



May 4, 2007

Watco Team:

This past Tuesday, May 1, 2007, will be one of those special dates in Watco history, as that is the day that Millennium Rail (MRI) became a part of the Watco Family. MRI is a proud company that consists of approximately 600 people who service hundreds of Customers in eight shops across the country. We have known and watched MRI grow into one of the largest car repair companies focusing on the repair and maintenance of tank cars and specialized covered hoppers.

We are very excited about the addition of MRI's services to Watco's stable of offerings and know many, many positive relationships will be enhanced and created from this combination. MRI's shops and our Watco shops combined will create the largest privately held car repair company in the country, with an ability to provide whatever car repair service a Customer would want. Couple this unparalleled repair capability with our other Watco services--railroad operations, switching operations and leasing--and you have a company that is truly unique with the breadth of services offered in the rail industry. It will also create a more balanced approach to the services we offer our Customers, with our railroad and switching operations comprising 55 percent of our revenue, while car repair and leasing will equal 45 percent.

Over the next few months we ask all of you to welcome the MRI Team into the Watco Family as we begin to integrate MRI into Watco. It will be challenging at times, but always exciting as we work hard to insure all the great attributes of MRI are improved, while creating new levels of success for all of Watco.

I would be remiss if I didn't offer a special thanks to our great Watco Team for continuing to improve our performance, which allowed us to make this acquisition. With our continued improvement we can do anything we set our mind and efforts to in the railroad industry. So welcome MRI to what I believe to be the most dedicated, hard-working and Customer focused team of people in the business, the Watco Team.

Let's keep making GREAT things happen!

*Rich*