

1st MONDAY 3rd MONDAY

Prepared for employees by the
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August 17, 1982

To All Milwaukee Road Employees:

This issue of FM/TM was delayed a day to report that the integration of the Milwaukee Road into the Grand Trunk Corporation system of railroads today moved closer to reality with the formal signing of a Stock Acquisition Agreement providing for the transfer of stock ownership of the Milwaukee to the GTC.

Trustee Richard B. Ogilvie, John H. Burdakin, President of the GTC, and I signed the 70-page document which has been in preparation since the Letter of Intent was signed on May 24.

As you know, the proposed transaction is contingent upon the successful reorganization of the Milwaukee Road and requires Interstate Commerce Commission and Reorganization Court approval.

Pending ICC and Federal Court approval, which is not expected until mid-1984, the two companies will continue to operate separately. We have, however, established new expedited freight schedules to attract business to our primary corridors of operation.

On June 21, run-through trains began moving daily freight shipments over the 518 miles between Winnipeg and Minneapolis/St. Paul via Canadian National Railway, Duluth Winnipeg & Pacific, and the Milwaukee Road. Simultaneously, expedited daily train service was implemented over the east - west 340-mile Grand Trunk Rail System route between Port Huron, Michigan, and our Bensenville, Illinois, classification yard to link up with Milwaukee Road expedited trains to Kansas City and the Twin Cities.

With the unsettled economic conditions that continue to plague the industry, it is essential that we strive even harder to provide the services our customers need and to attract the traffic and revenues vital to our success, while continuing our dedication to controlling costs.

We've demonstrated our ability in the past to meet difficult challenges and there must be no let-up now in our efforts to maintain the high standards we've set if we are to compete and prosper in a highly competitive deregulated environment.

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Customers located on our Eldridge, Iowa, branch line will benefit from an estimated \$2 million track rehabilitation project

undertaken through the cooperative efforts of the State, a shippers group, and the Road.

Rehabilitation of 9.9 miles of our line extending north from the Water Works in Davenport will be accomplished within the 1982 work season under the terms of an agreement between the Iowa Department of Transportation, the Iowa Quad-Cities Shippers Association, and the Milwaukee. Financing of the project is through an IDOT grant - from the Federal Railroad Administration - and a loan from the Shippers Association, which will be repaid on a per-car basis from revenues generated on the line, and from railroad internal funding.

Line improvements consist of crosstie renewal and ballasting for the entire distance, and installation of welded rail over the 6.9-mile portion between the Water Works and Mount Joy.

Principal materials used on the project are 6.9 miles of rail, 17,700 crossties, and 11,300 cubic yards of ballast. Other items include 94,500 rail anchors, 4,500 tie plates, and 300,000 track spikes.

Six railroad-street/highway intersections will be rebuilt as part of the project, including crossings with U.S. 6 (Kimberly Road) and U.S. 61. At the Kimberly Road crossing, motion sensing equipment will be installed to more effectively activate its motor traffic protective devices.

Material, work equipment, and work forces began moving to the line August 9. Ballast is presently being distributed along the route, and surfacing - the actual placement of the ballast into the track structure - is expected to be accomplished between August 17 and September 21. The mechanized tie replacement began August 12, and will be concluded in mid-September.

The grade-crossing work will be done first on streets, and later on highways in coordination with the State contractor.

The new rail will be installed during mid-October. The heavier, welded rail which will be used will permit the handling of larger capacity cars and improve the quality of service on the line.

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Our employees may take pride in the announcement that the Milwaukee Road was again a recipient of a Golden Spike Award presented during a joint meeting of the Association of American Railroads and the Railroad Section of the National Safety Council.

The Golden Spike Award recognizes the efforts of individual companies in the railroad industry which have made significant contributions in public and employee safety in the geographic areas they serve.

We have received congratulations of the National Safety Council on this achievement for the second consecutive year, and the Milwaukee Road safety staff should be particularly commended for a job well done. The Award is on display in our corporate conference room.

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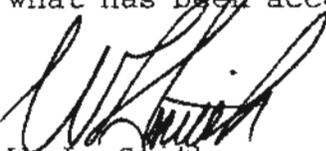
For the sixth time this year, we had to contend with high waters and flood conditions on our Kansas City line. But, it's a tribute to our people that our line was the first to resume operations in Kansas City following the latest heavy rains. Over the weekend, in addition to our regularly scheduled trains, we handled 48 detour trains for Amtrak, Burlington Northern, Norfolk & Western, and Santa Fe. This is indicative of the dedication of our employees and of their ability to react positively to adverse circumstances and situations.

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A campaign to develop new slogans for a reorganized Milwaukee Road has been conducted on the division level by L-MAG during the past few months and the response far exceeded expectations.

More than 200 suggestions were received and the division news letter editors are reviewing all entries for publication in the newsletters.

Our thanks to all the employees who took the time and effort to submit slogans. They reflect a real pride in our organization and what has been accomplished on the system.



W. L. Smith
President