



May 18, 2007

Watco Team:

This past week we had two important meetings and I would like to share with you *The Tale of Two Customers*.

One meeting was with a Customer we have grown our business with 18-fold since we started serving them around 1991. That meeting was filled with excitement and appreciation created by the service and revenue that we have shared between our companies. We both stated that our relationship is strong and together we have created tremendous value. In addition, we came away from that meeting with a list of about a dozen other opportunities our Customer wanted us to look at for them. If we are successful in achieving only 25% of the proposed new business, it will create many new jobs for the Watco Team, additional revenue streams and add significantly to our success.

The other Customer we met with had a different outlook on Watco. When the meeting started, this Customer stated they had concerns about how we dealt with a contentious issue between our two companies. When we inquired to get the details on the issue, we found that it had occurred in 1995 and was a disputed invoice charge equaling a few hundred dollars. This Customer had kept that perception of how we treated Customers in their mind for 12 years, all because of a small charge that should have been corrected for them immediately. We immediately went into action to correct this long held misperception. Before the meeting was over, the Customer had committed to visit our operations and offered us some significant additional business that will be the start of a tremendous relationship between our two companies.

So what's the moral of this *Tale of Two Customers*? Well it is evident with the first Customer--we stayed true to what has made us great by always striving to satisfy their needs in a way that allowed us to be profitable. This positioned us to grow with them by increasing the business over 18 times and is still improving and growing. With the second Customer, we missed an opportunity to have a good relationship by not doing all we could to first understand their needs, and then do everything reasonable to satisfy them in a profitable manner over the long-term. Because we didn't do that for this Customer they kept business away from us for 12 years. We must never forget this lesson and always do whatever we can to take care of all our Customers. If we don't, as we learned this week, someone else will.

*Rich*