

GRAND ELK RAILROAD UPDATE



The Grand Elk Railroad filed Nov. 3, 2008, with the Surface Transportation Board (STB) to operate 122.9 miles of railroad that runs from Grand Rapids, Mich. to Elkhart, Ind. The anticipated start-up date for operations is March 1, 2009. The Grand Elk is leasing the line from Norfolk Southern.

The Grand Elk, owned by Watco Transportation Services (WTS), will serve more than 55 Customers in Michigan and Indiana and will help the area's economy by providing freight service to Customers at various locations. As part of this transaction the Grand Elk will be investing significant resources in improving the railroad. Currently, speeds on portions of the railroad have dropped to 10 mph and the Grand Elk Railroad will be inserting ties and working on the line to bring the speed up to 25 mph from Grand Rapids, Mich to Elkhart, Ind.

Annual carloads are projected at 22,000, the equivalent of 60,000-80,000 trucks, and will provide shippers with a cost effective method to transport product. Commodities shipped on the

Grand Elk include automotive parts, plastics, metals, forest products, agricultural products and aggregates.

The primary mission of the Grand Elk will be to safely provide quality service to its 55 existing Customers, and to add value to the communities that are served by growing the business on the railroad and expanding its solid Customer base.

Three different yards will be located on the Grand Elk line; the Botsford in Kalamazoo, Mich., the Fisher in Wyoming, Mich., and the Hughart in Grand Rapids, Mich., which will house the locomotive shop. The Botsford Yard consists of 19 tracks, the Hughart Yard has 20 and the Fisher Yard has 8 tracks.

The Grand Elk office will be located in Kalamazoo at the Botsford Yard on Mill Street. Grand Elk Railroad will interchange with three Class I railroads including: Norfolk Southern at Kalamazoo, Mich., and Elkhart, Ind., Canadian National at Kalamazoo, Mich., and the CSX interchanges in Grand Rapids, Mich. Three short lines, Marquette Railroad, Mid-Michigan Railroad and the Grand Rapids Eastern Railroad will interchange at Grand Rapids, Mich. The Michigan Southern Railroad will interchange at White Pigeon, Mich.

Fifty-eight people will be employed by the Grand Elk in the following areas: seven management positions, 27 transportation, three mechanical, 11 engineering (track), three car repair, five signal and two clerical. All positions will be full-time with benefits included.

WTS and its parent company, Watco Companies, Inc. (WCI), focus on Customer Satisfaction, which has facilitated the Watco companies growth into industries serving rail, mechanical, switching, storage, trucking, warehousing and intermodal needs of Customers throughout 24 states.

More information about the Grand Elk Railroad and Watco can be found at www.watcocompanies.com.

CONTACT:

Operations and Human Resources: *Rodney Gordon*, General Manager: (269) 832-3785

Marketing and Customer Information: *Allan Roach*, Senior VP Marketing: (620) 687-3478

Transaction Management: *Ed McKechnie*, Chief Commercial Officer: (620) 232-4184