



January 11, 2010

Watco Team:

Well it has happened again. For the 27th time in the history of our company, Watco has started a new year with great promise and excitement about the many good things we can achieve in the coming year. In the great game of business, every January 1st we get to measure our success at achieving our goals over the past 12 months and begin a new game with a fresh set of goals to measure our performance against and work hard to achieve.

While 2009 was a very challenging time for all of us, I am very proud of how Watco performed. All our services- Transportation, Mechanical and Transload/Intermodal have exhibited positive results . The Transportation service, which includes our Railroad and Switching operations, saw revenue growth better than the rest of the industry and showed overall improvement in the key safety measurement, RPI. The Mechanical service, which includes our Rail Car shops and Mobile repair facilities, saw solid improvement in cost control with improvement in safety. Our Transload/Intermodal service showed all of us how to respond to a significant reduction in revenue by eliminating costs at a faster pace than losing revenue. With these strong performances by each of our services, we finished the year in a position to continue the improvements into 2010.

I am a firm believer that the Watco Team can accomplish anything we set our mind to, so here are our key goals of 2010.

1. Customer First - Continue to put our Customers First
2. Short Line Tax Credit Extension - Work hard to renew it
3. Revenue growth - Grow faster than anyone else in the industry
4. Focused Cost Control & Improvements - Reduce costs wherever possible
5. Asset Utilization – Reduce AR, Inventory & WIP – Disciplined Cap-X Investments
6. De-Lever – Reduce debt as much as possible & fund acquisitions internally
7. Execute 2010 AOP – EVA, Rev & EBITDA performance improve them year over year

By focusing everyday on achieving our 2010 goals, which in reality is another way of saying our Foundation Principles, we will have another great year in the history of Watco when this year is through. It is up to all of us, so I know by working together to achieve our goals we will continue to make great things happen.

Here's to a successful, safe 2010.

*Rick*