



October 19, 2007

Watco Team:

I want to share with you some thoughts on our Customers. We must always remember how important they are to us and our families because of the service they allow us to provide for them. Our Customers look to us to be problem solvers and solution providers, which means occasionally they ask or expect us to go beyond the norm to insure their rail transportation needs are met. When we do that we build a relationship with our Customer that forms a bond which will be hard for our competitors to break. When we deliver consistent quality service by moving or repairing the right car, at the right time, in the safest way and by creating the most value for them and ourselves, our Customers won't be able to do business without us. That is why we all work so hard.

Our Customers will not only provide for our needs today, as we deliver the service they have come to expect from us, but they will guide us to a profitable future. We must listen to their changing needs everyday and improve our services so the value of what we do for them continues to improve. If we don't, our services will diminish in value and sooner or later we will be replaced. That is not an acceptable outcome.

We've been blessed over the years with some of the best Customers any company could have and the best Watco people to serve them. I want all of us to remember just how important it is to always improve the service we provide to our Customers so we build strong, beneficial relationships that last for years to come.

Also I want to deliver a special congratulations to Neil Jacobs and the KO team for being the first short line railroad in history to win the coveted BNSF short line of the year award for a second time. This is an outstanding accomplishment for the KO and all of Watco because one of our most important Customers, the BNSF, has recognized us for exceeding their expectations in delivering quality growth in a safe and profitable manner. I want you to join me in thanking Neil and the KO team for making our foundation principles, of improving our Customers' satisfaction and our profitability over the long-term, a reality

Keep making great things happen.

*Rich*