

1st MONDAY 3rd MONDAY

Prepared for employees by the
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December 19, 1983

To All Milwaukee Road Employees:

What a difference six years makes!

It was on this date in 1977 that the Milwaukee Road, after three consecutive years of heavy financial losses, filed a voluntary petition for reorganization under Section 77 of the Federal Bankruptcy Act.

It may be appropriate on the sixth anniversary to review the history of the proceeding as outlined in the Trustee's Amended Plan of Reorganization currently being considered by the Interstate Commerce Commission.

"The petition was approved on December 20, 1977 and a Trustee was subsequently appointed. Despite the Trustee's best efforts, the Railroad continued to sustain heavy losses. In 1979 the Trustee determined that there was no practical hope of revitalizing the Milwaukee's existing system but that there was a reasonable prospect for reorganization of a 3900-mile midwestern system.

"Beginning in April of 1979 the Trustee petitioned the Reorganization Court to embargo the Railroad's lines outside of the 3900-mile system, and on November 1, 1979 the embargo was put into effect. The embargo was lifted shortly thereafter due to the enactment of the MRRRA, and was subsequently reinstated in March, 1980.

"Along with the embargo, the Trustee pursued an aggressive program of abandonment and sale of excess lines and property. The success of this program in generating a large amount of cash, along with the cash generated by the sale of certain timber properties owned by the Milwaukee Land Company, provides the basis in large part for the settlement of Claims against the Estate.

"In August of 1979 the Trustee filed a reorganization plan proposing reorganization around a 3200-mile midwestern system. In early 1980 this plan was considered by the ICC along with another reorganization plan and a plan calling for liquidation. On March 19, 1980, the ICC issued a decision that rejected all of the plans before it, but retained jurisdiction to consider new or revised plans of reorganization.

"After the ICC decision the Trustee continued operation of the 3900-mile midwestern system. In September of 1981 the Trustee filed the 1981 Plan, which contemplated profitable operation of a railroad further reduced to 2900 miles. The 1981 Plan also contemplated assumption of certain obligations by the Reorganized Railroad and satisfaction of all or most other Claims against the Estate in cash,

using the proceeds of the sales of surplus rail assets and MLC timber properties.

"On August 17, 1982 the Trustee and MLC entered into a Stock Agreement with GTC, which contemplates the acquisition of all of the voting stock of the Reorganized Railroad by GTC. This Plan contemplates the reorganization of the Milwaukee as an operating railroad around a 3100-mile Core System, and the acquisition of its voting stock by GTC in accordance with the terms and conditions set out in the Stock Agreement."

On July 27, 1983 the Chicago and North Western Transportation Company filed an alternative application to acquire the assets of the operating core of the Milwaukee. Consideration of that proposal by the ICC has been delayed pending resolution of conflict of interest allegations against a Washington, D.C., law firm.

After six years we're operating a much more efficient plant and the fact that we expect to show a profit from railroad operations this year is a tribute to all Milwaukee Road employees.

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On December 7, our train #421 was operated for the first time via our new connection with the DWP at Saunders, Wisconsin. The southbound companion train #420 used the Saunders connection the following day.

Work on this Head of the Lakes project began last July. It was prompted by the need to relocate the existing interchange which was being displaced by construction of an Interstate highway system in Duluth/Superior. The new connection produces two benefits: Transit times are reduced by two hours in each direction, and we expect to realize substantial savings in operating expense.

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In another area involving service improvement, effective January 3, 1984, intermodal SPRINT TRAIN operations between Chicago and the Twin Cities, Minnesota, will be revised to offer customers greater flexibility in this important industrial corridor.

We will continue to operate 17 weekly trains in each direction on the following new schedule.

Chicago to Twin Cities

<u>Train No.</u>	<u>Schedule</u>	<u>Cut-off</u>	<u>Depart</u>	<u>Arrive</u>	<u>Elapsed Hours</u>
2091	(Tues-Sat)	7:30 a.m.	8:30 a.m.	6:30 p.m.	10 Hours
211	(Mon-Fri)	Noon	1:00 p.m.	11:00 p.m.	10 Hours
213	(Daily)	7:00 p.m.	8:00 p.m.	6:00 a.m.	10 Hours

Twin Cities to Chicago

<u>Train No.</u>	<u>Schedule</u>	<u>Cut-off</u>	<u>Depart</u>	<u>Arrive</u>	<u>Elapsed Hours</u>
208 ²	(Tues-Sat)	Midnight	1:00 a.m.	11:00 a.m.	10 Hours
210	(Mon-Fri)	8:00 a.m.	9:00 a.m.	7:00 p.m.	10 Hours
212 ³	(Daily)	7:00 p.m.	8:00 p.m.	6:00 a.m.	10 Hours

- ¹ Service includes pick-up at Milwaukee, WI
- ² Service includes set-out and pick-up at Portage, WI
- ³ Service includes set-out at Milwaukee, WI

The major change involves the operation of new morning trains, leaving Chicago at 8:30 a.m., arriving St. Paul at 6:30 p.m.; and southbound departing St. Paul at 9:00 a.m., arriving Chicago at 7:00 p.m.

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The severe weather conditions that have plagued the midwest have had an appreciable impact upon our ability to operate effectively.

Sub-zero temperatures and record breaking snowfalls in Minnesota and Iowa have been major obstacles in our efforts to maintain regular schedules. But, all things considered, our employees are doing a remarkable job in combating the elements and keeping operations as close to normal as possible.

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We approach the Holidays with renewed hope and an appreciation for your cooperation and dedication during the past year.

Governor Ogilvie joins me in extending greetings to everyone on the Milwaukee Road. You have our best wishes for a very happy Holiday Season.



W. L. Smith
President