

1st MONDAY 3rd MONDAY

Prepared for employees by the
Milwaukee Road's Corporate Relations Department
516 West Jackson Boulevard Chicago, Illinois 60606
Telephone 312 648-3324

June 7, 1982

To All Milwaukee Road Employees:

A last minute upset bid by the Chicago & North Western has complicated our expected orderly acquisition of the Rock Island line between Culver and Washington, Iowa. The May 6 agreement between Trustee Ogilvie and Rock Island Trustee William M. Gibbons for the \$4 million purchase of the 38-mile segment had been approved by Judge McMillen. But the transaction was caught up in the judicial process in the Rock Island bankruptcy court last week, and faced with the upset bid, the Rock Island trustee withdrew his request for Rock Island court approval of the Milwaukee purchase.

You will recall that last December Trustee Ogilvie reached an agreement in principle with the Rock Island trustee to purchase the Rock's 64-mile line between West Davenport and Washington, Iowa, and that our acquisition of this line is included in the Revised Plan of Reorganization filed September 15, 1981.

Negotiations had focused on the purchase of the smaller segment because of the urgency to rehabilitate a portion of the line to accommodate unit train shipments of coal, which are expected to commence in August, to the new power plant at Fruitland, Iowa.

The upset bid encompasses the entire stretch of Rock Island line that Trustee Ogilvie had reached agreement to purchase. Our Reorganization Court has been made aware of this development and the matter will be progressed promptly for final resolution.

The significant public support we have received is gratifying. Employees will be kept current as developments occur on this important issue.

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Our Marketing Department has negotiated three new contracts that together are expected to produce 30,430 carloads annually with revenues of \$21.2 million.

Commodities involved in these contracts include lumber and woodpulp from Canadian producers, sugar from Colorado origins to midwest and eastern markets and low sulphur coal from Indiana to Green Bay, Wisconsin. The coal is transported in unit train service to Chicago where shipments are transloaded into lake vessel for water movement to destination.

A new 40-car siding was constructed at Hoosier, Indiana to accommodate unit train loading and provide cost effective service. The coal will move in Milwaukee owned, leased or controlled equipment and will benefit from an operating agreement reached with the Belt Railway for movement to the lake port.

The Interstate Commerce Commission Act as amended by the Staggers Rail Act of 1980 specifically authorizes railroads to enter into contracts with purchasers of rail service to provide certain services under specified rates and conditions.

Getting maximum use of the tools given to us by the Staggers Act is one of our primary concerns. We have been among the industry leaders - if not the leader - in negotiating comprehensive contracts designed to meet customer needs reflective of a common goal.

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A proposed tender offer to holders of certain Milwaukee Road bonds will be postponed indefinitely, attorneys for Trustee Ogilvie told the Reorganization Court last week.

In April, Trustee Ogilvie filed an application with the Court for authority to proceed with tender offers for General Mortgage and certain "Terre Haute" bonds, but because of recent developments he has reconsidered the appropriateness of the proposed offer.

On May 24, Trustee Ogilvie and Grand Trunk Corporation President John Burdakin announced the signing of a Letter of Intent providing for transfer of stock ownership in the railroad to the GTC. Trustee Ogilvie contemplates that a definitive agreement detailing the GTC transaction will be completed by July 1. Following that, he will prepare and file an amendment to his Revised Plan of Reorganization reflecting this transaction, and seek approval from the Interstate Commerce Commission and the Court. Trustee Ogilvie intends to reassess the tender offer after the definitive agreement has been prepared and the required amendments filed with the Court and the ICC.

"Terre Haute Bonds" refers to, collectively, Bedford Belt Railway Company Mortgage Bonds; Southern Indiana Railway Company Mortgage Bonds; and Chicago, Terre Haute and Southeastern Railway Company First and Refunding Mortgage Bonds.

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A trackage rights agreement with the Burlington Northern between Ortonville, Minnesota and Milbank, South Dakota was finalized June 3, permitting service to be restored to the Sisseton branch line. The sale of the Milbank - Sisseton line to SLA Associates closed May 31 for \$660,000, and the deed to the line was delivered June 4. Locomotives for the Sisseton operation were moved from Montevideo to Milbank, Thursday, arriving early Friday morning.

We will operate a patrol Monday through Friday from Montevideo to Milbank and return, primarily for the interchange of grain shipments from the Sisseton line, which should produce approximately \$1 million in contribution annually.

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Authorization was received from the Reorganization Court today to abandon the line between Middleton - Richland Center, Wisconsin, including the branch line from Mazomanie to Badger Ordnance Works.

The Reorganization Court also approved our purchase agreement with the Wisconsin Department of Transportation to sell those lines, as well as the Lone Rock - Prairie du Chien segment, which we haven't operated since the March 1980 embargo.

We will continue operating the Richland Center line until the closing of the sale which is to be no later than July 7, 1982.



W. L. Smith
President

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