1st MONDAY 3rd MONDAY

Prepared for employees by the
Milwaukee Road's Corporate Relations Department
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November 16, 1981

To All Milwaukee Road Employees:

A group of Grand Trunk Corporation and Milwaukee Road officers last week completed a six day inspection trip of certain Milwaukee Road facilities. Representing the GTC were:

John H. Burdakin, President
Robert A. Walker, AVP-Executive Department
Basil Cole, Counsel, Dechert, Price & Rhoads
E. Robert Adams, Senior Vice President-Operations
Jim E. Skinner, Regional Manager-ADM & Tech. Services
William J. McKnight, Dir. of Corporate Planning
Don A. Johnson, Group Manager-Market Development
Thomas J. Faucett, Chief Engineer (CV)
Robert J. Nicholson, Administrative Assistant to President
Mark H. Higginbotham, General Manager (DWP)

Trustee Ogilvie led the Milwaukee contingent which included Robert H. Wheeler, Counsel for the Trustee, Paul F. Cruikshank, Vice President-Operating, Thomas F. Power, Vice President-Finance and me.

Starting in Duluth on Sunday, November 8, a special train comprised of two GT cars, one, an inspection car equipped with elevated, theatre type seats and a large picture window facing the rear, the other an instruction car, and our business car, the Hillman, took the group to key terminals on our system. Included in the tour were visits to the Twin Cities, Pigs Eye Yard, Hastings bridge, Tomah, Camp Douglas, New Lisbon, Nekoosa Junction, Milwaukee Shops and terminal, Bensenville and the Franklin Park TOFC facility, Savanna, Quad Cities, Muscatine and ending Friday, November 13, in Ottumwa.

A side trip to Pierre, South Dakota, to visit Governor William Janklow was also part of the week's activities.

We were not able to meet with our customers in the various cities we visited as we would have liked. Hopefully, we will arrange that on another occasion.

The special train moved smoothly and maintained the tight schedule planned. A lot of employees worked long and hard to insure a successful trip, and I want to take this opportunity to acknowledge their efforts.

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The Reorganization Court last week approved the sale of the 15.4-acre Milwaukee Road depot properties, located on the east side of downtown Minneapolis. This

involves the property from 3rd Avenue to Chicago Avenue and from Washington to 2nd Street and includes a portion of the block, lying north of 2nd Street, which is now leased for parking lot purposes.

Sealed bids from five interested purchasers were opened in Chicago, November 5. On the following day, Trustee Ogilvie announced he had accepted a bid of $9.5 million cash from developers Wang & Wirth, doing business as Waterfront Companies, Incorporated for the properties. Reorganization Court approval was received November 9.

Under terms of the sale, the purchaser is required to close the transaction within 90 days or approximately February 1, 1982. The railroad will have 90 days from the date of closing in which to vacate the premises, so this means that we can expect to be out of the building not later than May 1, 1982.

Trustee Ogilvie had stated earlier he would sell the property as part of his reorganization efforts. Proceeds of the sale will be held in a special account, and except under order of the Reorganization Court, are not available to the Trustee for railroad operations.

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Another transaction that closed last week involves the transfer of certain tax benefits in a sale-leaseback transaction made possible by the new Economic Recovery Tax Act.

The transaction, which was previously approved by the Reorganization Court, is expected to produce approximately $15 million for the Milwaukee Road and involves tax benefits attributable to track replacement expenditures made during 1981.

The railroad has received a $5 million partial payment of these proceeds and will receive an additional $10 million plus interest within three years. Reorganization Court authorization to enter into the agreement has been given subject to the requirements that the down-payment cash proceeds be placed into a separate special fund escrow account.

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A purchase agreement was signed last week with the Chicago & North Western Transportation Company for the sale of 38.5 miles of track segments from Perry-Waukee via Herndon, Iowa.

The sale price for these line segments is approximately $4.5 million with closing anticipated by March 15, 1982.

Also, an agreement has been reached with Chicago & North Western Transportation Company concerning the sale of the Woodward-Slater, Iowa, line. This segment totals 13.9 miles. Closing for $2.1 million is anticipated by February 15, 1982.

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The first unit coal train destined Weston Spur, Wisconsin, is currently enroute from Montana, having been interchanged to us at Miles City by the Burlington Northern. It is scheduled to arrive at the generating plant near Wausau on Wednesday, November 18.

When the plant is in full operation, the low sulphur coal will move at the rate of two trains per week. One third will be routed via the Miles City junction and the remaining two-thirds will come to us at St. Paul. The one year annual movement will amount to 1 million tons.

The Weston coal-fired electric generating facility is named after the township in which it is located. It is immediately south of the community of Rothschild, Wisconsin, and is operated by the Wisconsin Public Service Company.

W. L. Smith
President