



December 9, 2011

Watco Team:

Last week was a very exciting week for the Watco Team, as we announced not one, but three new opportunities beginning in the very near future.

The Wisconsin & Southern Railroad (WSOR) is a very exciting acquisition for us, as this railroad will expand our footprint throughout the Midwest and bring about opportunities in new markets. The synergies that exist with our current railroads and the WSOR's 700 miles of track through Wisconsin and Illinois will give the Watco Team many new opportunities to provide great service to new Customers.

The energy industry is booming right now and we are very eager to grow business on the Swan Ranch Railroad (SRR), located in the newly developed Swan Ranch Industrial Park in Cheyenne, Wyoming. This industrial park is the largest logistics hub in the Rocky Mountain Region and when fully developed will cover nearly 7,200 acres. Not only is SRR Watco's first short line in Wyoming, but also our first within an industrial park. Greens Port Industrial Park in Houston is one of our fastest growing profit centers due to its location and variety of services, and we anticipate Swan Ranch to grow just as quickly and be a top leader in the future of Rocky Mountain logistics.

We are proud to add the Birmingham Terminal Railway (BHRR) to our Watco Family of railroads early next year as well. Serving Alabama's largest steel making and manufacturing regions, the BHRR will provide rail service to Port Birmingham, a rail to barge and barge to rail transfer facility on the Black Warrior River. With 75 miles of track and 30 Customers, I am looking forward to the great Watco Team taking our Customer First! Focus to new Customers in the Birmingham area.

We are very blessed to have the opportunity to expand and grow and there is no doubt these opportunities would not come our way without the hard work and dedication of every member of our great Watco Team. Your efforts to practice our Customer First Foundation Principles of Improved Satisfaction and Profitability Over the Long Term are what leads us to be successful not only today, but in the future. Many of the opportunities we receive come from existing Customers, but many also result from those happy Customers recommending us to someone new. That is why we must always do our best for our Customers every day.

Thank you for all you do each day to work SAFELY, efficiently and effectively. Keep making great things happen.

*Rick*