



Minnesota Regional Transit
Board: Records.

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SPECIAL MEETING OF THE REGIONAL TRANSIT BOARD

Tuesday, May 29, 1990
First Floor, Mears Park Centre
3:00 p.m.

AGENDA

1. Call to Order
2. Approval of Agenda
3. Medicine Lake Lines Bankruptcy Proposal
4. Other Business

REGIONAL TRANSIT BOARD
ROLL CALL AND ATTENDANCE SHEET

DATE: 5/27

BOARD OR COMMITTEE: Bd

Member Name	Present	Vote							
Mike Ehrlichmann	✓								
Doris Caranicas (P)	✓								
John Finley (A&F)	✓								
Ruth Franklin (A&F)	✓								
Ed Kranz (A&F)	✓								
Sandra Hilary (P)									
Terry O'Toole (P)	✓								
Jeff Spartz (Chair-P)	✓								
Norbert Theis (P)	✓								
El Tinklenberg (Chair-A)									
Richard Wedell (A&F)	✓								

Visitors

Staff

de Vries

Waney

M. J. S. Bass

JAMES P. LARKIN
 ROBERT L. HOFFMAN
 JACK F. DALY
 D. KENNETH LINDGREN
 WENDELL R. ANDERSON
 GERALD H. FRIEDEL
 ALLAN E. MULLIGAN
 ROBERT J. HENNESSEY
 JAMES S. ERICKSON
 EDWARD J. DRISCOLL
 GENE H. FULLER
 DAVID O. SELLERGREN
 RICHARD J. KEENAN
 JOHN D. FULLMER
 ROBERT E. BOYLE
 FRANK I. HARVEY
 CHARLES S. HODGELL
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 JOHN R. BEATTIE
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 JEROME H. KAHNKE
 SHERRILL R. QMAN
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 JOHN S. LUNDQUIST
 DAYLE NOLAN
 THOMAS S. HUMPHREY, JR.
 MICHAEL T. MCKIM
 CHARLES R. WEAVER
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 MICHAEL B. LE BARRON
 FRANCIS E. GIBBERON
 TRACY R. ZICHORN-HICKS *
 AMY BARR GRADY
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 GREGORY E. KORBTAO
 LISA A. GRAY
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 THOMAS J. SEYMOUR

OF COUNSEL
 JOSEPH GITIS
 RICHARD A. NORDBYE
 DAVID J. BEAT

ALSO ADMITTED IN
 WISCONSIN

May 29, 1990

Mr. Gregory Andrews
 Executive Director
 REGIONAL TRANSIT BOARD
 Mears Park Centre
 230 East Fifth Street
 St. Paul, MN 55101

VIA FAX
 (229-2739)

Re: Medicine Lake Lines

Dear Greg:

I enclose with this letter the following documents:

- 1) Settlement agreement and mutual release between Medicine Lake Bus Company and Regional Transit Board as redrafted according to our prior requirements. Paragraph D reflects the books and records according to Medicine Lake Bus Company; paragraph 2 is the assignment of MLBC's rights to RTB of all claims against the City of Plymouth and defines the release of claims to not be applicable to the City of Plymouth; paragraph 5 is amended to provide that the withdrawal is a resolution of the pending appeals but allows the issues, if present in future contracts, to be raised by further appeal; and paragraph 7 is the new language we agreed upon and which was accepted by MLBC and its attorneys following proof to them that the RTB contract with the University of Minnesota expires in 1991 without any renew options on the part of the University of Minnesota;
- 2) Correspondence from MLBC attorney William Kampf under date May 23, 1990, which attempts to respond to my request that some definition of the ultimate plan of reorganization of MLBC be provided to us in writing. Naturally, Mr. Kampf is not about to disclose the names of the parties negotiating for the acquisition of the

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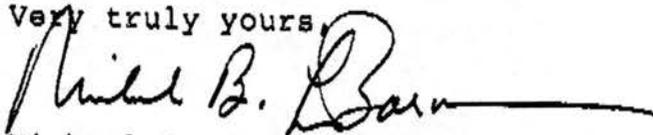
Mr. Gregory Andrews
May 29, 1990
Page 2

company, but he does provide assurance that there will be new ownership and control under any scenario, that James Johnson will not be in the employment of the company any longer and there will be a chief executive officer other than either Marvin or James Johnson; and

