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Rail Exchange, Inc.

Rail Exchange INK

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Fred LaCorte Retires from Rail Exchange, Inc.

After 25 years as a partner in Rail Exchange, Inc., Fred N. LaCorte retired from the company Monday, July 12, 2004.

LaCorte co-founded Rail Exchange in an official partnership deal with Dean Bartolini in March 1979.

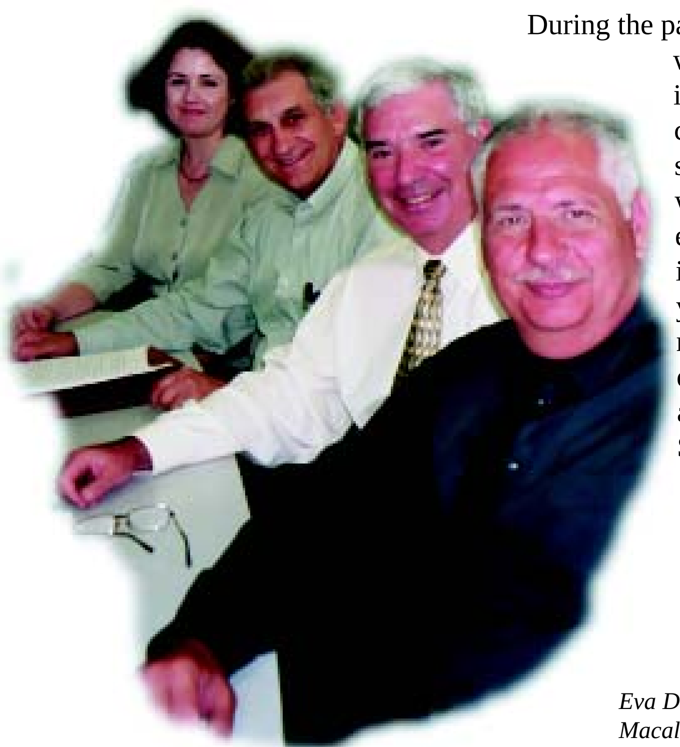
During the past 25 years, he was instrumental in growing the company from a small business with six employees and $650,000 in sales in its first year to a thriving multi-million dollar entity with average sales of $6 million.

During his tenure with Rail Exchange, LaCorte traveled the country, building contacts and sales for the fledging company. He was also key in charting the company's strategic growth plans, but never hesitated to roll up his sleeves to work on the line.

"He's been an incredible force with the company all these years," said Bartolini. "He will surely be missed by everyone at Rail Exchange as well as by our customers and vendors alike."

LaCorte's resignation as chairman and CEO of Rail Exchange, leaves Bartolini as the company's sole owner.

LaCorte is looking forward to his retirement in San Diego with his wife, Sherry.



Eva Delnegro, Fifth Third Bank, (far left) and attorney Joseph A. Macaluso(third from left) were on hand to seal the deal when Fred LaCorte (second from left) resigned as chairman and CEO of Rail Exchange, Inc, July 12, 2004, leaving Dean Bartolini (right) as the sole owner.

Rail Exchange

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Battling the Ever Ri$ing Co$t of $teel

Rail Exchange has recently been experiencing some unprecedented events in the purchase of raw steels. Steel scrap surcharges soared to new levels. Although these levels have come down somewhat, they remain high and the base price of our material has escalated.

The primary reason for the increase in steel prices is the "almost doubling of U.S. steel scrap exports from 6.3 million tons in 2000 to 11.9 million tons in 2003," according to *Forging Magazine*. These circumstances, combined with the strong up-tick in business, have led to volatile times in our business.

To stay alive, we've been forced to pass the costs onto our customers. But that's not all that's changed. Longer lead times are essential and material availability has to be constantly monitored. Staying on top of steel costs has been an important part of Tom Wisinski's job, who, as many of you know, is our person in charge of steel purchasing.

As you know, I have also made a commitment to stay on top of this situation in terms of communicating its ever-changing status to you, all of our customers.

I have to thank you for being patient with this situation as it evolves and working with us to see these trying times through.

Our vendors have also worked with us and this has really helped us maintain our shipping schedule, which I am forever grateful for. These days, it is relationships that help keep business on track and fortunately, