

January 16, 2003

To the MM&A Family,

The events of the past few days relating to the future of Great Northern Paper Company are probably well known to most of you. GNP represents approximately 25% of all the traffic handled on the MM&A system. The continued shut down of the mills at Millinocket and East Millinocket, and the resulting loss of traffic and revenue to MM&A is a serious matter. We had expected that the mills would reopen in early January and resume full production. Unfortunately, this has not been the case, and it appears that it may be some time before production is started again.

As a result, MM&A must take more drastic action to more closely match our expenses with our revenues. Therefore, with deep regret, we must take the following steps until traffic levels return to more normal levels:

- Expense reductions. Effective immediately, spending on items other than safety must be reduced to the greatest extent possible. We must be thrifty and use our resources well. As former B&A employees, most of you are very good at this. It is anticipated that the start of the capital improvement program scheduled for this year will be delayed. In short, we must do all we can to reduce the amount of money we are spending.
- Train service reductions. Adjustments will be made in train and yard services to reflect the lower number of cars being handled. One of the two round trips between Millinocket and Montreal will be eliminated, and yard jobs at Millinocket will be rearranged. As positions are removed, the remaining positions will be re-bid to allow employees to place themselves on the remaining jobs.
- Voluntary layoffs (without pay) will be offered to employees at once. During the period of voluntary layoff, employees (and their families) will continue to be covered by our health care plan for a period of up to six (6) months. You will maintain your "service date" with MM&A and will be retained in the system for possible recall to active service within the next two years.

Those interested in taking a voluntary layoff should contact their supervisor, or Ms. Gaynor Ryan, Manager of Human Resources, at 207-848-4352 by noon on Monday, January 20, 2003.

- Involuntary reductions in force are expected. At the present time, we are uncertain as to the number of reductions which will be required. Employees who, regrettably, fall into this category will continue to be covered by our health care plan for up to six (6) months, along with their

families. They will retain recall rights for six (6) months from the time of their layoff.

- Salary reductions. Effective tomorrow, I have reduced the salary of the Vice Presidents and myself by 40%. Also, effective tomorrow, the salaries of all other employees must be reduced by 25%. We regret having to take this action, but there is no realistic alternative, other than larger scale force reductions. We feel it is better to continue to provide jobs and health care coverage to a larger number of our extended family, although at a reduced salary, than to maintain salaries at present levels for some and lay-off a larger number of employees.

I believe that these measures will be temporary. It is our strong belief that the GNP mills will be reopened, perhaps under different ownership. The mills have been rebuilt recently at great expense, and should be attractive to a new operator. The only question is **when** this will happen. We do know, from the public statements of GNP, that the mills are for sale and that several major paper companies are interested. How long the restart of the mills will take is the major question at this point.

Mr. Burkhardt and I both want you to know that the salary reductions and other steps outlined above will be removed as soon as traffic levels return to more normal levels. We are putting these changes in place with great regret, and hope that the traffic from the mills will come back, and the sooner the better. However, the only thing we can do to assure your future, the future of the company and to get us through this difficult time is to reduce our expenses to match our revenues.

I do want to remind each one of you of something that will be important to all of us. While GNP represents 25% of our business, there are a lot of other customers out there who are still our customers and make up the other 75% of our traffic. We need to be especially careful in providing them with the best service possible to retain their trust and their traffic during this difficult period. We cannot afford to lose a single car of traffic at this point.

These events will upset everyone's lives. All of us will have concerns in the back of our minds. While you are distracted, you will be more subject to a small mistake that could result in an accident or an injury. Keep your mind in the game, and come safely home to your family every day. That is what matters most of all.

With deep regret, but hope for the future.....

Robert C. Grindrod
President