Pittsburg, KS, and Chicago, IL, MAY 18, 2015 – Watco Companies announced the purchase of the assets of two railroads from Iowa Pacific Holdings today. Watco’s subsidiary, Watco Transportation Services (WTS), entered into a definitive agreement with Iowa Pacific Holdings, LLC to acquire the two west Texas railroads. The Permian Basin railroad assets are located in Texas and New Mexico and are the Austin & Northwestern Railroad Company, Inc. (d/b/a Texas New Mexico Railroad) (TNMR) and West Texas and Lubbock Railroad Company, Inc. (WTLC).

The new railroads owned by WTS will be the Texas and New Mexico Railway, which will take over operations of the rail line currently operated by TNMR, and the Lubbock and Western Railway, which will take over the rail line currently operated by WTLC.

WTS plans to file the appropriate notices on the properties today to begin the process for regulatory approval from the Surface Transportation Board. Closing of the transaction is expected to occur immediately after regulatory approvals are obtained.

The Texas and New Mexico Railway railroad extends from a Union Pacific connection at Monahans, Texas, to Lovington, New Mexico. The railroad serves the oil fields of west Texas and southeast New Mexico. The primary commodities shipped on the line are oilfield chemicals and minerals, construction aggregates, industrial waste, and scrap.

The Lubbock and Western Railway is divided into two segments; the most northern segment runs from just north of Dimmitt, Texas, to Plainview, Texas, and the second segment runs west from Lubbock, Texas, to Whiteface, Texas, and southwest from Lubbock to Seagraves. The Lubbock and Western Railway ships commodities such as fertilizer, construction aggregates, grain, cotton, chemicals, peanuts, and plastics.

“We see this addition of the two Permian Basin lines as a tremendous growth opportunity for Watco,” said Stefan Loeb, executive vice president and chief marketing officer. “These two new railroads are a perfect addition to allow us to better serve our Texas Customers.

“We appreciate the hard work the Iowa Pacific team has done on growing the business on these two lines, and look forward to serving this key oil producing region of the United States. Our team looks forward to working with our energy industry customers to help bring additional value to the west Texas economy,” Loeb added.

Ed Ellis, president & chief executive officer of Iowa Pacific, said “Since 2002, the WTLC and TNMR’s freight traffic has grown exponentially, track speeds have increased, safety incidents have decreased and new customers have opened facilities all over these railroads. We are grateful to the hard working employees of the WTLC and TNMR for their
diligence and creativity in leading the turnaround of these important rail properties. This is an exciting day for both Iowa Pacific and Watco as it represents the culmination of a turnaround project for us. Watco has established itself as a leader in the US rail industry and we believe shippers are in good hands with Watco. We look forward to building upon this success by continuing to focus on future growth opportunities on the rest of our rail network.”

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Watco Companies, L.L.C., (Watco) is a Pittsburg, Kan., based transportation solutions provider offering transportation, mechanical, terminal and port, and supply chain services for Customers throughout the nation. Watco is the owner of Watco Transportation Services, L.L.C., (WTS), one of the largest short line railroad holding companies in the U.S., with 33 short line railroads and 28 contract switching locations. The Terminal and Port Services division currently manages transload facilities, warehouses, port locations, and Greens Port Industrial Park. The mechanical services division, through the joint venture, GBW Railcar Services, offers railcar repair at 33 locations in the U.S. and Canada. World-class supply chain solutions are offered through the Supply Chain Services division. More information about Watco and its subsidiaries can be found at www.watcocompanies.com.

Iowa Pacific Holdings, LLC (Iowa Pacific) is a privately-held, Chicago-based operator of nine US railroads, and manages two UK rail lines and other rail-related businesses. Each of Austin & Northwestern Railroad Company, Inc. (d/b/a Texas New Mexico Railroad) and West Texas and Lubbock Railroad Company, Inc., is a wholly-owned indirect subsidiary of Iowa Pacific.

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Advisors:
Stinson Leonard Street served as legal advisor to Watco. Barclays served as exclusive financial advisor to Iowa Pacific. Lowis & Gellen served as legal advisor to Iowa Pacific.