



July 18, 2008

Watco Team:

As I continue to discuss the “Lombardi Rules” that can help us all become better individuals and leaders, this week I will introduce rule 25. Here is a summary of rules 20-24.

RULE #20-Act; don’t react.

RULE #21-Keep it simple.

RULE #22-Chase perfection.

RULE #23-Tailor your motivation.

RULE #24: Motivate by degrees.

RULE #25-Focus on Fundamentals: Lombardi was adamant about achieving excellence in the fundamentals. He believed that a great offensive line that could execute their blocking schemes with a focus on perfection would win ball games.

While his insistence on repetition was considered monotonous at times, the confidence and discipline it developed was a key factor in every win. There were many games when the Packers faced desperate situations—down by more than a field goal with time running out—when he marshaled the offense on the field, worked the clock and moved the ball down the field to ultimately win the game. They achieved success by having confidence in their abilities and knowledge which led to executing the fundamentals to perfection.

Our ability to be excellent depends on our ability to function at a high level every day. Excellence in execution depends on confidence and confidence is based on preparation. It is only when the fundamentals become second nature we can be confident of the results. Just like ball control is one of the most basic elements of football, we must help our front people—our trainmen, mechanics, switchmen, etc., to focus on the basics of performing their responsibilities by providing quality service in a safe and efficient manner. This means that we as leaders and managers must invest the time and energy to teach our people the importance of what they do, why they do it and how to perform at a high level.

Quality performance begins by mastering the details and fundamentals of our work, including knowing what cars need to go on what trains everyday in order to achieve on-time delivery. Everyone must understand and be able to perform each task in their job using safe operating practices with an emphasis on their safety, as well as that of their teammates. Finally everyone must perform each task within the productive time and cost standards established by a solid daily operating plan.

It's not glamorous, but the ultimate reward is a satisfied Customer that is willing to provide us with more opportunities to serve their needs, healthy people and a team earning performance-based rewards that share in the monetary reward of the Company.

Thanks for everything you do for our Customers, People and Company

A handwritten signature in black ink, appearing to read "J. Stone" or similar, with a stylized flourish at the end.