



Mississippi Valley Freight Coalition
April 15, 2009

Watco Companies

- Watco Companies, Inc. was started in 1983 by Charles R. “Dick” Webb with a switching operation in DeRidder, LA that is still in existence today
- Coffeyville, KS was our next expansion in 1985 with a car repair facility. This expanded into what is now the SKOL railroad which was the first shortline purchase completed with the Union Pacific
- Watco’s focus on Customer satisfaction has grown the company into an all encompassing industry serving rail, mechanical, switching, storage, trucking, warehousing and intermodal needs of Customers throughout twenty-four states



A Customer Relationship Company

■ Guiding Principles

- Improved Customer Satisfaction
- Improved Safety
- Improved Profitability & Return on Assets
- Long-term Vision



*Watco will provide the right car, at the right time,
at the right price in the right condition with value added.*

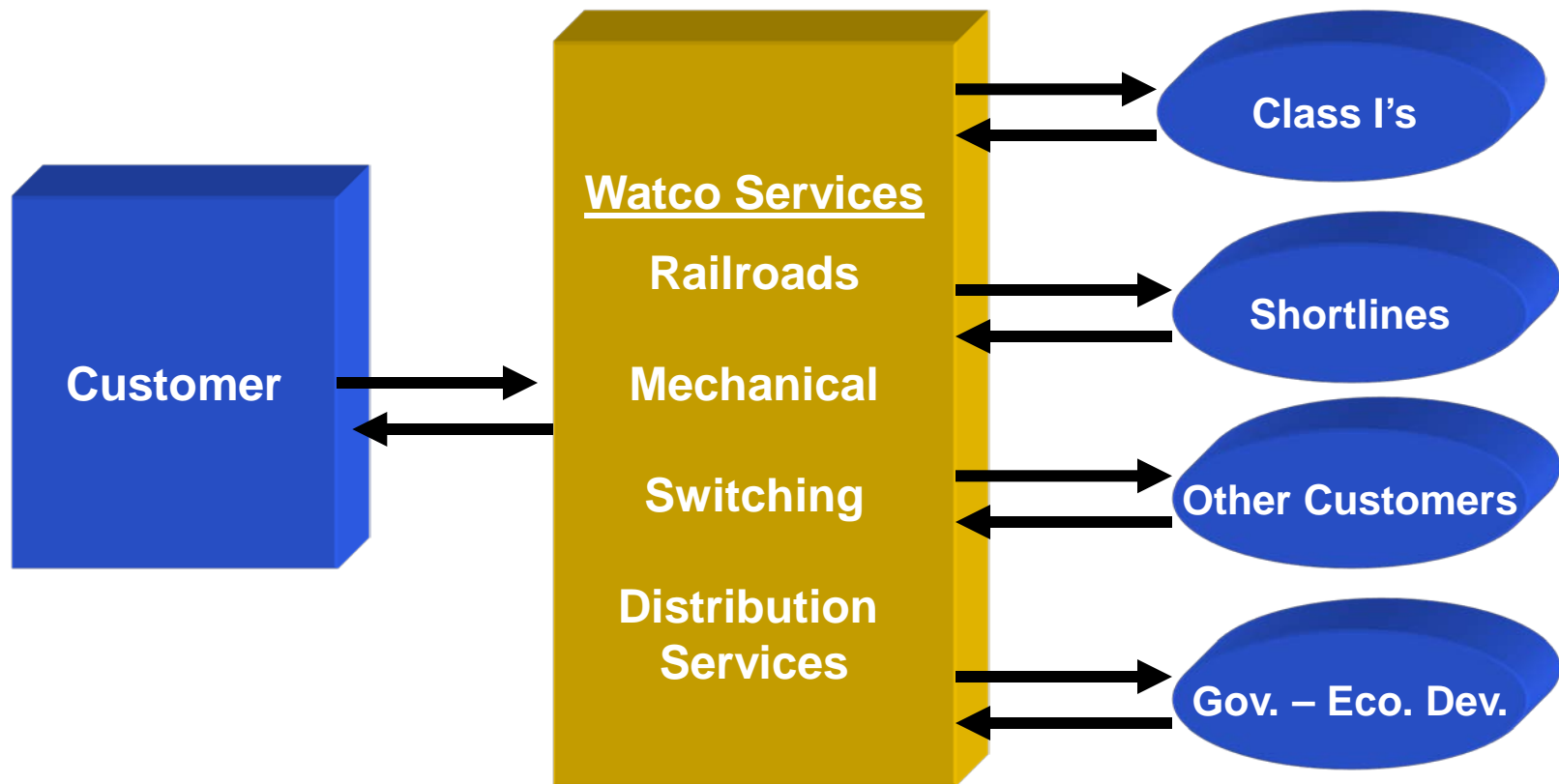


Mission Statement

