



June 18, 2010

Watco Team:

When we consider the challenges we face in continuing the growth and success of our Company, it is evident that finding, retaining and developing great People is at the top of the list. The fundamental goal of our Human Capital strategy is to find the right People, placing them in the right position, doing the right things. As noted, finding the right People is the important first step in the process of building our Human Capital resources. This effort, as stated, implies that the search for great People is a unilateral effort. A more powerful, dynamic and successful effort is one of not only our efforts to find and attract People, but one in which great People search for and desire to become part of the Watco team. Creating an environment in which great People seek an opportunity to become part of the Watco team must be the ultimate goal of our Human Capital strategy. Achieving this goal is dependent on our ability to build a culture focused on the success of People (Team Members). Success of our People (Team Members) is defined by several factors, including:

1. Building and sustaining a culture that values People (Team Members) and their contributions to the execution of our Watco Foundation Principles.
2. Leadership that inspires our People (Team Members) based on positive stimuli, a drive for organizational achievement and personal contributions to such.
3. Management that is respectful, centered on trust, clear communications and a leadership and management focused on coaching People (Team Members) to success.
4. Development of People to enable all members of our Team to self directed achievement based on their intellectual, emotional and physical contributions to the Team.
5. Rewards that are equitably awarded based on Company and Team achievement and the contribution of each Person to whole.

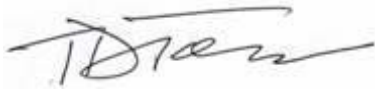
With this in mind, we have established Watco University or Watco U for short. We are happy to announce that Watco U will be led by Rachael Peterson as part of a total initiative of organizational development. Our mission for Watco U is to “teach what we expect, and expect what we teach”; meaning that Watco U will be focused on teaching our People in a manner to develop their formal knowledge and understanding, but more importantly to teach the application of this knowledge in a manner that creates value for our Customers, Teammates, Communities and Watco. In other words the learning process will occur both in the formal training and development programs in the classroom setting and will continue in the field by embedding the teaching process into the way we actually manage and lead our People.

As we have discussed many times in the past, the Management Process is the fundamental discipline every Watco manager must understand and effectively put into practice in order for us to translate our plans into action. *The basics of the Management Process are simple and include ; 1)Setting performance expectations; 2) Communicating and ensuring that all of our People understand their performance expectations; 3) Measure the actual performance of all our People in a timely, accurate way; 4) Evaluate the actual performance of our Team against the defined expectations; 5) Managers **must** invest the time and effort to **Coach and Teach our People to Achieve Success** and finally 6) Reward our People based on performance. As you see, the Management Process is simply nothing more than an extension of the learning process and a very, if not most important part, of teaching our People how to **apply what they have learned in the classroom**.* By doing this, we will become an organization that constantly learns through its work and in doing so, will continually improve our performance and capabilities.

Our first efforts will begin with a program to teach the Watco Principles of General Management and Leadership focused on our middle managers as they serve and interact with our Customers and a vast majority of our People on a daily basis. Our first class is expected to start in the third quarter of 2010. The course will accomplish three primary outcomes, including:

1. Develop the knowledge of our Managers in basic aspects of our Company history, culture, business and expectations.
2. Enhancing company knowledge, honing leadership skills and the management process, strengthening the organizational culture, and developing our (Team Members) People at the core levels where we touch our Customers and thereby create Value.
3. Teaching our Watco Managers how to teach in the field, not only educating their (Team Members) People on the meaning and understanding of these basic principles of our Company, but most importantly how to practically apply these Principles to create value and achieve success.

Finding and retaining great People, placing them in the right positions doing the right things has been and is even more critical to our success in the future. We view Watco U as an investment in our People. It is an investment that will not only create value for Watco, but will provide each Watco Team Member an opportunity to learn and grow with Watco.

A handwritten signature in black ink, appearing to read "J. D. ...", located below the main text.