

1st MONDAY 3rd MONDAY

Prepared for employees by the
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September 20, 1982

To All Milwaukee Road Employees:

In a move designed to increase our coal-carrying capacity, we have arranged to lease 210 4,000-cubic-foot 100-ton coal cars with delivery expected later this year and early next year.

The cars, which have a current market value of \$7.8 million, will be manufactured by Portec, Inc. - Railcar Division and will be leased to the railroad by Portec for a term of 63 months.

To satisfy contracts negotiated by our Marketing Department, this equipment will be used in unit-train coal service from mines in Indiana to port loading facilities on Lake Michigan during the Great Lakes shipping season, an approximate 7-month period each year. During the remaining 5 months of the year, the cars will provide single car and multiple car shipments to coal-burning concerns on our line.

The lease of this equipment was approved by the Reorganization Court and is another indication of the confidence we have in the future of the Milwaukee Road.

In a separate action involving equipment, Trustee Ogilvie has filed an application with the Reorganization Court for authority to sell 112 tri-level auto racks to the Grand Trunk Western Railroad.

We have a surplus of tri-level auto racks and there is no indication there will be an increased need for this type of rack and associated flatcars in the foreseeable future. The surplus racks are mounted on Trailer Train flatcars so this transaction will produce not only a cash benefit from the sale but will eliminate our car hire liability to Trailer Train, and avoid certain expenses involved in deracking and renewing the cars.

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Here's an update on recent improvements made to the physical plant as we concentrate on improving efficiency and reducing operating costs to assure reliable, quality service to our customers.

Surface corrections were made on 139 miles of track during August, for a total of 520 miles during 1982. This surfacing, and other

rehabilitation work, resulted in a substantial reduction in slow orders on certain line segments.

The steel gang completed laying 17 miles of welded rail between Washington and Linby, Iowa, and started a 19-mile relay between Welcome and Jackson, Minnesota. Approximately 19 miles of welded rail were laid during August, for a total of 67 miles during 1982.

Rehabilitation work was completed between Washington and Ottumwa, and the gangs were moved to Washington to commence work on the recently purchased Rock Island trackage between Washington and Fruitland. Other rehabilitation project work continued with the following ties installed during August:

Kansas City line project	- 1,755
RTA project	- 448
Austin - Albert Lea	- 657
Wausau - Tomahawk	- 12,133
Marquette - River Jct.	- 11,457
Washington - Fruitland	- 1,530
Eldridge line	- 7,822

At Ottumwa Yard, work progressed on the construction, extension and rehabilitation of Tracks 2, 7, 8 and an additional track to the roundhouse.

Rubber grade crossings were installed at 9th Street and at 11th Street in Dubuque, with city and state funding, and at Fairfield Road near Round Lake, Illinois, with county funding.

The system pile driving crew installed approximately 800 linear feet of slide fence at various locations on the Kansas City line to protect the track from future slides and washouts.

Signal forces completed circuit modifications to accommodate commuter train stops at the new Schaumburg Depot, and completed upgrading of crossing warning systems at Calhoun Road in Brookfield, Wisconsin, State Highway 77 in Richland, Iowa, Main Street in Rubio, Iowa, and Lexington Avenue in Eagan, Minnesota.

Last Wednesday, Trains 444 and 445 between Green Bay and Marinette began operations over our line between Marinette and Crivitz and over the E&LS between Crivitz and Green Bay. The changes resulted from the cancellation of an operating agreement for our use of C&NW trackage between Green Bay and Marinette.

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Milwaukee Road commuter operations will be transferred to the Regional Transportation Authority under the terms of agreements which were last week approved in U. S. District Court.

An application filed by Trustee Ogilvie for approval of certain agreements covering trackage rights, lease of railroad yards and

properties, and transition and escrow agreements was granted by Judge Thomas R. McMillen, who is overseeing the reorganization of the railroad. Trustee Ogilvie was authorized and directed to permanently discontinue commuter operations upon commencement of operations by the Authority, which is expected by October 1.

Trustee Ogilvie and the RTA have been discussing the possible transfer to the Authority of responsibility for providing commuter service over Milwaukee Road trackage since July 1, 1981, when his purchase of service agreement with the RTA expired.

The Trustee told the Court that the agreements are entirely consistent with his overall program for restructuring the Milwaukee Road. He said that throughout the reorganization process deficit operations have been identified and severed from the system with Court approval. He has negotiated in good faith with parties interested in preserving certain operations through purchase of the necessary assets from the estate. The RTA transaction with respect to Chicago suburban operations falls into this category. Trustee Ogilvie added that discontinuance of the commuter service is a condition of the proposed integration of the Milwaukee Road into the Grand Trunk Corporation.

Last month Trustee Ogilvie and John H. Burdakin, President GTC, signed a stock acquisition agreement which will unite the Milwaukee with the Grand Trunk system of railroads.

The agreements approved last week include:

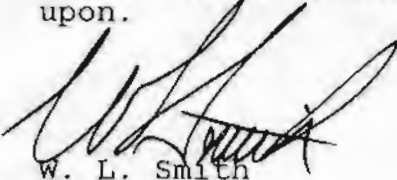
Granting the RTA trackage rights to operate commuter service between Chicago and Fox Lake and between Chicago and Almora. Almora is about 3-1/2 miles west of Elgin.

A lease of the Western Avenue, Fox Lake and Elgin coach yards and other Milwaukee Road properties.

Transfer of equipment, facilities and employees.

An escrow agreement which establishes a fund of \$500,000 to be paid into an escrow account by the Authority for protection of the Milwaukee against any failure of the Authority to pay amounts due under the other agreements.

Upon commencement of operations by the RTA, the Trustee is authorized to embargo commuter operations between Fox Lake and Walworth, Wisconsin, until an abandonment application is acted upon.



W. L. Smith
President

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