- **For our customers** - Watco companies will provide the best transportation related services to our customers in the most efficient and economical manner possible. We will provide an environment that allows our companies and our people to improve and grow, passing onto future generations a company with an outstanding reputation for customer service, profitability and quality.
- **For our employees** - Watco will provide an environment that challenges our employees to learn, grow and prosper in an atmosphere of respect and recognition. Our employees are proud to work for a thriving company with the opportunity to advance.
- **For our community** - Watco will be a solid corporate Citizen and will encourage community involvement.



Strategic Business Model



Statistics

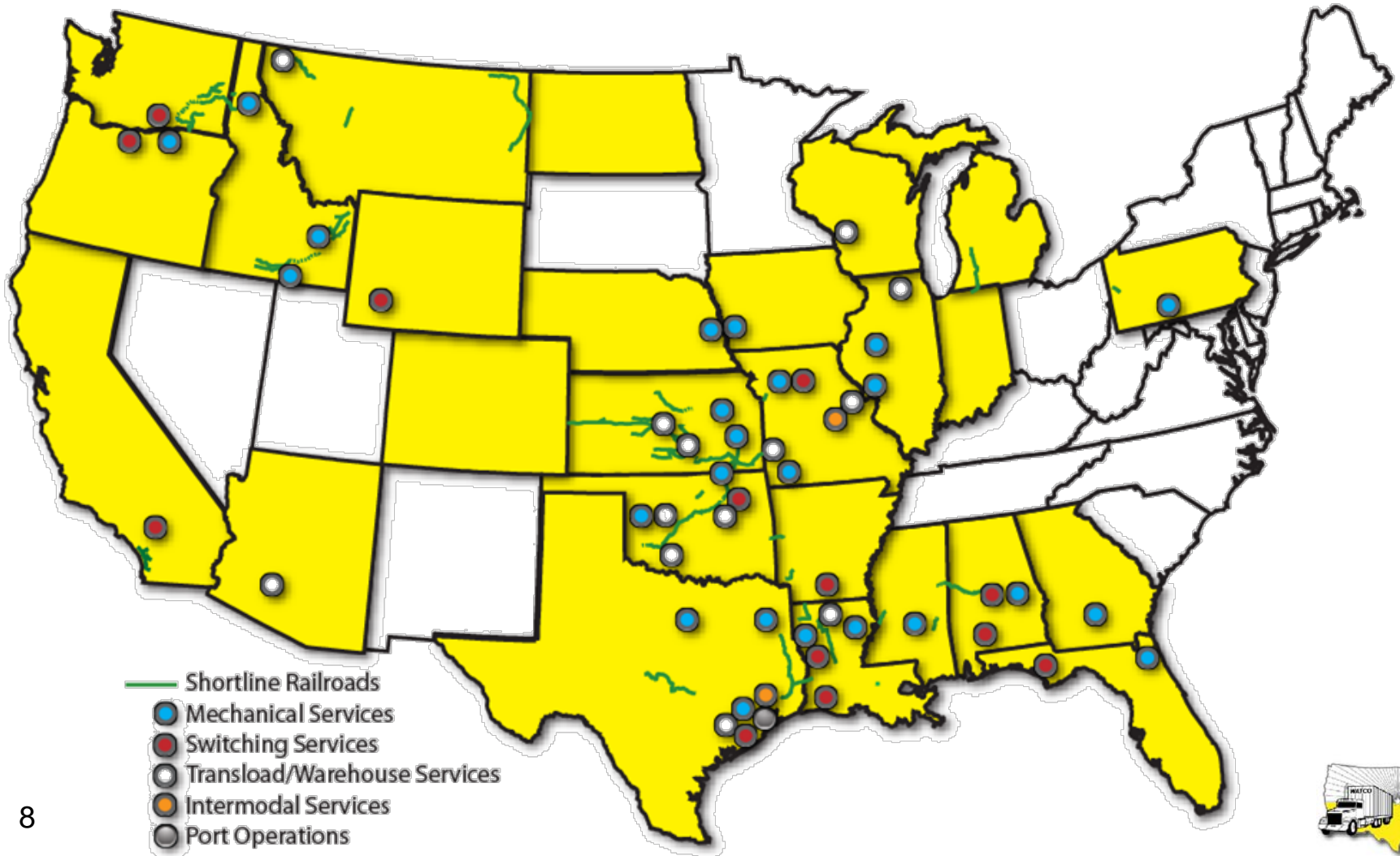
- 3rd largest shortline operator in U.S.
- 435,085 annual carloads
- 3,500 track miles
- 2,543 railcars - 972 owned, 1,571 leased
- 2,200 employees
- 334 locomotives – 311 owned, 23 leased
- 26 states served
- 22 switching operations
- 20 shortlines
- 14 mechanical shops and 18 mobile mechanical shops
- 12 transload locations
- 7 warehouses
- 4 locomotive shops
- 2 intermodal locations



