

1st MONDAY 3rd MONDAY

Prepared for employees by the
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April 16, 1984

To All Milwaukee Road Employees:

Consistent with a modified procedural schedule set by the ICC, on April 6th the three carriers competing to acquire the operating assets of the Milwaukee Road filed amended proposals with the Commission. In turn, Trustee Ogilvie filed a statement April 13th with the ICC which indicated that the Soo Line offer was approximately \$700,000 better than that of the Chicago & North Western Transportation Company. Grand Trunk Corporation did not include any cash increase in its amended offer.

The Soo offer is estimated to represent a value of \$570.6 million and the North Western a value of \$569.9 million; on a comparable basis the Grand Trunk is estimated to represent a value of \$410 million. Trustee Ogilvie stated that both the Soo and the North Western offers are in the interests of the estate, Milwaukee employees and the public, but expressed no preference between Soo and CNW.

Governor Ogilvie said that under both the Soo and the North Western offers, the employees of the Milwaukee will be entitled to between \$29 million and \$30 million of the sale proceeds in return for the 7% wage reductions they had taken from 1982 through 1984 to assist the Road's survival and return to profitability. The Grand Trunk proposal would be insufficient to trigger any payback to employees. He cited other substantial benefits to the employees under both the North Western and Soo offers, including termination of the wage reduction, provision of job security protection, and increased health and pension benefits.

Trustee Ogilvie said he was disappointed that the Grand Trunk has not increased its offer. In light of the North Western and Soo amended offers, which are estimated to be \$160 million better, the Trustee questioned whether the Grand Trunk proposal could gain approval from either the ICC or the reorganization court unless it were amended to meet the Soo and North Western bids.

He added, however, that customer acceptance of the GTC-Milwaukee voluntary service agreement initiated in June 1982 demonstrates that these two systems can successfully compete in the marketplace. Both GTC and Milwaukee have benefitted from increased traffic as a result of the coordinated service.

In his comments, Governor Ogilvie observed that the trustee in a bankruptcy proceeding has a unique role. He has a duty to consider the interests of the debtor's creditors and equity security holders. He is also obliged to act in the public interest, including the interests of the debtor's employees. Finally, he is an officer of the Court and subject to its direction and control.

In light of those duties, his statement addressed both the private and public interest aspects of the competing plans and proposals currently being considered.

We've attempted to give you the highlights but, rather than try to condense his 22-page statement to fit into this newsletter, arrangements have been made to make available, for employee review, his complete text, along with statements filed by Vice President-Reorganization, Tom Power, and consultants John Guest and Dr. Paul Banner. These documents will be on file for employee inspection and information at the following locations:

Trainmasters:

Green bay
Kansas City
Mason City
Nahant
Ottumwa
Portage
Savanna
Terre Haute

Assistant Superintendents:

Bensenville
Chicago
Milwaukee
St. Paul

Terminal Managers:

Milwaukee
St. Paul

Regional Personnel Managers:

Bensenville
Milwaukee
St. Paul

Superintendent of Shops
Director-Quality Assurance

Room 352 Chicago Union Station
Room 776 Chicago Union Station

Of particular interest are Trustee Ogilvie's comments about employee sacrifices and the prospects for recouping reduced wages. He said that "under the Wage Reduction Agreement entered pursuant to Court Order January 1982 between representatives of employees and me, the employees will share in any consideration paid the estate in excess of ICC book value in connection with the sale of all or substantially all of the assets of the operating railroad. Under the provisions of that agreement, approximately 34% of the consideration in excess of the book value of assets sold will be returned to the employees, up to a maximum of \$35,000,000, which is approximately the total amount of wages reduced during 1982-84. As applied to the Soo and CNW proposals, it is estimated the employees will receive for their sacrifice approximately 84% of the wages they lost during 1982-84. If the Soo or CNW proposals are finally approved, this right under the Wage Reduction Agreement will be a claim against the estate to be paid from the proceeds of the sale. Timing of the payment would be determined by the Court.

In considering the interests to be served, this possibility of the employees sharing in the sale proceeds is no small matter. In my September 1981 Revised Plan of Reorganization, I had advised the Commission and the Court that I would be required to terminate service by the Milwaukee Railroad in the absence of such a wage reduction. The employees agreed to work for 93% of the prevailing industry wages from 1982 through 1984 in order to provide the opportunity to turn around the Milwaukee. Their sacrifice and work has

