



October 17, 2008

Watco Team:

We are experiencing a time of tremendous upheaval in the financial markets not just in this country but across the globe. It is causing fear and uncertainty, which is wreaking havoc in the stock and commodity markets. As you know governments all over the world, lead by ours, are intervening in unprecedented ways to try to reassure and restore confidence that we are on the path of recovery and to get us back to business.

This difficult predicament, in my opinion, was caused by too many decision-makers who were carelessly trying to make the most money they could in the short term without taking into consideration all the risks of those decisions over the long term. There will be many histories and dissertations written about the more complex reasons as to why this happened, what could or should have been done to prevent it and of course who's to blame. In today's world, it seems we must have someone to blame as it makes it easier to cope with uncomfortable situations and allows us to rationalize inaction on our part instead of helping solve the problem. But in the end, I believe the simple answer will be that we didn't have the proper oversight, individually and governmental, which helps prevent people from giving in to that nasty human failing, greed.

So what does all this mean to the Watco Team? It means, now more than ever, we need to make our decisions, as we always have, with the best interests of our Customers, our Company and our future in mind. During this period of recovery and slowing economic times, the Watco Way will lead to many additional opportunities to partner with our Customers for the long term and create tremendous value for both of us. As I travel across our operations and meet with our Watco people, I see and hear about those opportunities at every location. Whether it be the new opportunity we have with a coal utility Customer at our Pittsburg shop, a new group of Customers to move crude oil on the Yellowstone Valley, a new way to serve an existing Customer on the Louisiana Southern, a new issue caused by a huge increase in business at our Oklahoma City Reload facility or our new railroad the Pacific Sun Railroad near San Diego, Watco is blessed with an abundant supply of ways to improve and grow our business.

This shows that no matter what others do with their choices, as long as we continue to do right for the Customer, do right for Watco and do right for the long term we will weather any storm and come out stronger in the end. Our foundation principles will see us through and have never let us down. I'm looking forward to continued growth and improvement through these uncertain times and I'm counting on all of you to help make it happen.

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

*Rich*