



April 2, 2010

Watco Team:

As the end of the first quarter of 2010 comes to a close here are some thoughts on how we need to keep improving our performance the rest of the year.

2009 was a tough year. Many call it a recession, but I prefer to call it an economic reset. Many businesses suffered losses last year, but because of our willingness to put the Customer First, our ability to control our costs and our service diversity, we rallied. I am very proud to say we improved our performance through this difficult time and through the first quarter of 2010. For example, our railroad volumes, year-to-date, are up 32%, which is better than anyone else in the business. This is because of the great job the Watco Team does in listening to our Customers and delivering a service that is appreciated and valued.

Diversity is crucial to our success. We serve Customers in a variety of industries—agriculture, minerals, metals, chemicals and lumber/forest products. By serving many different industries we improve our chances of success because even if one industry suffers, another industry may prosper. The same is true for our service diversification—transportation, mechanical and transload/intermodal. By offering a wide array of services we increase the value to Customers. We can not only move a Customers' product, but we can repair their railcars and even put them on or take them off a truck. Because of our Service, Customer, Geographic and Commodity diversity and because of the outstanding ability of the Watco Team to adapt to any economic environment we are successful.

The challenge, of course, is to never let our past success lull us into a state of complacency. We must always believe that the service we provided yesterday, was good enough for yesterday but today we must provide an even better level of service. By doing that, we improve every day and before long our Customers realize they can get no better service than Watco service. When that happens we have built a relationship that will last a lifetime. That is called living the Customer First Foundation Principles.

As we prepare to celebrate Easter this weekend, please remember even though it is a holiday, somewhere a member of the Watco Team is working hard to meet our Customers' needs. By putting the Customer First we continue to build relationships and grow, ensuring that the next time that Customer needs additional services, they will think about Watco. Always remember our next best Customer is the last Customer we served.

Have a safe and joyous Easter and keep making great things happen.

*Rick*