

1st MONDAY 3rd MONDAY

Prepared for employees by the
Milwaukee Road's Corporate Relations Department
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June 21, 1982

To All Milwaukee Road Employees:

Trustee Ogilvie wants all of our customers and employees to completely understand his position with respect to the proposed Grant Trunk Corporation transaction. Because of its importance, his letter on the subject is reproduced below in its entirety.



Chicago, Milwaukee, St. Paul
and Pacific Railroad Company

516 West Jackson Boulevard
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SHIPPERS AND EMPLOYEES

On May 24, 1982, I was pleased to announce that I had signed a Letter of Intent with the Grand Trunk Corporation for the transfer of stock ownership of the Milwaukee to the GTC.

It is my judgment that this transaction will improve service to shippers, restore the Milwaukee to a position of financial strength and protect legitimate interests of the railroad's current stockholders and creditors.

Over the coming months, the transaction will be reviewed by the Interstate Commerce Commission and the Reorganization Court. During this process, I expect that certain parties, in pursuit of their own narrow interests, may take positions opposing parts of the transaction. For example, the Chicago Milwaukee Corporation, the railroad's existing shareholder, has already informed me that it has tentatively concluded to oppose the transaction as not being in its best financial interests. These claims, and others that may be made, will be dealt with in the reorganization process. I, with my officers, am committed to making the GTC transaction a reality.

In the interim, the Milwaukee will work to continue improving service to its shippers and has reached certain coordination agreements with the GTC to that end.

In both March and May of this year, the railroad showed profitable operations. With the continued support of its shippers and employees, I believe the Milwaukee's prospects for the future are very bright.

Very truly yours,

Richard B. Ogilvie
Trustee

WHITFIELD BAY
MAY 23 1982

Additionally, GTC President John H. Burdakin, has stated that "Grand Trunk Corp. is proceeding with obligations and plans agreed upon in our letter of intent with the Trustee of the Milwaukee Road and the Court."

Last week, I had an opportunity to meet and visit with employees, customers, community leaders and state officials in Muscatine and the Quad Cities.

In the course of discussions about recent developments affecting our reorganization program, I was impressed with the sincerity of purpose evidenced by our employees in every discipline in the territory.

The sense of pride our people have in the job being done on the Milwaukee Road was reflected in many ways. Many seem personally satisfied that the contributions they are making to the improvement of the system and to the service we offer our customers are important ingredients in a successful reorganization.

It is absolutely essential that the service identity we now enjoy is maintained. We cannot afford to rest on our laurels but must continue to seek opportunities to gain a competitive edge in our efforts to penetrate desired freight traffic markets.

The meetings were interesting, useful and thought-provoking. Our customers commended us on the service they have received and are now receiving, and on the progressive attitude of our employees. They say we have been providing "excellent rail service on a safe, timely and effective basis."

"We have found the Milwaukee to be extremely dependable, responsible and reliable in meeting our needs," one customer stated.

Another said "We have found the service of the Milwaukee to be a vast improvement to what we were receiving on the Rock. We have been receiving expeditious service to Chicago, Kansas City, Louisville and Minneapolis. It is absolutely essential for us to continue to receive this superlative service so that we may sustain our market position throughout the nation."

Others commented on the excellent working relationships that have been established in the past few years. We're delighted with these comments and like to think of them as another reflection of customer recognition of our commitment to excellence. And recognition, too, of the significant changes that have occurred over the last two years: physically, from an East-West transcontinental railroad to a North-South regional line concentrating in primary corridors between Chicago and Kansas City, Louisville, and the Twin Cities, and developing a major gateway at Duluth to Canada.

From a customer perspective we've progressed from an erratic performer trying to be all things to all people in too many places - and generally doing it poorly - to a concentrated system in areas we know and where our market potential is good.

Our challenge is to continue to deserve the compliments we are receiving and to dedicate ourselves to providing the finest service possible to users of our system.

As would be expected, there is a great deal of interest in this territory about Trustee Ogilvie's efforts to acquire certain Rock Island Railroad property in

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Iowa. A hearing is scheduled for June 24 in our Reorganization Court on his request for authority to issue Trustee's Certificates to obtain some of the funds required to consummate the purchase of the Rock Island Railroad between Clinton and Washington, Iowa, consisting of 64 miles of Rock Island-owned line between West Davenport and Washington, 33 miles of trackage rights over the Davenport, Rock Island and North Western (DRI&NW) and Milwaukee Road between Clinton and Davenport, Iowa, and 1.6 miles of jointly-owned line plus yard and industrial lead trackage at Clinton, Iowa.

In December of 1981, the Trustee reached an agreement in principle with the Rock Island trustee to acquire most of these Rock Island properties for \$14.75 million. A May 6 agreement between Trustee Ogilvie and Rock Island Trustee Gibbons for a \$4 million purchase of the line segment between Culver and Washington had been approved by Judge McMillen but an upset bid by the Chicago and North Western caused the Rock Island trustee to withdraw his request for Rock Island Court approval of the Milwaukee Road purchase.

The upset bid encompassed the entire stretch of Rock Island line on which Trustee Ogilvie had reached an agreement to acquire. The purpose of the June 24 hearing is to resolve this issue as a single transaction since the Rock Island Court has ruled that if Trustee Ogilvie "improves" upon the existing upset bid he will be authorized to acquire these properties. The Rock Island Court set July 6, 1982 as the date by which Trustee Ogilvie must submit his "improved" offer. The transaction does require Interstate Commerce Commission and final Rock Island Court approval.

The acquisition of these Rock Island properties is an important part of the Trustee's Revised Plan of Reorganization and represents a significant step in the successful reorganization of the Milwaukee Road.



W. L. Smith
President

