

1st MONDAY 3rd MONDAY

Prepared for employees by the
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July 20, 1981

To all Milwaukee Road Employees:

Trustee Ogilvie last week rejected a \$22.9 million offer from three utilities to buy our main line from Ortonville, Minnesota, to Miles City, Montana. In a letter dated July 15 jointly addressed to Northwestern Public Service Company, Otter Tail Power Company, and Montana-Dakota Utilities Company, the Trustee said: "We cannot recommend to the Reorganization Court that this offer be accepted inasmuch as it falls substantially short of the fair value of the property."

He added: "In order to call to the attention of the Court and our creditors the status of our negotiations, we will present your offer to the Court for its information." The Trustee said he expected to continue negotiations to sell the line.

Formal hearings are scheduled to start today in Aberdeen, South Dakota, on our application to abandon the 519-mile line segment and to discontinue trackage rights over Burlington Northern, Inc., between Miles City and Billings, Montana.

Testimony in that hearing will point out that August 3, 1981, marks the third anniversary of the announcement by Trustee Ogilvie's predecessor, Mr. Hillman, of his initial determination that the main line west of the Twin Cities likely would have to be dropped if the viable parts of Milwaukee Road were to be reorganized.

More than 1-1/2 years later, in his May 15, 1980, "Report and Recommendations for the Future of the Milwaukee Road," Trustee Ogilvie stated that the Miles City line "is an economically marginal part of Milwaukee II; but a part which should be maintained, if possible, in the public interest." He described three major steps he felt were necessary to preserve the line.

The first was that rehabilitation would have to be financed with low-interest loans from the federal government under Section 505 of the 4R Act or by interest-free state and shipper loans. Later in 1980, the Trustee set a deadline of February 15, 1981, for this assistance to materialize, else he would file for abandonment of the line. The Trustee twice extended the deadline with the final extension being to the date of our application, May 15, 1981. The Trustee, shippers and states having been unable to secure the necessary financial assistance, the Trustee followed through on his pledge to seek abandonment. Our abandonment application, therefore, came as no surprise.

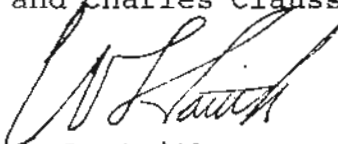
and Charles City, Bassett and Ionia, Fort Atkinson and Calmar. Earlier we completed plowing, ballasting and surfacing between Albert Lea and Alden on our Jackson, Minnesota, line.

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Milwaukee Motor Transportation Company personnel participated in the 38th annual Illinois Truck Rodeo last month and again scored very well.

MMTC entrants took a first place in the 5-axle division, a 2nd in the 4-axle and a 2nd in the Doubles Class. One of our driver's also received a Good Sportsmanship Award and for the second consecutive year, MMTC drivers won the team championship.

Those honored were: Tony Gilio, who won the President's Trophy for Good Sportsmanship and Exemplary Conduct; Jim Hansen, who was crowned Illinois State Champion in the 5-axle division; Runners-up in their respective divisions were Lloyd Luebking, 4-axle division and Charles Clauss in the Doubles Class.



W. L. Smith
President