

1st MONDAY 3rd MONDAY

Prepared for employees by the
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December 20, 1982

To All Milwaukee Road Employees:

The Reorganization Court, last week, approved Trustee Ogilvie's request to draw down the balance of proceeds from property sales, held in a previously established escrow account, to finance capital improvements and railroad operations next year.

Last year, Judge Thomas R. McMillen authorized Trustee Ogilvie to establish a reorganization escrow account with \$60 million of escrowed cash from the sale of certain properties. Trustee Ogilvie told the Court he has used about \$40 million of that amount for rehabilitation and improvement projects, transitional expenses, and operations.

The Court's action last week will allow him to use the remaining funds to continue his efforts to reorganize the railroad.

He said that reorganizing the Milwaukee Road in a normal economy would have been a difficult undertaking. We have had to reorganize at a time when the economy is bad and continues to be worse than expected. He and his staff and all of the Milwaukee Road's employees have worked hard to maintain the prospects for a successful reorganization of the railroad. It is because of those efforts that he was able to recommend that the Court authorize use of the funds needed to continue reorganization efforts in 1983.

Summarizing developments during 1982, Trustee Ogilvie said the highlight of the year was the finalization and signing of a stock acquisition agreement with Grand Trunk Corporation.

He cited the October 1, 1982 transfer of Chicago area commuter operations, which eliminates future losses to the estate while maintaining commuter service, as a significant development. He told the Court that the abandonment of Milwaukee Road lines between Ortonville, Minnesota and Miles City, Montana, and the sale of substantially all of that main line to the South Dakota Railroad Authority were important steps on the road to reorganization.

He said the process of defining and eliminating excess lines from the core railroad is continuing.

He told the Court that a notable accomplishment is the fact that we have been able to keep the financial performance of the railroad on target.

Its 1982 operating losses will have been reduced by \$60 million from 1981 levels. The bottom line projections for 1982 which were presented to the Court in December, 1981 will be met. The total railroad will break even and losses will be held to \$30 million. This is a remarkable achievement in light of the unexpectedly bad economy in 1982. While the levels of revenues and expenses for 1982 varied by 11% and 15%, respectively, from September, 1981 and December, 1981 projections, the bottom line was met. Trustee Ogilvie said he believes this shows that the railroad's management can meet goals under adverse conditions and is learning how to operate the new core system efficiently. The 1982 results portend well for the future of the Milwaukee Road. He said his staff has completed a planning and budgeting process designed to keep us in line with reorganization plan projections in 1983 as well. He said, "I will continue to devote a significant amount of my personal attention to assuring that all necessary steps are taken to meet these projections."

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The response of Chicagoland employees to the first United Way/Crusade of Mercy campaign that we have conducted in several years was magnificent and exceeded expectations.

The figures show we had an improvement of 148% over last year.

Donations totaled \$77,446 in a heart-warming demonstration of caring and concern.

Christine Bell, who coordinated the drive and worked tirelessly on the campaign, deserves a commendation; and to all of you who participated so generously, our thanks. A lot of people will be better off as a result of your generosity.

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A recent article in the Chicago Sun-Times recognized the Milwaukee Road as the leader among transportation companies in minority employment according to a survey conducted by the Chicago Reporter, a monthly investigative newsletter on racial issues and urban affairs. The survey covers the Chicago metropolitan (six-county) area employment of minorities based upon July, 1981 data. Comparison of our 1982 employment data for the same period indicated a decrease of only 1%, leaving the minority employment representation at 15% for the Chicago metropolitan area. Our system minority employment is 10% of the total employee population.

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The fire department of the Village of Glenview, Illinois has given our hazardous material control section high grades on the training program which was recently presented at the Glenview facility.

In a letter complimenting the program leaders, the Glenview Fire Captain said he received a number of unsolicited comments from fire department personnel indicating that they feel that our people provided them with the

most valuable training they have had on the subject. He added, "Thank you for providing us with this most important training, and knowledgeable and enthusiastic individuals to present it."

An incident that occurred in Sabula, Iowa on December 10 proved the value of our hazardous material control program. A tank car containing liquid chlorine derailed and a potentially dangerous situation was dealt with quickly and efficiently.

About 600 Sabula residents were evacuated as a precaution. Local authorities and state and federal agencies were notified and called to the scene in a successful effort to minimize the danger. The evacuation was orderly and proceeded without incident.

No injuries were reported, and the tank car was rerailed, and after a thorough inspection, moved on its own trucks to destination.

We appreciate the cooperation received from all involved and regret the inconvenience this caused town residents. Fortunately, no serious problems arose and the track was restored to service the same day.

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As another eventful year draws to a close, and we pause to reflect on what has transpired during 1982, we're mindful that difficult decisions had to be made and that we still face a rough road on the journey to a successful reorganization. During this holiday season, as we recognize the contributions of all employees, Trustee Ogilvie joins me in extending warm greetings and best wishes for peace and happiness in the coming year.



W. L. Smith
President