

1st MONDAY 3rd MONDAY

Prepared for employees by the
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November 5, 1984

To All Milwaukee Road Employees:

Last Thursday, November 1, Judge McMillen entered an order which referred Chicago and North Western Transportation Company's modified proposal to acquire the Milwaukee Road's core operating assets back to the Interstate Commerce Commission for its review and recommendation.

An abbreviated version of the court order follows:

On September 26, 1984, the Interstate Commerce Commission filed its decision in this Court with respect to the competing applications of the Soo Line Railroad, Chicago and North Western Transportation company, the Grand Trunk Corporation and Chicago Milwaukee Corporation to acquire the railroad operating assets of the Milwaukee Road and to reorganize the debtor corporation.

This Court entered orders which set the schedule and procedure for all interested parties to file appeals and briefs with respect to the ICC decision pursuant to section 5(b) of the Milwaukee Railroad Restructuring Act, and to file any proposed modifications to their respective purchase applications with reasons, by October 9, 1984. Accordingly, substantial modifications were filed by CNW, resulting in a request by the Trustee that the CNW application be preliminarily approved by the Court and referred to the ICC. Numerous additional briefs and statements have subsequently been received by the Court supporting and objecting to the Trustee's request.

Among the last filings were motions by the Soo and other interested parties, particularly the States of Wisconsin, Iowa and Minnesota, to strike the proposed modifications of the CNW, and to set a hearing date to consider approval of the Soo section 5(b) purchase agreement and the Plan of Reorganization as reported by the Commission on September 26, 1984. Thus a sharp controversy has arisen among the parties concerning the treatment to be accorded by the Court to the modifications filed by the CNW on October 9, 1984.

The Court, having considered the statements, briefs and recommendations and the various statements and arguments made in open court, and having reviewed the ICC decision, hereby orders:

1. This court has jurisdiction to consider the CNW Asset Purchase Agreement because the ICC did not act with respect to that application within its 180 day statutory review period to that application within its 180 day statutory review period established by section 5(b) of the MRRA, but returned it to the Court without a recommendation.

2. The CNW proposed modifications filed October 9, 1984 shall be considered by this Court after being referred to the ICC for its recommendation. This Court, in the exercise of its discretion, has determined that good and sufficient cause and reasons exist to file the CNW modifications and to obtain a review of them by the ICC. The Court also wishes the CNW proposal to be evaluated by the ICC in the light of the proposal of the Soo as filed or modified. The ICC is directed to make its report and findings to the Court within sixty days from the date on which the CNW Asset Purchase Agreement, as modified, and supporting documentation is filed with it. If not filed within a reasonable time, as determined by the ICC, the modifications will be deemed to be withdrawn, since time is of the essence.
3. Accordingly, the CNW Asset Purchase Agreement, as modified October 9, 1984, is referred to the ICC pursuant to section 5(b) of the MRRRA for its review and recommendation. To the extent not included therein, CNW shall submit to the Commission and serve on all parties of record in the Commission's proceeding (1) updated financial statements (Exhibits 16, 17 and 18 of the application) reflecting its increased offer; (2) a statement describing the financing for its proposal, including the securities to be issued, the fixed charge obligations to be incurred, and any effect on its rates; and (3) a statement describing commitments obtained from third parties (e.g. the United States and labor unions) and its guarantees for performance of its application as modified.
4. The Court does not want a decision or recommendation on any matters already covered by the decision of September 26, 1984 unless necessary to evaluate the modified proposal or proposals.
5. The Trustee is authorized and directed to make application to the ICC pursuant to section 77 of the Bankruptcy Act for modification of the Plan of Reorganization approved by the ICC decision served September 26, 1984, in order to provide for purchase of the railroad operating assets under the terms set out in the CNW Asset Purchase Agreement as modified.
6. This Court continues generally any proceedings with respect to the ICC decision of September 26, 1984 pending receipt of the ICC report and findings pursuant to this order. Final orders by this Court on all matters arising out of the ICC Finance Docket 28640 with respect to acquisition of the Milwaukee will be entered only after receipt and consideration of the forthcoming ICC report.
7. Pending objections and proposals which are contrary to the foregoing Order are overruled, particularly motions to strike the CNW modifications and to hold immediate hearings on the Soo application and reorganization plan.

8. A copy of this Order shall be served by the Trustee on all parties to this proceeding before the Court and all parties to ICC Finance Docket 28640.

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After 3-1/2 years, Milwaukee Road service on the Iowa City-Davenport, Iowa line ended Friday, November 2.

In the wake of an ICC decision denying us the right to continue operations on the 54-mile segment, an embargo was put in place on October 30 and our service was terminated at the close of business last Friday. We had been servicing the line since April 1, 1981. We are appealing the Commission order to the District of Columbia Court of Appeals, and are pursuing our legal challenge to state financing of a substitute railroad operation. In the meantime, we appreciate all the support we've received from customers, community leaders, employees and local officials in our battle to continue service on this important stretch of track.



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