

1st MONDAY 3rd MONDAY

Prepared for employees by the
Milwaukee Road's Corporate Relations Department
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April 6, 1981

To all Milwaukee Road Employees:

Despite the sluggish economy, our reorganization efforts are proceeding on an orderly basis. So far we've been able to put in place a number of actions that demonstrate our determination to turn this operation into a profitable, revitalized system.

In the time that has elapsed since the last issue of FM/TM, Trustee Ogilvie has accomplished what is believed to be unprecedented in modern railroad history - the settlement of sizable federal loan guarantees far in advance of their maturity dates. The decision to repay \$50.1 million that had been secured through the Emergency Rail Services Act of 1970 was based on solid economic values. The systematic disposal of non-core properties has made funds available that Trustee Ogilvie elected to use to reduce certain obligations of the estate. By taking advantage of the opportunities presented by the current money market he was able to benefit the estate by \$8.8 million.

The ERSA funds that were borrowed over a period from February 1, 1979, to November 20, 1980, were a vital factor in implementing the plan we developed to upgrade the plant and keep us competitive in the market place. That is what ERSA was designed for.

ERSA loan guarantees were established by Congress to preserve essential rail services through guaranteed borrowings to meet payroll and certain other operating expenses of railroads in reorganization which otherwise would be unable to obtain funds to meet those obligations. Under ERSA, however, the secretary of transportation could issue no more than \$200 million in guarantees. As of March 18, 1981, the secretary had issued \$178 million in such guarantees, including the \$50.1 million for the Milwaukee Road. To preserve the ability of the secretary to react to possible future needs of other railroads which may seek reorganization, the Trustee had been requested to prepay at a discount the \$50.1 million, plus accrued interest of about \$1.4 million, prior to the maturity of those loans.

The Reorganization Court last week authorized Trustee Ogilvie to obtain funds from the Milwaukee Land Company to repay these priority ERSA certificates at a discount.

The Court had earlier approved his proposal to invite tender offers from holders of certain other secured debt in order to retire - at a substantial discount - obligations totaling about \$122 million.

Both of these actions are in the best interests of the estate and in the ultimate reorganization of the railroad.

The Court also approved the Trustee's request to enter into certain amendments to the Employee Protection Agreement negotiated with the representatives of organized labor under the Milwaukee Railroad Restructuring Act. That agreement, which was scheduled to expire April 1, has now been extended to permit the settlement of employee protection claims arising out of restructuring transactions occurring after that date. This would make money available to employees at the time they are affected. The agreement will continue in full force and effect until any of the following occurs:

- Confirmation of a reorganization plan;
- Dismissal of the reorganization proceeding; or
- Exhaustion of the monies available to fund this agreement.

To date, \$34.5 million in claims have been filed under the Employee Protection Agreement. The Court had previously authorized the borrowings of up to \$75 million to fund employee protection claims.

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Every once in a while someone will ask why FM/TM is mailed to the home rather than to work locations. We have covered this ground before but it is important enough to bear repeating. On the job distribution leaves a lot to chance. We want to be certain that each of you receives a copy, and that you get it when and where you can reasonably spend some time with it. We feel that if it is sent to your home, you will be in a better position to share its contents with your family and others who are interested in developments on the railroad. Also, with our computerized employee list it is quicker and, all aspects considered, possibly cheaper to let the Post Office do the distribution.

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The Engineering Department reports that the 4R cleanup of scrap ties on the C&M has been completed and installation of anchor spikes was started on about 9.5 miles on No. 1 main that had not previously been anchor spiked.

The brushcutter gang completed brushcutting the Mason City line between Monona and Charles City.

Sixteen small maintenance gangs continued work on the Wisconsin, Illinois/Iowa and Minnesota/Dakota divisions tightening bolts, changing broken rail, replacing anchors, correcting rough track and distributing ties for 1981 work.

Fabrication of the new truss span for bridge G-276 at Knowlton, Wisconsin, was completed and the steel was shipped to the job site. Steel erection was scheduled to start April 1.

Construction continued on Milwaukee Shops electrical rehabilitation and heating improvements at building SD43 were completed.

Communication forces completed installation of company telephone dial service in Sparta, Wisconsin, and Muscatine, Iowa, and completed installation of an F-80 switchboard at Ottumwa, Iowa.

The 155-foot through truss span at Bellevue, Iowa, was replaced with two-deck girder spans from the non-core.

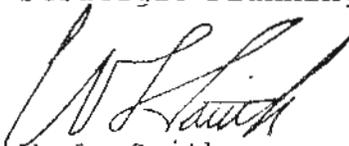
New depots are in service at Wabasha and Lake City, Minnesota.

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We have established a new Corporate Planning Department which will be headed up by Virgil Fairchild as Assistant Vice President effective April 1 and report directly to the President's office.

The new department will develop and establish long-range corporate goals, objectives, and strategies, and recommend and implement programs and procedures by which they can be achieved. Assisting major departments in the formulation of goals and objectives consistent with corporate plans, Fairchild and his staff will coordinate and direct the development and implementation of a computerized operations costing methodology. They will also analyze and evaluate the merits of corporate alternatives relating to capital investments and to the reorganization plan of the railroad.

Transferred from other assignments to staff the new unit are: Dwight Johnson, Manager-Tactical Analysis; Susan Norton, Manager-Strategic Planning and Curt Wehling, Manager-Tactical Planning.



W. L. Smith
President