



MEDIA RELEASE

Date: January 4, 2019

**Watco and Oaktree Announce a Strategic Partnership
and a \$450 million Investment and Capital Commitment**

PITTSBURG, KS – January 4, 2019 – Watco Companies, LLC (“Watco”) and funds managed by Oaktree Capital Management, L.P. (“Oaktree”) are pleased to announce the formation of a strategic partnership and a definitive agreement whereby Oaktree has committed \$450 million of non-controlling equity capital to Watco. The investment and commitment support both Watco's improvement strategy and its multiple Customer growth initiatives.

“We are thrilled to announce this innovative strategic growth partnership and are excited for Oaktree to become a part of the Watco family,” said Dan Smith, Watco CEO. “Oaktree brings much more than just capital to Watco. Oaktree brings its specialized team of transportation experts, a strong understanding of the sectors in which we operate, deep industry relationships, and years of investment experience - all critical things that we were looking for in a long-term strategic partner.”

“This partnership with Oaktree brings together complementary teams and allows our Watco Team to continue doing what we love to do – growing our business, delivering the best possible service to our Customers and creating value for all to share,” Smith said.

“Our Customers are constantly providing new growth opportunities requiring us to explore new ways to serve their ever-changing needs, and Watco has been blessed to have tremendous strategic partners in Kinder Morgan, Norfolk Southern, and SkyKnight Capital, who have made us better,” added Rick Baden, President & CFO. “With the strategic and financial support of Oaktree, added to the strengths of our existing strategic partners, we are prepared now more than ever to continue making Watco a world-class, full-service transportation provider.”

Oaktree's Transportation Infrastructure strategy is led by co-portfolio managers, Emmett McCann and Josh Connor, who have a combined 45 years of industry experience. Oaktree is supported by a team of experienced investment professionals as well as a strong bench of operating partners and senior advisors, including former Kansas City Southern CEO Dave Starling. Dave Starling and Josh Connor will be joining the Watco board of managers.

“We are honored to be partnering with and investing in Watco. We have known and admired Watco for many years and have watched Watco build a strong and entrepreneurial culture, focused on delivering safe and efficient transportation services to its Customers,” said Josh Connor. “We are thrilled to partner with the Watco Team and look forward to being a part of the Company's continued growth and success.”

“We believe the US transportation infrastructure sector is attractive for long-term investment and ownership,” said Emmett McCann. “This partnership represents an opportunity for Oaktree to work alongside Watco, which we view as a tremendous transportation business, operating in the attractive freight rail sector, with a phenomenal culture, the right values, and exciting growth opportunities ahead of it. We are proud to be able support the Watco Team as they build for the future.”

“Having spent more than 40 years in and around transportation and railroading, I view this as an incredibly interesting point in time for the rail and freight transportation industries. This strategic partnership between Watco and Oaktree comes at an opportune time and has the potential to further elevate Watco’s services to become an even more prominent leader within the transportation industries,” added Dave Starling.

With proceeds being used to allow the Company to continue its track record of accretive M&A expansion, both Watco and Oaktree expect the aggregate equity capital commitment to increase over time, as Watco continues to grow and provide additional safe and efficient services to Customers.

About Watco Companies, LLC

Watco Companies, LLC, is a Pittsburg, Kansas based transportation company providing transportation, terminal and port, mechanical, and supply chain services for Customers throughout North America and Australia. Watco's Transportation Services group is one of the largest short line rail transportation service providers in the U.S. and Australia. Watco's Terminal and Port Services group operates throughout the U.S. and Mexico. Watco's Mechanical Service group has one of the largest rail car repair shop networks in North America, and Watco Supply Chain Services group provides supply chain services in highway, intermodal, rail logistics, and international logistics. More information about Watco and its subsidiaries can be found at www.watcocompanies.com.

About Oaktree

Oaktree is a leader among global investment managers specializing in alternative investments, with \$124 billion in assets under management as of September 30, 2018. The firm emphasizes an opportunistic, value-oriented and risk-controlled approach to investments in credit, private equity, real assets and listed equities. The firm has over 900 employees and offices in 18 cities worldwide. For additional information, please visit Oaktree's website at <http://www.oaktreecapital.com/>.