



July 13, 2007

Watco Team:

The last couple of weeks have been very challenging for parts of Watco that were effected by the record flooding in southeast Kansas and northeast Oklahoma, specifically the South Kansas & Oklahoma Railroad (SKO) and the Millennium Rail Neodesha Rail Car shop (MRI). Both profit centers were shut down for an extended period of time, with the SKO still under a traffic embargo and only operating on a limited service basis. It is during challenging times like these that the greatness of the Watco people shows itself in so many ways.

First, the SKO and MRI people affected by this unfortunate event showed their strength and will to survive in spite of suffering significant financial losses, with a grace and dignity that made us all proud they are a part of our Watco family. Secondly, the Watco team that was dispatched to help our people through this trying time, did whatever possible in a caring and compassionate manner, to insure that clothing, water, food and money was available to our people in need.

As our people directly effected by the flood were being cared for, our SKO and MRI managers began the difficult task of rebuilding our ability to serve our Customers profitably by assessing the damage, planning how best to repair it quickly and economically and then working night and day, even through the 4<sup>th</sup> of July holiday, to execute the repair plan. The tireless dedication and effort to serve our Customers through this flood by all of our Watco people was truly awe-inspiring. As I always say, good relationships are made in the trying times, not the good times, and I believe we have made and improved many good relationships with our Customers during this challenging time. I guarantee many Watco people, too numerous to mention, have made a great impression on me that I will never forget and I will work hard to repay them for their efforts for many years to come. Words cannot express my gratitude for their efforts.

Lastly, the Watco team across the country not affected by the flood, has done what they always do during a challenging time. They have quietly understood that part of the family has been hurt and have delivered an improved level of performance by delivering an accurate, timely, safe and value-added service to our Customers. This is not the first time I have seen something like this where we suffer in one part of Watco, but almost instinctively the good folks of Watco rise to the occasion to help those effected through whatever the issue, hurricanes, floods, tornadoes or other issues, to insure our people and our company get back on its feet as soon as possible.

To all of the Watco team, I can only say thank you for an unbelievable showing of what we can accomplish, no matter the challenge, when we all work together to fix and then improve the difficulty we are facing. I am very proud to be a part of the best team in the transportation industry.

Keep making great things happen,

*Rich*