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

February 21, 1984

To All Milwaukee Road Employees:

Because of the President's Day holiday observance on the third Monday of February, this particular issue of FM/TM becomes Third Tuesday. As a result it may be slightly delayed in reaching you.

In response to a number of inquiries about the Soo Line entry into the bidding process, the Soo on February 7 filed an alternate plan of reorganization under Section 77 of the Bankruptcy Act. And on February 17, in line with Judge McMillen's recent order, it filed an application under terms of three separate statutes - the Milwaukee Railroad Restructuring Act, the Bankruptcy Act and the Interstate Commerce Act - to acquire the operating assets of the Milwaukee Road.

The main distinction between the Soo Line plan and the other plans filed to date is that Soo includes a cash payment of $40 million in addition to the assumption of certain liabilities.

It is similar to the Chicago and North Western plan in that it contemplates a wholly owned subsidiary, Newco, acquiring Milwaukee's core assets, which it will operate as a separate company. The C&NW plan provides for a subsidiary, Mid America Rail Properties, Inc., to acquire the core properties, which will be leased to, and operated by, the C&NW.

The Soo proposal is similar to the Grand Trunk plan in its treatment of the continued operation of all Milwaukee Road lines and certain obligations to employees.

The Reorganization Court recently ruled that the potential benefits to all creditors, Chicago Milwaukee Corporation and other stockholders, and the public interest involved in the proceedings outweigh the possible delay incurred by granting Soo Line's motion to file its plan.

Judge McMillen further ruled that any other interested party may file an application to acquire a line or lines of the Milwaukee under MRRA no later than next Wednesday, February 29.

On March 5, 1984, objections and recommendations of Trustee Ogilvie and other interested parties will be heard by the Reorganization Court on the question of referring specific applications then on file to the ICC. As soon thereafter as possible, the Reorganization Court will refer to the ICC all applications which are found to be in the form required by statute and which could be accepted by the Trustee as an offer. No deadline for amendments of such applications will be set by the Court before or after they have been referred to the Commission.

Based upon the request of the ICC, the Reorganization Court will set a deadline of not more than 180 days from the ICC's receipt of the first application from the Court, by which time the Commission will either make its recommendations or return the applications to the Court.

In its order referring applications filed under MRRA to the ICC the Court will also ask the Commission to return all such applications to the Court promptly if it should become apparent for any reason that the ICC will be unable to reach a determination with respect to those applications within the time limit set by MRRA.

