

Manufacturer and Maintenance Provider of Power Generating Systems for Commuter Rail Roads

The Company is a manufacturer, installer and servicer of specialty railroad power equipment for the commuter rail industry and a dealer and servicer of commercial stationary power generation systems. The Company segments itself by operating through 2 separate divisions. One Division (70% of 2011 sales) specializes in railroad power equipment for the expanding commuter railroad industry. The other division (30% of 2011 sales) specializes in sales, installation and maintenance of stationary emergency power generation. The Company is located in the northeast.

- ★ **Proprietary Products:** The Company has established brand recognition within this niche market by labeling components with the Company's tag and part number. The component brands the system as a proprietary system and end users can only deal through the Company.
- ★ **Profitable Niche:** The Company has chosen to specialize in power systems for the railroad industry. This specialized and profitable niche has a high barrier of entry and requires an internal specialization that can generate higher margins and keep out less qualified or specialized competitors.
- ★ **Broad Product Proposition within the Niche:** The Company offers a full spectrum of products and services within the profitable niche including railroad power systems, stationary power systems, specialty wire harnesses, application engineering, installation, on site repair and maintenance and design engineering.
- ★ **Limited Specialized Competitors:** Most of the Company's competitors are local generator companies that attempt to fabricate and service systems in the highly specialized railroad industry. The Company has the internal expertise and is better able to serve this market.
- ★ **Turn Key Operation:** The Company provides a complete turn key solution for their customers from pre-engineering to design to fabrication and onto installation and subsequent maintenance.
- ★ **Industry Specialization:** The railroad industry has a more specialized and specific set of requirements than most industries. Not only are their systems more mission critical but their scale and sophistication are greater than many industries. Consequently competition is locked out and margins are higher.
- ★ **Growing Markets:** As energy prices continue to rise, the commuter railroad market and industry is expanding. The Company has the ability to provide existing and new systems to this growing market, nationally and internationally.

eMerge M&A

Client Number: 60115

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The Company is the leader in design, sale, manufacture and service of high quality, custom built, railroad power equipment. The Company fabricates systems in their facility from components that are custom manufactured to the Company's specification. *The Company also has the capability of capturing high margin maintenance business on its own and competitors products.*

Adjusted Historical and Five-Year Projected Statement of Income^(a) For the Years Ended December 31 (\$000)

	Historical			Projected				
	2009	2010	2011	2012	2013	2014	2015	2016
Sales	5,362	5,208	7,701	9,164	10,813	12,651	14,676	16,877
Gross Profit	26,668	2,412	4,341	5,165	6,095	7,131	8,272	9,513
% of Sales	50.2%	46.3%	56.4%	56.4%	56.4%	56.4%	56.4%	56.4%
EBIT ^(b)	1,009	841	1,037	1,432	1,907	2,357	2,881	3,482

(a) See Schedule 2 in the Financial Analysis section for more detail

(b) Earnings before Interest and Taxes

Adjusted Balance Sheet^(c) As of December 31, 2011 (\$000)

Current Assets	1,188	Current Liabilities	388
Net Fixed Assets	125	Non Current Liabilities	0
Other Assets	20	Equity	946
Total Assets	1,333	Total Liability & Equity	1,333

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