



SOUTHBRIDGE ADVISORY GROUP, INC.

406 SOUTH BOULDER • SUITE 820 • TULSA, OKLAHOMA 74119 • 918.599.9251 • www.southbridgegroup.biz

Southbridge is introducing an excellent merger / acquisition project, Rail Pro Services Inc., a recently formed holding company for acquisitions within the railroad sector. Rail Pro is acquiring and consolidating synergistic rail services coupling them with strategic rail contractors offering a single source solution for the rail related needs of the railroad industry both nationally and internationally. The focus is on the services as they offer markedly higher EBITDA along with three strategically located turn-key rail contractors.

The focus is to create value for the client with a single-source solution of quality services while working with familiar contacts, allowing Rail Pro divisions to capture greater revenues. The services being merged are common needs that can be marketed within one sales & marketing program. The further sales benefits to each division of Rail Pro will be a greater national customer base through common marketing, branding and business development. Additional profits can be gained through common needs that include; purchasing (ex: certain common raw materials – equipment - insurance), accounting, advertising, other consolidation of administrative activities, and financial management.

A seasoned corporate management team with industry expertise has modeled acquisition of industry services nationally that are synergistic, poised to take advantage of the current industry growth trends and create economics of scale.

The merger / acquisition model is focused in the following industry segments:

- Signal construction, and maintenance
- Equipment manufacturing and refurbishing
- Rail Car Repair
- Rail Car Leasing and Management
- Industrial Switching Operations
- Design build rail contractors that also offer, maintenance & repair services creating multi-regional / national coverage
- Other synergistic services

Current favorable rail industry trends include:

- Significant growth and expansion
- Services outsourcing is projected to continue a rapid increase
- Aging infrastructure will require more maintenance & repair
- Expenditures for M&R are stable in all economic cycles
- Numerous consolidation opportunities exist in several niche markets
- Significant opportunities exist for economies of scale in:
 - Accounting & Finance
 - Business Development, Sales & Marketing
 - Labor Costs & Utilization
 - Management
 - Purchasing & Procurement
 - Shared technology utilization and development

The industry has multiple indicators of continued long-term growth opportunity that include demand for the most affordable transportation available, the tremendous need for extensive reinvestment for infrastructure and product by mass-transit markets, coupled with aggressive loan and tax credit support by the federal government.

Two companies have agreed to acquisition terms with other opportunities available. A public company shell is being procured for the reverse- merger creation of a publicly traded Rail Pro as a fully reporting bulletin board company. There are currently six acquisitions candidates targeted to insure the acquiring of the desired consolidated services. The combined current revenues of the initial acquisitions are projected to be \$34,000,000 with over \$6,700,000 EBITDA. Year-one post acquisition is forecast to be greater than \$39,000,000 with \$7,800,000 EBITDA. Year-one forecast is based primarily on existing backlog and consideration for a uniform national sales & marketing effort featuring a single source solution for consolidated services. Years two and three are forecast to achieve 10% growth due to ongoing strong demand for services and the national sales and marketing efforts branding the single source services provider for rail services.

The corporate management will be minimized in size through carefully selected staff that brings proven results as working managers that offer solid industry experience within its team.

The sales and marketing plan will incorporate the single-source provider in all individual subsidiaries to create a branding for all customer bases. Incentive programs will be defined for the company selling the services from the company providing the services to help insure best-efforts in cross selling by each subsidiary. The National Sales VP will be very active in direct sales efforts of key accounts nationally along with creating targeted and prioritized sales efforts by individuals within the company. Marketing will be consistent meeting the profile of a basic industry like the rail industry. Marketing efforts will include monthly mailers, monthly inside sale follow ups, and email information contacts; all geared to compliment direct sales efforts.

Suggested Acquisition Structure

All acquisitions cost would be \$30,800,000. Current structure reflects; \$6,800,000 in advantageous debt assumption, \$20,920,000 at closing, \$3,080,000 in performance based earn-out, and agreed upon stock participations for the five initial acquisitions.

We are seeking funding participation totaling \$23,000,000; \$20,680,000 in closing funds along with 10% additional in equity. A second funding path is \$5,000,000 in equity participation with asset based lending secured for the remaining acquisition funding.

Southbridge has suggested convertible debenture participation with 24 month mezzanine financing and agreed upon stock participation. The Company is flexible in the structure to meet the investing entities desires in structure as well.