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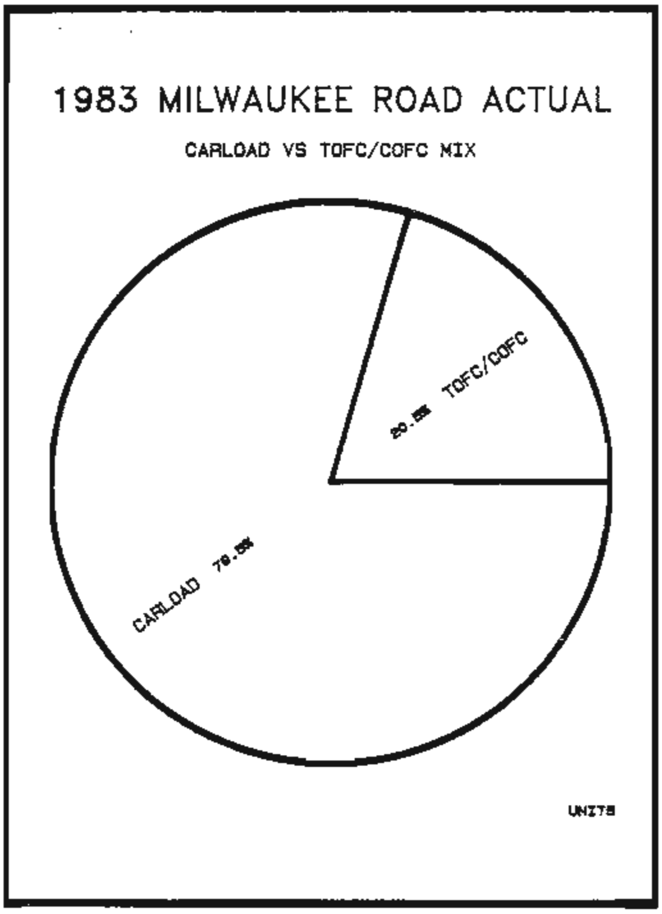
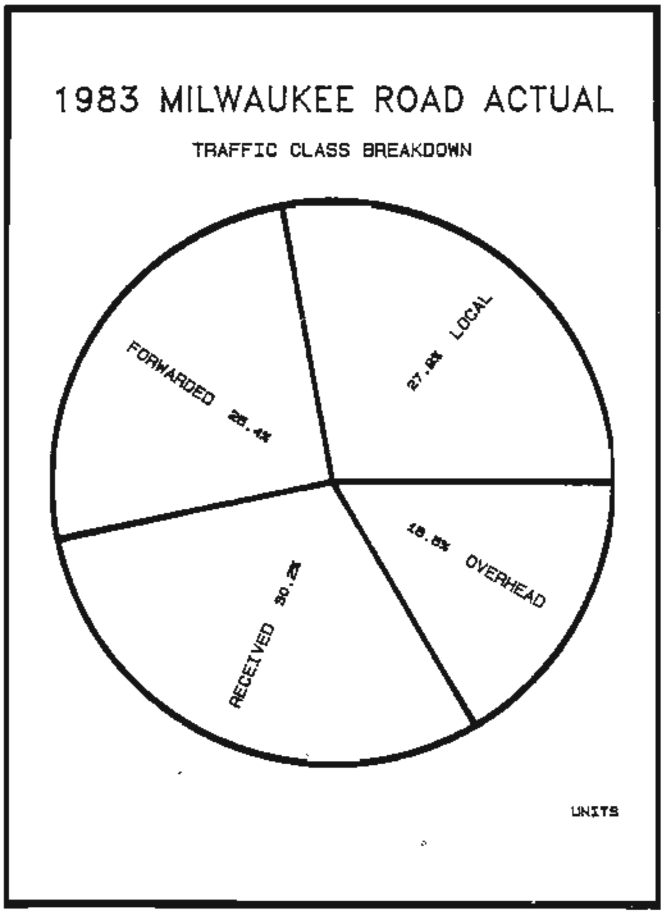
The last issue of FM/TM mentioned the increase in gross ton miles we handled in 1983 and how that related to fuel consumption under our improved energy conservation program.