United States Rail System Map



Watco System Map



Watco Transportation Services

Railroad & Switching Locations

RAILROADS

Alabama Southern Railroad
 ABS-Tuscaloosa, AL
 Arkansas Southern Railroad
 ARS-Nashville, AR
 Austin Western Railroad
 AWRR-Austin, TX
 Baton Rouge Southern
 Railroad
 BRS – Baton Rouge, LA
 Eastern Idaho Railroad
 EIRR-Twin Falls, ID
 Grand Elk Railroad
 GDLK – Grand Rapids, MI
 Great Northwest Railroad
 GRNW-Lewiston, ID
 Kaw River Railroad
 KAW-Kansas City, KS
 Kansas & Oklahoma Railroad
 KO-Wichita, KS
 Louisiana Southern Railroad
 LAS-Hodge, LA

RAILROADS

Mission Mountain Railroad
 MMT-Columbia Falls, MT
 Mississippi Southern Railroad
 MSR-Bay Springs, MS
 Pacific Sun Railroad
 PSRR – San Diego, CA
 Palouse River & Coulee City Railroad
 PCC-Lewiston, ID
 Pennsylvania Southwestern Railroad
 PSWR-Midland, PA
 South Kansas and Oklahoma Railroad
 SKOL-Cherryvale, KS
 Stillwater Central Railroad
 SLWC-Oklahoma City, OK
 Timber Rock Railroad
 TIBR-Silsbee, TX
 Vicksburg Southern Railroad
 VSOR-Vicksburg, MS
 Yellowstone Valley Railroad
 YSVR-Sidney, MT

SWITCHING SERVICES

ARP	Monroeville, AL
Boise	DeRidder, LA
Boise	Walla Walla, WA
Car Repair Tech	Houston, TX
Condon	Arlington, OR
EDC	EIDorado, AR
Energy	West Lake, LA
GPIP	Houston, TX
International Paper	Mansfield, LA
International Paper	Prattville, AL
National Starch	Kansas City, MO
R&H	Deer Park, TX
Solutia	Alvin, TX
Solutia	Pensacola, FL
Solvay	Green River, WY
Sunoco	Tulsa, OK
TPC-Petrochem	Houston, TX
TPC-Petrochem	Port Neches, TX
TXI	Victorville, CA
UP	Brimstone, LA
Ventura	Ontario, CA
Westvaco	DeRidder, LA



Watco Mechanical Services

Mechanical Locations

RAILCAR SHOPS

Coffeyville, KS
Council Bluffs, IA
Fitzgerald, GA
Hockley, TX
Hollidaysburg, PA
Houston, TX
Jacksonville, FL
Junction City, KS
Marshall, TX
Neodesha, KS
Omaha, NE
Pittsburg, KS
Wood River, IL
Zwolle, LA

LOCOMOTIVE SHOPS

Lewiston, ID
Silsbee, TX
Vicksburg, MS
Wichita, KS



MECHANICAL MOBILE

Chanute	Chanute, KS
FWR	Ft. Worth, TX
G&W	East Peoria, IL
Hodge	Hodge, LA
Houston	Houston, TX
Idaho Falls	Idaho Falls, ID
Kansas City	Kansas City, KS
Lewiston	Lewiston, ID
MNA	Carthage, MO
OKC	Oklahoma City, OK
Prattville	Prattville, AL
Rupert	Rupert, ID
Silsbee	Silsbee, TX
Tuscaloosa	Tuscaloosa, AL
UP	Hermiston, ID
Vicksburg	Vicksburg, MS
Wichita	Wichita, KS
Winfield	Winfield, KS



