



July 25, 2008

Watco Team:

There are still a few EVA Kickoff Meetings scheduled in the near future, but by now, most of you have had the opportunity to attend an EVA meeting. These meetings are a great opportunity to learn about this year's and next year's program, so I hope all of you attended or will soon.

When talking about EVA, we say value is either "created" or "destroyed" depending upon the financial results of our daily decisions. The EVA calculation may be hard to understand for some of us; however it's okay if we all don't understand the calculation. What we DO have to understand is that simple everyday decisions and actions directly impact EVA.

This year, our Anniversary Year, was the perfect time for us to put the EVA Bonus Plan into practice and invite all of you to actively participate in improving Watco's EVA. We all must take ownership in this effort because EVA belongs to all of us. By implementing the EVA process, we will create better business performance because we all have a better understanding of the objectives we are striving to reach.

EVA fits very well with our basic principles of Improved Customer Satisfaction and Improved Profitability Over the Long Term because it measures just how efficiently and safely we perform operations and the quality of relationships with our Customers. EVA's three components of revenue, expense and capital are all directly tied to those principles. For example, revenue can be defined as good Customer service, return business and correct billing. Expense can be defined as increased efficiency and reduced waste or rework. Capital can be defined as keeping current capital, such as equipment and property, in good shape and fully utilized.

Although EVA is a new word or calculation to us, it doesn't change our vision or goals. It's really just another way of promoting our foundation principles. Each of us controls our share of the EVA Bonus by the choices we make to serve our Customers, and following those foundation principles will lead to positive EVA.

Go out there everyday and make good choices. By doing that, we will be successful.

Thanks for all you do and keep making great things happen.

*Rich*