



July 6, 2007

Watco Team:

Sunday, July 1st was Watco's 24th Anniversary. The day came and went without pomp and circumstance, as is the normal low key Watco way. But behind the scenes there is a very intriguing and amazing story of how a man was driven by a vision and confidence in his ability to realize a dream. No impediment was so great as to shake his confidence from the driven path that over time and with plenty of hard work and sacrifice has led to accomplishments far beyond the intent or imagination of the founder. Watco is truly a story about winning against overwhelming odds, about being an underdog, enduring the hardships and virtually unrelenting drive to go from a single switching operation in Deridder, LA, to becoming a preeminent leader in the rail industry today.

As may be more than just a coincidence, Sunday was a day of uncertainty and concern as much of our South Kansas and Oklahoma Railroad (SKOL) and Millennium Rail repair shop in Neodesha, KS, were flooded by up to 20 inches of rain that fell in a matter of hours. Despite this challenge, many of our great Team in the Central Region acted swiftly and courageously to protect our Customers and our Company. Many did so at their own expense, as some of our Team members were evacuated from their homes as flood waters rose. As most of you know the SKOL was shut down Sunday and officially embargoed Monday, as about 20 miles of track were completely underwater.

This is not the first, nor will it be the last challenge the Watco Team will face. In 2005 the Timber Rock Railroad was hit by Hurricane Katrina. In that instance our great Gulf Region Team rose to the occasion, overcoming many of the same challenges facing us on the SKOL today. We did it as a Team, coming together with the same fortitude, pride, dedication and hard work that our founder, Dick Webb, had 24 years ago. And despite the overwhelming devastation of Katrina and many personal misfortunes we prevailed as a Team. Now, we are doing the same thing to overcome this challenge and we will overcome it.

As we work hard to bring our railroad and shop back up to operation, we must be safe and remember our Team Members affected by the flood. Just as we did two years ago for hurricane victims, we must rise to the occasion to help our Team who were affected by the flood, work extra hard to return the SKOL and car shop to service and resume our quest to fulfill our Foundation Principles.

We sincerely thank all of you who have sacrificed to help those members of our Team, who were evacuated from their homes and lost most, if not all, they had. We also thank you for all your

support and dedication to our Watco purpose. While the flooding is certainly a challenge we would all have chosen to avoid, I can think of no better way to commemorate the founding of our Company than to witness our Team meeting this challenge with the same drive and fortitude of our founder 24 years ago.

As a Team we can accomplish great things and overcome difficult times. We will drive forward and get better every day.

Thanks for being a part of our Team.

A handwritten signature in black ink, appearing to read "T. D. [unclear]". The signature is written in a cursive style with a horizontal line above the first few letters.