

1st MONDAY 3rd MONDAY

Prepared for employees by the
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February 16, 1982

To All Milwaukee Road Employees:

Discussions continue on the possible integration of the Milwaukee Road into the Grand Trunk Corporation system of railroads.

Trustee Ogilvie and officials of the GTC announced last week that they have agreed to continue talks for another 60 days. The trustee said, "Our review of the discussions to date indicates that there is a reasonable basis to continue these efforts."

Talks between officials of both companies were initially announced on October 27, 1981.

While the GTC discussions continue, Trustee Ogilvie indicated that he would proceed with plans to achieve the goals set out in the revised plan of reorganization filed with the Reorganization Court on September 15, 1981. This plan includes the possibility of a tender offer to holders of the railroad's secured debt as soon as practicable.

The revised plan has yet to receive approval from the Interstate Commerce Commission or the Reorganization Court.

Any proposed transaction would require the approval of the Reorganization Court and the Interstate Commerce Commission.

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A hearing on the disposition of the Miles City, Montana line is scheduled before Special Master Milton Gray on February 22.

Meanwhile, discussions continue on the possible sale of the 519-mile line as an operating railroad between Ortonville, Minnesota, and Miles City. However, it is anticipated that we will operate the line only until March 31, 1982.

You will recall that on May 15, 1981, the trustee filed an application to abandon the Milwaukee Road main line west of Ortonville, and to discontinue trackage rights over the Burlington Northern between Miles City and Billings, Montana.

In response to the application, on September 15, 1981, the Interstate Commerce Commission issued a report to the Reorganization Court that said in part, "it is in the public interest to permit the Milwaukee to sell the Miles City line to a financially responsible person who will continue to provide

essential rail services. If requested by Milwaukee or a potential purchaser, the Court should establish the fair market value of the Miles City line by referring the matter to a Special Master. If no offer is made for the line, the Court should then permit Milwaukee to abandon the line and dispose of the rail property. Milwaukee should also be permitted to discontinue trackage rights authority over BN between Miles City and Billings, Montana."

Following the February 22 hearing, Special Master Gray will report his findings, conclusions and recommendations to Judge McMillen for consideration and ruling.

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It was gratifying to review the Statement of Loss and Damage for the year 1981 compared to the same period 1980. It is very encouraging to see the substantial decrease in loss and damage claims in the amount of \$2.7 million which was achieved during 1981.

The effort to reduce these payments and the success of those efforts is the result of a lot of work by many people. This is indicative of the extra attention our employees are giving to problem areas like this as well as reflecting the benefits we realize from an improved right of way and improved equipment.

I hope this favorable trend can be continued because it is a significant amount of money as far as savings to this company is concerned and is a major benefit to relations with our customers in that their goods are arriving in better condition.

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Impressive gains were also achieved in the area of safety where the Milwaukee Shops and Milwaukee Store sections surpassed their goals in 1981.

Overall, the 1981 figures for the system show a decrease of 368 injuries or a 17% decrease in the number of injuries compared to 1980.

The lost work days indicates a decrease of 5,105 days, a 28% decrease.

Our man-hour exposure indicates a decrease of 12% over 1980.

The safety and well-being of our employees is such an overriding concern that it can't be stressed too strongly. Proper attention to rules and sound safety practices have to be part of our daily routine. The statistics for 1981 indicate a trend in the right direction and we are challenged to improve the record during 1982.