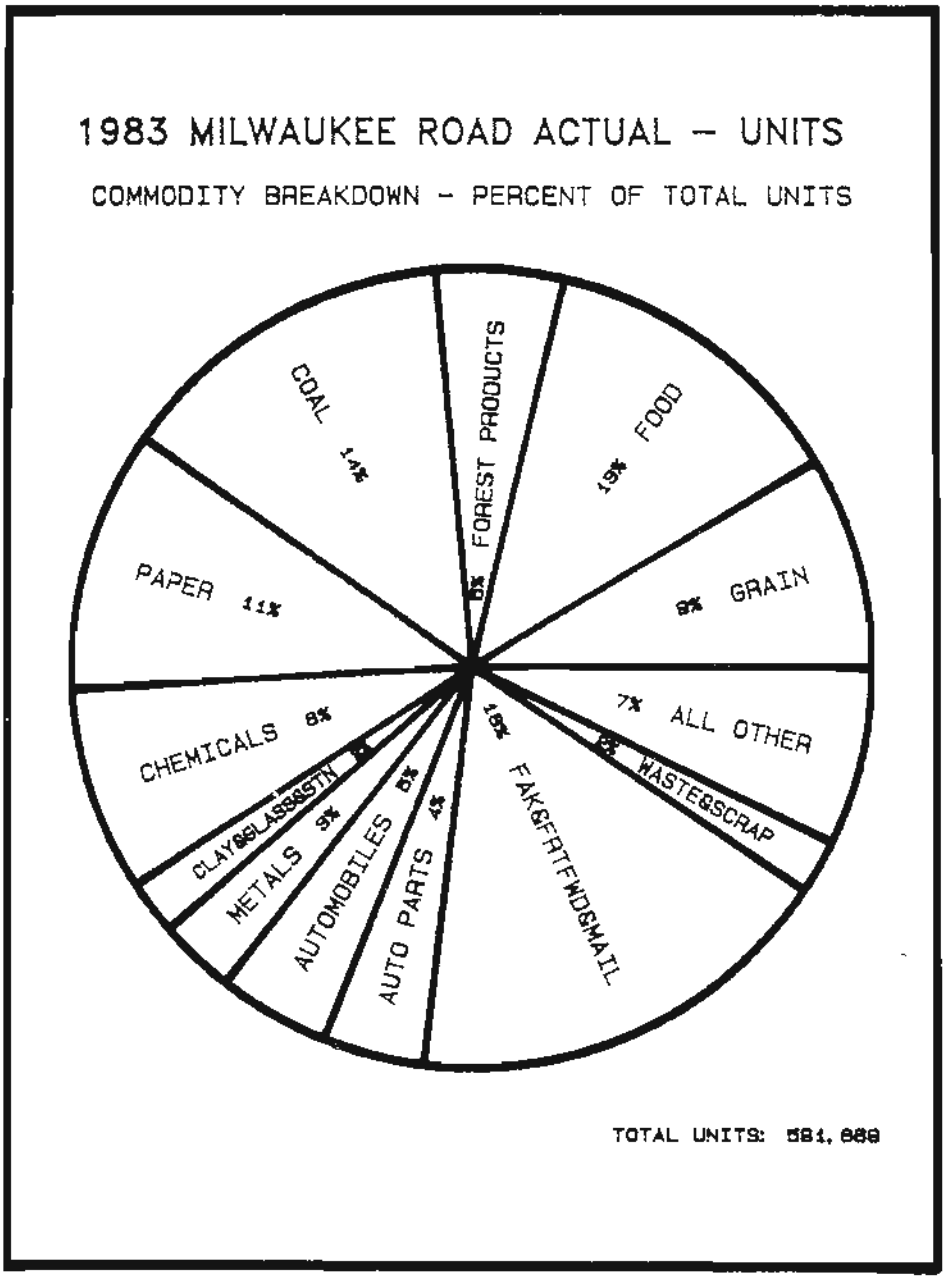
Now one of our friends has written to call attention to a report in Moody's Transportation that shows the Milwaukee Road had the largest percentage increase (17%) in revenue freight carloadings of any Class I railroad for the 52-week period in 1983 as compared to 1982. His suggestion that this information be included in First and Third Monday is well taken.

Despite the impact of an early winter, featuring record-breaking snowfalls and sub-zero temperatures, we handled 585,000 carloads, as reported by the Association of American Railroads, which was slightly ahead of forecast. This indicates we are making progress on the road to profitability, aided in no small measure by customer acceptance of our Gateway Network coordinated service with Grand Trunk, and the contribution of all employees through our continuing wage reduction program.

Our Marketing Department has prepared some interesting graphs which illustrate the commodity mix being handled on the restructured Milwaukee Road. Using data from our revenue tapes, the charts below show how the pie is sliced by major commodity groupings, as well as showing a breakdown of 1983 traffic class and the relative mix of carload vs. TOFC/COFC traffic.







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Subjects such as these will be among topics to be discussed at our upcoming Employee Open House meetings. A good deal of thought and preparation has gone into the content and scheduling of these meetings. We've tried to pick locations, dates and times that are convenient for all employees. You and your families are invited to attend and participate in the discussions that are part of the program. Your comments, questions and suggestions will contribute to the success of the meetings. It's your forum and you are encouraged to take an active part in it.

W. L. Smith
President