



May 22, 2008

Watco Team:

Earlier this month 12 of our railroads were recognized by the American Shortline and Regional Railroad Association for outstanding safety. I want to congratulate teams from the ABS, ARS, KAW, MSR and PSWR, which received Jake Awards with Distinction. Additionally I want to congratulate teams from the EIRR, KO, LAS, PCC, SKOL, SLWC and TIBR, which received Jake Awards.

These awards represent our successful practice of a safety culture that must be not only a priority, but the priority. Our promise to provide the right car, at the right time, in the right condition, at the right price revolves around doing so safely and “in the right condition” means the car will arrive without it or anyone being harmed. Although I am proud of the twelve railroads that achieved great safety practices, Watco consists of 17 railroads, 22 switching operations, 12 railcar facilities, 18 mobile car repair operations, 7 transload operations, two intermodal operations, 7 warehouses and Greens Port Industrial Park. With nearly 1,900 team members it is a challenge everyday to complete our jobs safely. However, it is my expectation to have all of our locations achieve our safety goals and be injury/accident free. This can only be achieved one car, one switch and one day at a time. We have made tremendous improvement in safety, resulting in a 53% reduction in FRA recordable incidents, but there are still opportunities for improvement and we won't be satisfied until we are injury/accident free.

This week we began the Summer Spike Prevention Program, which focuses on root causes of personal injuries and accidents with the goal of having an injury-free “101 Days of Summer”. These 101 Days run from May 18 to September 1 and are recognized as being the time of year when work-related and recreational injuries are highest. Of course safety is important all year long, but during these “101 Days of Summer” I hope you will be even more diligent in safety practices. Our safety vision is clear—our people are the most important asset we have and everyone is a vital part of our team. However, each of you is also a part of another team, your family. Not only is it important that we focus on safety for those we work with, but also for those who await our return home each night. They are counting on us to be safe as well.

Please congratulate the ABS, ARS, KAW, MSR, PSWR, EIRR, KO, LAS, PCC, SKOL, SLWC and TIBR teams on their achievement and do your part to ensure your location earns the recognition of being injury/accident free.

Thanks for everything you do for us each day and have a safe, great Memorial Day weekend. Keep making great successes happen!

*Rich*