termination or other modification. There shall be a presumption in favor of at least a modification of the Agreement if the prior year end book cash balance exceeded by 50% the forecasted year end book cash balance shown in Exhibit 3 to the 1981 Revised Plan of Reorganization and the then current forecasted year end book cash balance for the current year exceeds by 50% the forecasted year end book cash balance shown in Exhibit 3 to the 1981 Revised Plan of Reorganization. This presumption in favor of at least a modification may be rebutted by a showing that any proposed modification or any proposed early termination would jeopardize the Trustees' ability to meet the cash forecasts set out in Exhibit 3 to the 1981 Revised Plan of Reorganization.

11. (a) The Trustee shall provide to the members of the committee established pursuant to paragraph 6, hereof, periodic statements of the railroad's performance such as are given to the reorganization court and the creditors of the estate and will work with the committee in developing abbreviated reports for presentation to all employees through internal communications.

(b) Where consistent with his duties, the Trustee will consult with the committee prior to public announcement of restructuring transactions with respect to the operating railroad set forth in the 1981 Revised Plan of Reorganization.

(c) The Trustee shall promptly investigate all written recommendations submitted by the committee to him concerning possible improvements in efficiencies or cost savings in railroad operations, and, as to matters designated as important by the committee, report to the committee in writing no later than 30 days after receipt of the recommendation.

12. This Agreement shall be construed as a separate agreement by and on behalf of each labor organization signatory hereto and the Trustee. This Agreement is subject to such ratification as are required by the constitutions or practices of the signatory labor organizations, but may be implemented in advance of such ratifications. The labor organizations which must submit this Agreement for ratification agree to use their best efforts to complete the ratification process within 30 days of the signing of this agreement.

13. This Agreement is subject to approval by the United States District Court for the Northern District of Illinois and, in the event the court does not approve this Agreement as submitted, the parties hereto shall promptly reassess this agreement in light of the Court's order.