- 3) The redrafted and "final" settlement agreement and mutual release as between Medicine Lake Bus Company and the Minnesota Department of Transportation. One of our conditions is that this agreement be fully executed by the parties prior to the execution of any agreement between RTB and MLBC. Paragraph 2 is the significant paragraph to RTB which provides a waiver by MN DOT of all claims or rights to payments against the City of Plymouth provided that MLBC assigns all rights it has against the City of Plymouth to RTB. As that agreement is couched, MN DOT will receive the sum of \$150,000 without interest over a period no longer than five years.

I believe this is the last of the documentation you will need for the meeting which I reflect is scheduled for 3:00 this afternoon. Because we do not have an executed copy of the MN DOT/MLBC agreement, I would suggest that at the executive session of the meeting this afternoon we discuss approval of the contract based upon certain conditions to be met and authorization for the director to execute the agreement provided they are met. In that way, an additional meeting should not be necessary provided what we have this date meets with board approval. If there is anything further you need from me prior to the meeting, please let me know as soon as possible.

Very truly yours,



Michael B. LeBaron, for
LARKIN, HOFFMAN, DALY & LINDGREN, Ltd.

MBL:bmf:EDls

Enclosures

cc: Charles R. Weaver, Esq.
(w/Encls.) (via fax)

additional audit chargebacks under the Unaudited Reimbursement Contracts may be as much as \$1,850,000.

D. According to MLBC's books and records, RTB has retained a total of approximately \$141,318.48 under the Audited and Unaudited Cost Reimbursement Contracts. In addition, RTB has not paid invoices submitted by MLBC for reimbursement of services provided under the ABC Weekender contract in the total amount, according to MLBC's books and records, of \$20,727.81. RTB asserts it is entitled to recoup and/or set off these amounts against the audit citation allegedly owed by MLBC under the Audited Cost Reimbursement Contracts.

E. MLBC disputes the audit chargebacks and RTB's right to set off any of the funds referred to in paragraph D against the alleged audit citation under the Cost Reimbursement Contracts.

F. Prior to the Filing Date, MLBC filed an appeal before the Urban Mass Transportation Administration ("UMTA") from the decision of the RTB regarding the bids submitted by the Metropolitan Transit Commission to the South West Metro Transit Commission for regular route transit services. MLBC's appeal bears the following caption and number: In the matter of Medicine Lake Bus Company, Complainant v. Metropolitan Transit Commission, Respondent, file no. MN/01-01-90 (the "Appeal").

G. MLBC entered into a contract with the City of Plymouth to provide bus transportation services on regular

routes commonly referred to as Plymouth Metrolink. The City of Plymouth has failed to pay MLBC for transit services provided. In addition, the City of Plymouth has withheld payment to Debtor of retainage amounts withheld from other transit contracts. According to MLBC's books and records, the total amount held by the City of Plymouth is \$423,493.57 as of March 31, 1990. MLBC asserts that as of that date, the City of Plymouth was indebted to it in that amount.

H. On or about July 24, 1989, MLBC entered into a commuter bus service agreement with the University of Minnesota to provide transit services to the University along a route commonly referred to as Route 52 ("Route 52 Contract"). RTB asserts that it provides a cost subsidy payment to the University of Minnesota to cover part of the University's payments to MLBC under the Route 52 Contract.

I. MLBC and RTB wish to resolve the various disputes, claims and issues between them on the terms and conditions expressed herein.

AGREEMENT

1. RTB shall retain all funds it holds in which MLBC claims an ownership interest.

2. MLBC hereby assigns to RTB any and all claims, demands, damages, actions, and rights to action MLBC now has or hereafter may have against the City of Plymouth arising out of any contract entered into between MLBC on the one hand and the City of Plymouth on the other before the date of this

Agreement. It is expressly understood and agreed that the release granted in paragraph 4 below shall not operate as nor be construed as a release of any claims against the City of Plymouth hereby assigned to RTB.

