

# 1st MONDAY 3rd MONDAY

Prepared for employees by the  
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October 17, 1983

To All Milwaukee Road Employees:

Consistent with the Trustee's Amended Plan of Reorganization dated March 31, 1983, we are seeking funds under Section 505 of the Railroad Revitalization and Regulatory Reform Act to rehabilitate 155.5 miles of track on our Ortonville, Minnesota, line.

In an application for such funding dated October 17, Trustee Ogilvie points out that "Approximately thirteen months ago on September 16, 1982, the Milwaukee Road filed a Section 505 Application with the intent of utilizing a Federal loan to fund track rehabilitation between Mile Post 435 on the western edge of Minneapolis and Mile Post 600 near Ortonville, MN. Since that date by means of an anticipated agreement with the Burlington Northern Railroad, a source of alternative private financing has been developed for a portion of the Ortonville line between Ortonville and Appleton, MN.

"Due to this newfound source of rehabilitation funding, the project limits for which Section 505 financing is sought are now being adjusted by the means of this amended and updated application.

"Similar to the previous application, this request for financing is made for the full \$6,000,000 of available funds. With this application, the project limits have now been effectively shifted eastward consistent with the need for rehabilitation. As such, 155.5 miles of track lying between Mile Post 423.5 in Minneapolis and Mile Post 579.0 in Appleton, MN becomes the new project line segment.

"With respect to the projected cash flows associated with the project expenses and traffic benefits, the Milwaukee Road expects in 1984 to concurrently initiate rehabilitation and the handling of unit coal trains via Ortonville. This is feasible only in the short-run and would not be possible over the fifteen year project life without the rehabilitation of the line segment."

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In a seven-page feature article called "A Continental Approach" which says CN Rail is developing innovative options for potash distribution and refining traditional services, the magazine CN Rail, Movin, devotes a section to the coordinated train service offered by Milwaukee Road and CN.

Here's what it has to say:

The Milwaukee Road:  
An exceptional option

Through coordination of train service with the Milwaukee Road, CN Rail can now provide even more efficient services.

This extends CN Rail's United States network in nine mid-western states - the Great Lakes states of Michigan, Ohio, Illinois, and Wisconsin; as well as Minnesota, Iowa, Missouri, Indiana and Kentucky. Run-through service is available to Minneapolis/St. Paul, cutting transit times to Chicago, Louisville and Kansas City.

These ties with the United States network are valuable in opening up CN Rail's potash distribution options, particularly since the Milwaukee Road has demonstrated it provides excellent service. CN Rail regularly monitors the performance of all United States carriers from Canadian points to major U.S. destinations, and in these evaluations the Milwaukee Road has consistently provided the best performance over the last year.

\* \* \*

We expect to discontinue service on the Austin, Minnesota-Calmar, Iowa, line in mid-November.

The Interstate Commerce Commission has recommended that the Reorganization Court authorize abandonment of 69.2 miles of track located between the two points, and Trustee Ogilvie has requested a court order to permit the abandonment.

Principal reasons for the proposed abandonment are that demand for local service along the line is insufficient to justify continuing operations or performing the substantial rehabilitation required. The line fails to meet minimum Federal Railroad Administration track standards. Overhead traffic between Kansas City and the Twin Cities, formerly handled over the line, has been rerouted over the reopened River Junction, Minnesota-Marquette, Iowa line.

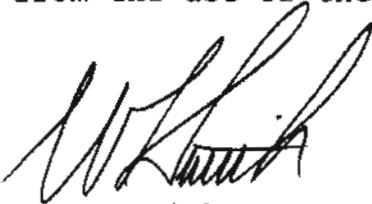
In its report, the Commission noted that no shipper opposed abandonment; indeed, the Iowa Department of Transportation and the only shipper on the line to file a response both support the abandonment. The Commission cited statistics which showed the Milwaukee Road realized a net loss of more than \$150,000 on what the agency called "declining" traffic over the line and that it would cost in excess of \$1.2 million just to bring the line to minimum FRA standards.

The railroad's estate would further benefit from proceeds of the sale of the line and underlying real estate.

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Some of the new Trailer Train single axle test intermodal platform railcars mentioned in earlier editions of FM/TM have been received by the Milwaukee Road and are working in SPRINT TRAIN service between Chicago and St. Paul.

In all, a total of ten of the new cars, numbered TTUX 120001-120010, will be road tested on our line. This lightweight equipment, built by Pullman-Standard, is capable of handling trailers of up to 48 feet in length and 102 inches in width. Significant fuel savings are expected from the use of the new railcars.

A handwritten signature in black ink, appearing to read 'W. L. Smith', written in a cursive style.

W. L. Smith  
President