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MEDIA RELEASE

Date: August 1, 2012
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WATCO TRANSPORTATION SERVICES BEGINS OPERATIONS OF THE PECOS VALLEY SOUTHERN RAILWAY

PITTSBURG, KANSAS, August 1, 2012 - The Pecos Valley Southern Railway (PVSR) will begin operating as a subsidiary of Watco Transportation Services, LLC, under a long-term lease agreement reached with PVSR. The operations will transition to Watco effective September 1, 2012.

Capitol Aggregates, owner of the PVSR, has historically operated the 19-mile railroad to serve their sand and gravel quarry located near the end of the line. Watco will provide service to the quarry and to all other Customers on the railroad. The short line railroad sits in the heart of the Permian Shale Oil basin in west Texas and in May of this year Watco started locating crude oil Customers on the line. Since that time Watco has located three new crude oil shippers on the line and business is continuing to grow. The Pecos Valley Southern Railway interchanges with the Union Pacific Railroad and allows crude oil Customers the flexibility to access a variety of markets.

“We maxed out the existing loading track infrastructure within the first two weeks of transload operations,” says Allan Roach, senior vice president business development for Watco. “Watco has doubled the loading capacity since that time and we have track crews on the ground now working on a project to increase interchange capacity. The line has additional parcels of land for future development, all of which can accommodate unit train loading and/or unloading terminals. Interest in bringing crude and frac sand onto the railroad for transloading is very high and we are excited about the opportunity to grow new business on the line.”

“We appreciate our great Customer Capitol Aggregates for their business and for giving Watco the opportunity to operate the Pecos Valley Southern Railway” said Rick Webb, CEO, Watco Companies L.L.C.

About Watco Companies

Watco Companies, LLC., is a Pittsburg, Kan., based transportation company serving transportation, mechanical, and terminal and port needs of Customers throughout the U.S., Canada and Australia. Watco is the owner of Watco Compliance Services, LLC, Watco Transportation Services, LLC, the largest privately-held short line railroad company in the U.S. operating 27 short line railroads on more than 4,500 miles of track as well as 26 industrial contract switching locations. Watco's Mechanical Services division operates 16 railcar repair shops, 8 locomotive shops, and 23 railroad repair shops. The Terminal and Port Services division currently manages 18 terminal facilities, 10 warehouses, and 2 port operations. More information about Watco and its subsidiaries can be found at www.watcocompanies.com.