



SOUTHBRIDGE ADVISORY GROUP, INC.

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Southbridge is introducing an excellent merger / acquisition project, Rail Pro Services Inc., a company recently formed to facilitate the formation of a public company focused on the railroad industry. 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 an immediate huge ten year growth opportunity due the demand for extensive growth of the most affordable transportation available, the tremendous need for extensive reinvestment for infrastructure and product by existing markets, coupled with aggressive loan and tax credit support by the federal government.

Key economic indicators for the rail industry include:

- M-O-W Budgeted expenditures in 2007 were \$7.3 Billion (see List)
- Deferred maintenance by Short Lines estimated at \$7 - \$11 Billion.
- Current federal legislation will boost industry expenditures:
 - Railroad Rehabilitation and Improvement Finance program (RRIF)
\$32B loan fund for track and equipment rehabilitation.
 - Short Line Railroad Investment Act of 2007
Extension of tax credit for track maintenance to December 31, 2010.
 - Freight Rail Infrastructure Capacity Expansion Act of 2007
(Tax credit for rail infrastructures projects)

Two companies have agreed to acquisition terms with three other opportunities in negotiations. 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 2008 revenues of the initial acquisitions are projected to be \$34,000,000 with over \$6,700,000 EBITDA in 2008. 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 15% 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. Corporate management has previous public company experience as well as fast growth enterprise expertise. They will support the ongoing defined benchmarks for the individual subsidiaries' management and staff, as well as bring unified efforts in key centralized efforts defined above that offer economies of scale. The management team will be very hands on with weekly management sessions with each subsidiary, extensive monthly and quarterly review and planning, along with COO/ CFO, and VP Sales on site visits monthly in the subsidiaries. Each acquisition has been chosen for the ability to retain key management in a highly motivated environment as a key component, along with company fit and growth capability. Our management team has worked in multiple division companies and are quite comfortable in maintaining the needed hands-on management that creates a one-company operation not a series of independent operations.

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

The initial planned acquisitions for Rail Pro would reflect over \$30,000,000 in annual revenue with transparent annual growth capability.

Rail Pro has suggested a funding vehicle that is a 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.

A public company structure utilizing a reverse – merger process has been initiated that will create a fully-reporting bulletin board public company. The public company venue was chosen as a value enhancement for the acquired companies and for the investors, through a well managed stock that is not utilized as currency and that the value is created through profits and meeting benchmarks.