

Watco Transportation Services, Inc.

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Grand Elk Railroad authorized by STB Gordon named General Manager; Stump named VP Sales

(Pittsburg, KS) – The Surface Transportation Board (STB) took action late Thursday afternoon that paved the way for the creation of the Grand Elk Railroad (GDLK). This allows for millions of dollars of investment for western Michigan and the creation of 58 new jobs. The Grand Elk Railroad is a wholly owned subsidiary of Watco Transportation Services, Inc., a short line railroad holding company headquartered in Pittsburg, Kans.

The transaction approved by the STB was a lease of 122.9 miles of track by Watco from the Norfolk Southern Railway (NS). The railroad will operate from Grand Rapids, Mich., to Elkhart, Ind.

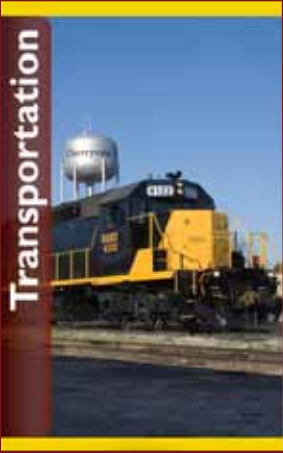
“This is excellent news,” proclaimed Rick Webb, CEO of Watco, upon hearing the news of the STB decision. “Our team is excited to roll up our sleeves and get to work in western Michigan, creating value for our new Customers and investing in the future of these communities.”

Since the Grand Elk began accepting applications two weeks ago, more than 1,600 applications have been received to fill the 58 jobs. These positions will primarily be located in Kalamazoo, Mich., and Grand Rapids. The Grand Elk will be headquartered in Kalamazoo.

“The number of applications says a lot about the economic condition we are in, but we are confident that with sound investments in the track infrastructure, and the hiring of quality people to build a team that is focused on Customer satisfaction, we will be in a position to support the economic growth of this area,” Webb said. “The Grand Elk is expected to invest nearly nine million dollars in the first year.

Customers and western Michigan communities led the local support for the creation of this railroad. More than a dozen Customers wrote letters of support to the STB encouraging the Board to act swiftly to get dollars flowing to make track repairs in the upcoming

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construction season. Additionally, the Kalamazoo Chamber of Commerce took a very strong and supportive position, as well as the Michigan Agri-business Association.

“We very much appreciate the strong local support exhibited by our future Customers, their trade association and especially the Kalamazoo Chamber of Commerce. We are committed to working hand in hand with our new partners,” Webb said.

With the STB approval, Terry Towner, President of Watco, formally announced the appointment of Rodney Gordon as General Manager of the railroad, and Shasta Stump, as Vice President of Sales. Gordon and Stump will both have offices in Kalamazoo.

“I am very proud of the leadership team that will take the helm of the Grand Elk. Rodney has been on the ground in Michigan managing this transaction for several months, and has done a tremendous job working with our future Customers, local communities and NS to get this transaction completed,” Towner said.

“Furthermore, we are placing one of our best business development officers as the head of sales for the Grand Elk to make sure we help create value as fast as possible. I am confident that Shasta will do a great job,” Towner said.

Gordon is a long-time resident of Michigan and a former employee of the Canadian National Railway. Stump has led the sales and marketing effort for several of the Grand Elk’s sister railroads in Kansas and Oklahoma.

The first date of operations will be April 1, 2009.

“We are going to aggressively work to meet our startup timetable in a safe and efficient manner,” Towner said. “We will begin interviews next week and hope to fill our engineer and conductor jobs first so that we can adequately begin training, and then fill the remainder of the jobs by the end of February.”

“I also want to express my appreciation to the great team at Norfolk Southern who worked with us during this transaction and had confidence in our team,” Webb said. “Norfolk Southern has worked very hard to make sure this railroad is preserved and that these communities have viable rail service for the future. We also worked very diligently with the team at Marquette Rail and appreciated the way they supported this transaction. Together, Norfolk Southern, Grand Elk and Marquette Rail will bring value to western Michigan.”

Watco Companies, Inc. (WCI), a Pittsburg, Kansas, based company, owns Watco Transportation Services (WTS) who owns 19 railroads in 16 states. WTS railroads are: the Alabama Southern, Austin Western, Arkansas Southern, Baton Rouge Southern, Eastern Idaho, Great Northwest, Kansas and Oklahoma, Kaw River, Louisiana Southern, Mission Mountain, Mississippi Southern, Pacific Sun, Palouse River and Coulee City, Pennsylvania Southwestern, South Kansas and Oklahoma, Stillwater Central, Timber Rock, Vicksburg Southern and Yellowstone Valley Railroads.

Watco also operates industrial switching locations and mechanical locomotive shops across the United States. Watco Mechanical Services operates 14 car repair shops in Cof-

feyville, KS; Council Bluffs, IA; Fitzgerald, GA; Hockley, TX; Houston, TX; Hollidaysburg, PA; Jacksonville, FL; Junction City, KS; Marshall, TX; Neodesha, KS; Omaha, NE; Pittsburg, KS; Zwolle, LA and Wood River, IL. Watco owns a transloading subsidiary, Reload Inc. More information about Watco and its subsidiaries can be found at www.watcocompanies.com.