Watco Transload & Intermodal Services

Transload, Intermodal & Warehouse

TRANSLOADING

KO Transload	Great Bend, KS
KO Transload	Hutchinson, KS
LAS Transload	Minden, LA
MMT Transload	Eureka, MT
Reload Transload	Glendale AZ
Reload Transload	La Crosse, WI
Reload Transload	Lawton, OK
Reload Transload	OKC, OK
Reload Transload	Rockford, IL
Reload Transload	Stroud, OK
Reload Transload	St. Louis, MO
TIBR Transload	Silsbee, TX

INTERMODAL

St. Louis, MO
Houston, TX

WAREHOUSES

Reload Warehouse	Glendale AZ
GPIP	Houston, TX
Reload Warehouse	La Crosse, WI
Central Warehouse	Pittsburg, KS
Industrial Park	Pittsburg, KS
Reload Warehouse	Rockford, IL Reload
Warehouse	St. Louis, MO



Switching Services

- Watco Switching Services began providing specialized industrial contract switching services in 1983. We offer a wide variety of contractual switching services to our existing customer base located in 21 different locations throughout the US. We continue to provide switching services to our original customer we began with in 1983. Our customer retention is built with long-term partnerships thus providing customers with safe, efficient rail switching services. Our safety record is among the top in this industry.
- We currently serve the Paper, Chemical, Petroleum, Forest products, Metals and ores, Aggregate, and Intermodal Industries.
- Exceed each customer's rail switching needs. On-site managers to work jointly with the customer, the serving railroad and the switching crew to ensure safe, prompt, efficient service.
- There are currently 270 employees in the switching division



Switching Services

- Car inspections, thus reducing car rejections at the loading dock.
- Car cleaning, thus reducing car rejections at the loading dock
- Car repair to ensure railcars are suitable for product loading
- Track inspection and maintenance
- Computerized yard inventory reports
- Assist with plant personnel in other aspects of their business
- AEI tag readers for inventory control
- Computer programs for yard management.



Mechanical Services

■ Railcar Repair

- Fourteen locations throughout the United States
- May 2007 - Acquired Millennium Rail, a fully-integrated provider of repair and maintenance services such as fleet management, general repair and maintenance, specialty freight car manufacturing and program work
- June 2008 – Acquired Fitzgerald Railcar Services, Inc., a comprehensive railcar repair and maintenance company, expanding services to Georgia and Nebraska

■ Mobile Repair Services

- Eighteen mobile rail locations
- Contract and emergency repairs including, coal fleets, preparation and cleaning of boxcars and refrigerated cars

■ Locomotive Repair

- Four locations available to meet Watco and Customer needs



Fleet Management

Fleet management is a key to rail industry success, and Watco's MRI team has the experience and resources to manage your railcar fleet -- regardless of its size and specific needs. Our services are there for you to pick and choose. Fleet managements scope of services include:

- Car repair history
- Railroad repair auditing
- Contract shop auditing
- Rebilling/rebuttal billing
- Bad order cars
- Railroad damage cars
- Car repair analysis
- Forecasting and budgeting
- Accounts payable
- Financial distribution
- Car hire accounting
- Depreciated value statements
- AAR mandated programs
- Mechanical information
- Fleet Master
- UMLER/EMIS administration
- Car repair billing



Transload & Intermodal Services

- Watco's Transload & Intermodal Services provides customers with a unique blend of rail centric logistic solutions allowing customers to optimize growth potential. Reload, Inc., a 25 year-old warehousing and distribution company, was acquired in January of 2008 expanding Watco's ability to provide transloading and warehousing services to our customers. Services offered include:
 - Rail Logistics
 - Warehousing
 - Transloading



Transload & Intermodal Services

■ Rail Logistics, Warehousing, Transloading and Trucking

- Consulting
- Consolidation and deconsolidation of truckloads to rail, rail to multi-destination truckloads
- Railcar ordering and fulfillment
- Billing railcar shipments
- Bundled pricing
- Transloading
- Cross Dock
- Storage
- Inventory management
- Truck dispatching
- Flatbeds, vans, stretch and drop deck trailers