3. RTB, its representatives, successors and assigns, fully and forever release and discharge MLBC, its agents, employees, representatives, successors and assigns from all claims, demands, damages, actions and rights to action that RTB now has or hereafter may have arising out of, in consequence of, or on account of MLBC's provision of transit bus services under the Audited and Unaudited Cost Reimbursement Contracts, MLBC's alleged failure to properly document its costs under such Contracts or MLBC's alleged overcharges of costs and expenses under such Contracts.

4. MLBC, its successors and assigns, hereby releases RTB from any and all claims, demands, damages, actions and rights to action that MLBC now has or hereafter may have arising out of, in consequence of, or on account of MLBC's right to reimbursement of expenses under the Audited or Unaudited Cost Reimbursement Contracts.

5. MLBC agrees to withdraw or dismiss the Appeal immediately upon execution of this stipulation or as soon thereafter as practicable and further releases, discharges and acquits RTB from any and all such appeal rights or claims arising from or in connection with any contract bid to or let by RTB to the date hereof. Nothing herein contained shall

preclude MLBC from raising the same or similar issues with respect to any contract bid to or let by RTB from and after the date hereof.

6. RTB shall not file a proof of claim in the Bankruptcy Case and agrees that it will not be entitled to any distribution from the Bankruptcy Estate under any plan of reorganization or liquidation confirmed by the Bankruptcy Court. RTB further agrees that it shall not vote for or against any plan of reorganization proposed by MLBC and shall not participate in any further hearings, matters, or proceedings in the Bankruptcy Case except a hearing before the Bankruptcy Court to obtain an order approving the terms and conditions of this Settlement Agreement.

7. RTB hereby acknowledges that the Route 52 Contract performed by MLBC is between the University of Minnesota and MLBC, and RTB is not a party to that contract and has no benefits therefrom nor responsibilities thereunder. Any extension, modifications, renewals or amendments thereto are between the University of Minnesota and MLBC to negotiate and agree to, all pursuant to the terms thereof. RTB is a party to a contract between it and the University of Minnesota which provides the University with a partial subsidy of the University's costs to contract the performance of Route 52 and MLBC is not a party to that contract. Each of the parties hereto agrees that it shall not interfere with or attempt to interfere with the rights of the other party under their

respective contracts nor to interfere with the exercise of the rights, obligations, responsibility, privileges, power or discretion granted to it pursuant to the terms of either of said contracts. Nothing in this paragraph shall be construed to deprive RTB of any right, responsibility, privilege, power or discretion granted it under its statutory authority.

8. This agreement shall be binding upon and shall inure to the benefit of the parties hereto, their successors and assigns, including any successor trustee appointed pursuant to the provisions of Title 11, United States Code.

9. This agreement shall be effective and binding on the parties only upon entry of an order of the Bankruptcy Court approving this settlement agreement, and the expiration of time within which a timely appeal from the order may be taken. The parties agree to take all steps reasonably necessary to obtain Bankruptcy Court approval of this agreement.

REGIONAL TRANSIT BOARD

By: _____

Its: _____

MEDICINE LAKE BUS COMPANY

By: _____

Its: _____

1583n

FREDRIKSON & BYRON

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May 23, 1990

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WM. DAVID TAYLOR JR
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BY TELECOPIER

Michael B. LeBaron, Esq.
Larkin Hoffman Daly Lindgren
1500 NW Financial Center
7900 Kerxes Avenue South
Bloomington, MN 55431

Re: Medicine Lake Bus Company

Dear Mike:

You requested certain additional information regarding the status of the company's Chapter 11 plan. As I previously indicated to you, the company is having discussions with several different groups of potential investors. In each instance the investors are going to invest additional operating capital in the company and receive control of the company. This will either be by being issued a majority of the stock in the company or half of the stock in the company together with voting control of a requisite additional amount of stock in order to have control of the company. In each instance it is contemplated that a new chief executive officer will be appointed other than Marvin Johnson or James Johnson. It is further contemplated that James Johnson will no longer be employed by the company and that his departure will be permanent.

