



NEWS

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Repairs Begin on South Kansas & Oklahoma Railroad Flood Damage; Embargo Still in Effect

PITTSBURG, KANSAS – July 6, 2007 – Floodwaters that were the result of heavy rains during the first part of July have completely receded from the South Kansas and Oklahoma Railroad (SKOL), allowing crews to inspect damage over the entire railroad. Most of the railroad remains under an embargo that effectively ceases service to most rail Customers due to track-caused conditions. The SKOL is a wholly-owned subsidiary of Watco Companies, Inc. (Watco).

Many miles of the SKOL received severe damage, including a significant portion of its track infrastructure. Since the floodwaters began receding, railroad officers have been performing extensive track inspections and contracted repair crews are making repairs.

“We are beginning to see results,” said Pat Cedeno, Chief Operating Officer for Watco’s Central Region. “Contract crews have already completed repairs in a couple locations and we are moving eastward from Winfield to continue repair progress.”

The flood waters washed away portions of the railroad on each of the five subdivisions that reach out from the SKOL hub in Cherryvale. This damage continues to impede service to nearly all

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SKOL Customers. Currently the only Customers that are being served are on the extreme east edge of the SKOL (Pittsburg and Columbus, Kan.) and the south end of the railroad (south of Bartlesville, Okla., to Tulsa, Okla.). All other Customers are under the embargo.

The interchanges that are open are Pittsburg, Kan. (KCS), Columbus, Kan. (BNSF), and Tulsa, Okla. (BNSF and UP). The major interchanges for the railroad, Winfield, Kan. (BNSF and UP) and Coffeyville, Kan. (UP) are closed. Service has been impacted in Kansas and Oklahoma, of which both areas were declared disaster areas by Govs. Kathleen Sebelius and Brad Henry. President Bush declared these counties disaster areas Monday night.

A timeline for completion of repairs and restoration of service to Customers is expected to be announced Monday, July 9. The timeline will detail a three phased plan to 1) Restore service as soon as possible with emergency repairs, 2) Restore the railroad to pre-flood condition and 3) Complete final repairs and clean up affected areas. The goal of the first phase will be to complete repairs that will allow train service to run safely, although train speeds will be restricted. The second phase goal will be to fine-tune Phase 1 repairs to restore the railroad to conditions that will allow train speeds to be accelerated to the normal 25mph speed. The final phase will call for rehabilitating bridges and cleaning ditches to support the railroad for the long-term.

“We are finalizing the timeline to re-open the railroad and making great progress,” Cedeno said. “We initially anticipated finding the worst damage in all affected areas, but as we have been able to actually see the damage we have found we are in better shape than anticipated. This weekend will allow us to make more progress and finalize our timeline.”

Watco Companies, Inc. (Watco), a Pittsburg, Kansas, based company, operates 16 railroads in 14 states including the Alabama Southern, Arkansas Southern, Eastern Idaho, Great Northwest, Kansas and Oklahoma, Kaw River, Louisiana Southern, Mission Mountain, Mississippi Southern, Palouse River and Coulee City, Pennsylvania Southwestern, South Kansas and

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Oklahoma, Stillwater Central, Timber Rock, Vicksburg Southern and Yellowstone Valley Railroads. Watco also operates industrial switching locations and mechanical and locomotive shops across the United States and is the owner of Millennium Rail, Inc. (MRI), a fully-integrated provider of repair and maintenance services to the rail industry. MRI operates eight car repair shops across the United States. More information about Watco and MRI can be found on their website at www.watcocompanies.com.

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