Houston & St. Louis Intermodal

- Ramp/Deramp services
- Lift maintenance services
- Ground stack operations
- “Flips” and “Swings” of containers



Real Estate and Industrial Development

- Provides customers with resources to facilitate the growth of their business
 - Locates land for new plants
 - Assist in identifying optimum locations utilizing rail, warehouse or distribution services
 - Identifying space to locate team track to unload product



Greens Port Industrial Park

- Warehousing
- Lay down storage
- Located near Interstate 10 and Highway 225
- Leasing of industrial property
- Access to 1,080 linear foot deep water dock and barge
- Contract stevedoring
- Rail and truck transportation



Tracking and Trending

- At Watco we strongly believe that you cannot improve on what you cannot measure. We track and trend not only our service but the impact our customers actions have on our ability to serve them. We provide value added daily, weekly, and monthly reports to our Class 1 partners and to our customers. These reports allow us to proactively monitor trends and schedule meetings to discuss trends that can affect our mutual goals and productivity.
- Thinking “outside the box” and generating ideas to increase productivity will ensure that our customers are competitive in today’s highly competitive Global Markets.



Tracking and Trending

- The bottom line is that if we succeed in helping our customers become more efficient, then we will have succeeded in making sure our railroad, its employees and the communities we serve will be around for a long time. Then, we will have truly achieved the elusive Win-Win scenario that is so hard to come by, but so rewarding when it happens.
- The following pages contain charts that illustrate some of the trend reports we share with our customers.



Tracking and Trending

EIRR WEEKLY QUANTITATIVE PERFORMANCE

WEEKLY PERFORMANCE TRACKING - 2007				November-07						
Measurement	2006 YTD Weekly Average	2007 YTD Weekly Average	TOTALS (YTD)	November Weekly Average	2-Nov	9-Nov	16-Nov	23-Nov	30-Nov	(MTD) Totals "Actual"
EFFICIENCY EFFECT										
Total Net Man Hours Per Revenue Move	1.56	1.74	1.74	1.22	1.00	1.33				1.22
Net Operations Man Hours Per Revenue Move	1.09	1.14	1.14	0.82	0.69	0.89				0.82
Net Track Man Hours Per Revenue Move	0.34	0.40	0.40	0.27	0.20	0.30				0.27
Net Locomotive Man Hours Per Revenue Move	0.14	0.17	0.17	0.13	0.11	0.14				0.13
Loco Fuel Gallons Per Revenue Move	12.62	12.83	12.83	9.49	6.66	10.98	0.00	0.00	0.00	9.49
Average Days Online	1.34	1.18	1.18	1.72	2.11	1.33	0.00	0.00	0.00	1.72

On Time Delivery Days Online

ABS	ARTES	BROOK	FOX	GORDO	HOLT	NORTH	TSCSA	Total
ARTES	2.8	1.9	1.9			1.9		2
BROOK	1.8		0.7	3.2				1.9
FOX	4							4
GORDO	4.5							4.5
HOLT	2.1	1.4			3.5		2	2
NORTH	1.3						4.2	1.9
TSCSA	2.9	2.7			3.9	1.7	5.3	3.1
Total	2	1.9	1.5	3.2	3.6	1.8	2.5	2.1



Watco Safety Commitment

- Watco is committed to safety for our employees
- Compliance with our new policies and regulations is essential and required to ensure the safety of our employees and our company
- Compliance with our rules/policies and with regulations is not an option but a condition of employment with Watco Services
- Strong, effective relationships with our customers are highly encouraged and are essential to the continued improvement of our company



Watco Companies Finance Background

- Proven Strategic Capabilities:
 - Experienced management team.
 - Proven financial performance.
 - Revenue and cash flow diversification by service.
 - Customer and commodity diversification.
 - Proven performance in economic down cycles.



Watco Companies Review



- Watco is an experienced leader in the Transportation Industry.
- Turn key operation includes all freight services and scheduling.
- Comprehensive logistics system for railcar planning, scheduling, tracing and inventory control.
- Proactive goal and trend measurement. Watco believes that you cannot improve what you cannot measure. We believe strongly in establishing baselines, trending, and tracking to measure productivity.
- Experienced management and crew base for smooth transition on startups. We will keep your operations running 365 days a year, guaranteed!