As I understand it Marvin Johnson will continue to have a roll in the company particularly with regard to the school bus operation. It is difficult at this time to finalize this since the various groups of investors or purchasers of the company have competing varying views of the contours of the equity portion of the plan. The operating portions of the plan as well as the secured debt portions will probably remain the

WILLIAM J. WRIGHT (1912-1988)

OF COUNSEL

HAROLD M. FREDRIKSON

NANCY F. DIMMICK

BARBARA J. COLBORN, JR.

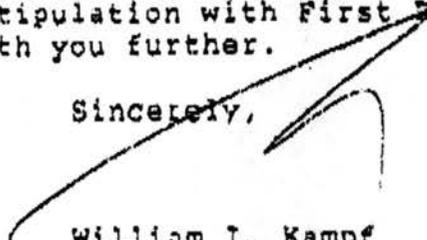
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A PROFESSIONAL ASSOCIATION

Michael R. LeBaron, Esq.
May 23, 1990
Page 2

same other than the probable payoff of First Bank and substitution of another long-term lender. I believe that the new plan and disclosure statement should be on file within a day or two prior to the June 6 disclosure hearing in order to maintain the pace which the company is approaching the confirmation process and particularly in consideration of the "drop dead" clause in the stipulation with First Bank. I would be happy to discuss this with you further.

Sincerely,



William I. Kampf

WIK/vee/1974n



D. MnDOT retained approximately \$104,264.00 as retainage under the Cost Disbursement Contracts. In addition, the City of Plymouth (Contract Nos. 61592 and 61757) has withheld from payment to MLBC the sum of \$150,000. MnDOT asserts that it is entitled to set off the amount it holds and is entitled to recover from the City of Plymouth the \$150,000 held by it against the claim for audit chargebacks under the Cost Reimbursement Contracts.

E. MLBC disputes the audit citation of \$1,268,065.00 and MnDOT's right to setoff any of the funds against the audit citation under the Cost Reimbursement Contracts.

F. Without conceding their respective positions relative to the audit citation results, MLBC and MnDOT wish to resolve the various disputes, claims and issues between them on the terms and conditions expressed herein.

AGREEMENT

1. MnDOT shall retain all funds it holds in which MLBC now claims an ownership interest.

2. MnDOT hereby waives any and all claims or rights to payment against MLBC or the City of Plymouth regarding any funds held by the City of Plymouth on behalf of or for the benefit of MnDOT on the condition that MLBC relinquishes all claims to funds now held by the City of Plymouth and assign to the Regional Transit Board any and all claims, damages, actions, and rights to action MLBC has against the City of Plymouth.

3. MnDOT shall file an amended proof of claim in the Bankruptcy Case in the total amount of \$150,000.

4. MnDOT agrees that it will not vote for or against any plan of reorganization or liquidation proposed by MLBC in the Bankruptcy Case provided that such plan provides for payment of MnDOT's amended claim amount in five annual installments, without interest.

5. Except as expressed herein, MnDOT, its agents, employees, representatives, successors and assigns, fully and forever releases and discharges MLBC, its agents, employees, representatives, successors and assigns from all claims, demands, damages, actions or rights to action that MnDOT now has or hereafter may have arising out of, in consequence of, or on account of MLBC's provision of transit bus services, MLBC's alleged failure to properly document its costs under Cost Reimbursement Contracts with MnDOT, or MLBC's alleged overcharges of costs and expenses under such Contracts.

6. MLBC its successors and assigns, hereby releases MnDOT from any and all claims, demands, damages, actions or rights to action that MLBC now has or hereafter may have arising out of, in consequence of, or on account of MLBC's right to reimbursement of expenses under any cost reimbursement contract entered into between MnDOT and MLBC.

7. This agreement shall be binding upon and shall inure to the benefit of the parties hereto, their successors

and assigns, including any successor trustee appointed pursuant to the provisions of Title 11, United States Code.

MINNESOTA DEPARTMENT OF
TRANSPORTATION

By: _____

Its: _____

MEDICINE LAKE BUS COMPANY

By: _____

Its: _____

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