

## **KCSR and Watco Announce Lease of Redwood Branch**

**Joint News Release from The Kansas City Southern Railway Company and Watco Companies, Inc.**

### **Contacts:**

The Kansas City Southern Railway Company  
Doniele Kane  
816-983-1372  
doniele.c.kane@kcsr.com

Watco Companies, Inc.  
Ed McKechnie  
620-231-2230  
emckechnie@watcocompanies.com

**Kansas City, Mo., November 21, 2005.** The Kansas City Southern Railway Company (KCSR) and Watco Companies, Inc. (Watco) today announced the lease of KCSR's Redwood Branch between Ballground Yard at milepost 21.9 and milepost 218 north of Vicksburg Yard including the Harbor Industrial Lead, and between milepost 223 south of the connection with the KCSR main line and milepost 229.85 near Cedars on the Redwood Branch, a distance of 21.5 miles. The lease includes the locomotive facility buildings and seven tracks within Vicksburg Yard. Under the lease, these lines will receive rail service from Watco's Vicksburg Southern Railroad, Inc. instead of KCSR. The lease will begin on January 8, 2006. "With the execution of these leases, KCSR will free up resources to focus its energies on our core lines for the movement of NAFTA traffic," said Art Shoener, KCSR president and chief executive officer. "Watco will continue to provide quality, customer-driven service to our branch line shippers. We view this transaction as win-win for KCSR and Watco, as well as our branch and main line customers."

"We are very pleased to have entered into this agreement with KCSR," said Terry Towner, Watco president and chief operating officer. "Watco has had a long and beneficial relationship with KCSR and we look forward to continuing our outstanding relationship with these transactions."

"We are committed to continue delivering quality rail service to our new customers, KCSR and the communities served by our three new railroads," Towner said. "We will have the people, the locomotives and the resources ready to achieve maximum customer satisfaction from the very first day, and we are very honored that KCSR has chosen us to operate these lines."

This will be Watco's second railroad in Mississippi. Watco owns the Mississippi Southern, which was leased from KCSR in April of this year.

"We believe this expanded presence in Mississippi will allow us to continue to grow with the businesses and industries in the state, and further expand the many good relationships we have established over the last six months," Towner said. "Quite simply we believe

Mississippi is a good place to do business and we are excited to go to work in Vicksburg."

Headquartered in Kansas City, Mo., Kansas City Southern (KCS) is a transportation holding company that has railroad investments in the U.S., Mexico and Panama. Its primary U.S. holdings include KCSR and Texas Mexican Railway Company, serving the central and south central U.S. Its international holdings include TFM, S.A. de C.V., serving northeastern and central Mexico and the port cities of Lázaro Cárdenas, Tampico and Veracruz, and a 50% interest in Panama Canal Railway Company, providing ocean-to-ocean freight and passenger service along the Panama Canal. KCS' North American rail holdings and strategic alliances are primary components of a NAFTA Railway system, linking the commercial and industrial centers of the U.S., Canada and Mexico.

Watco, a Pittsburg, Ks. based company, operates 12 short line railroads and operates rail transportation service facilities in 19 states. Watco's short line railroads include the Kaw River Railroad, the South Kansas and Oklahoma Railroad, the Kansas and Oklahoma Railroad, the Stillwater Central Railroad, the Timber Rock Railroad, the Eastern Idaho Railroad, the Palouse River and Coulee City Railroad, the Pennsylvania Southwestern Railroad, the Great Northwest Railroad, the Mission Mountain Railroad, the Mississippi Southern Railroad and the Appalachian & Ohio Railroad. Watco also operates industrial switching locations and mechanical and locomotive shops across the United States.

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