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Boston & Maine Trustees Submit a Plan They Say Will Revive Road's Health by '75

By a WALL STREET JOURNAL Staff Reporter
BOSTON—Trustees operating the Boston & Maine Railroad, under bankruptcy proceedings, said they filed a plan of reorganization in federal court here.
The plan, if approved by the court and the Interstate Commerce Commission, calls for getting the railroad back on the track financially and out of bankruptcy proceedings by Jan. 1, 1975.

The B&M's trustees said they would have a good chance of achieving this if they can steer the railroad from its 1970 operating loss of \$6.5 million to a profit of about that figure. The trustees said that in the 18 months they have been running the railroad, they have cut the operating deficit in half, indicating they are already a quarter of the way towards the goal of a \$12 million "swing" from loss to profit.

The B&M's trustees are Paul Cherrington, a Harvard Business School professor, and Charles Bartlett and Robert Meserve, Boston lawyers.

Some of the Proposals

To rejuvenate the railroad, the B&M's trustees would continue abandoning unprofitable branch lines, review commodities rates with a view toward recapturing freight, implement a cost-reduction program, improve service, boost sales efforts and launch a \$5.4 million capital improvement program. The program would involve renovation of rights of way, locomotives, cars and shops to cut operating expenses.

The trustees also would seek tax abatement

involving both the municipalities through which the B&M passes and the states of New Hampshire and Massachusetts.

The trustees also would seek to sell commuter routes into Boston either to the Massachusetts Bay Transportation Authority, the state or private real estate investors. Between \$50 million and \$75 million could be raised this way, the trustees said.

Financial Plans

If all went well, on Jan. 1, 1975, the trustees would issue \$22 million face value of 8% bonds, secured by a first mortgage on the railroad's assets. They also would issue 2.1 million common shares with a \$10 par value each.

The B&M's outstanding \$65 million in first mortgage bonds, notes and collateral trust certificates, including accrued interest, would be canceled and paid off with about \$50 million in cash and with the 8% first mortgage bonds, the trustees said.

The B&M's outstanding \$18.8 million in second mortgage series bonds would be paid off in cash, new mortgage bonds or common stock, they said.

The remaining unsecured creditors would have a claim on the remaining common stock. Current holders of preferred or common stock probably would get nothing, the creditors said.

The plan of reorganization may run into opposition. Holders of about \$14 million in first mortgage bonds already have unsuccessfully petitioned the ICC to order liquidation of the B&M so they could get paid off. The bond holders are four insurers: Equitable Life Assurance Society of the U.S., Metropolitan Life Insurance Co., Connecticut Mutual Life Insurance Co. and Northwestern Mutual Life Insurance Co.

Mr. Cherrington, one of the trustees, said talks have been held from time to time with executives of other New England railroads, but that acceptable acquisition offers for B&M property haven't been made nor are they even in serious stages of negotiation.

track.
Need State Funds
Trustee Paul W. Cherrington warned that without the state funds, the railroad might be forced to sell off its land to private interests with serious adverse effects on the state's economy.

The B&M operates freight service in Massachusetts, New Hampshire, Vermont, Maine and New York. It carries 10,000 daily commuters into Boston from the north and northwest under a \$4 million subsidy contract with the MBTA.
Insurance companies, which are major creditors of the railroad, for as much

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Plan to Save B Aired by Trust

BOSTON (UPI) — Trustees of the Boston & Maine railroad have submitted a plan designed to pull the rail firm out of bankruptcy by 1975.

The reorganization program, submitted Monday to federal judge Francis J.W. Ford, would require the B & M to sell its commuter lines leading into Boston and to settle at 50 cents on the dollar outstanding taxes owed to municipalities in Massachusetts and New Hampshire.

"The Boston & Maine Railroad (B&M) can be successfully reorganized and there is no danger of its operations ceasing or having to be sold off at fire sale prices if the plan is adopted," said Attorney Robert W. Meserve, one of the trustees appointed by Ford when the railroad went bankrupt nearly two years ago.

The trustee pointed by Meserve said that it would be a deficit in 1970 and that it would be about \$2.5 million.

Meserve said can begin a year "it has chance of being based on a dent basis by

"We are pretty home already,

Subsidy Plan

The second phase of the Bixler study is expected to be complete in January in time for a meeting between New Hampshire officials and the trustees in January.

Also reacting to the B & M proposal today was House Speaker Marshall W. Cobleigh, R-Nashua.

"I am highly suspicious of the Boston & Maine and its past records of proposals give reason for this.

"I have reservations about us acting quickly on this, if it is brought up at the special session."

He referred to Gov. Peterson's administration intention to deal with the possibility of purchase of B & M lines.

"I'm not inclined to get into the business of

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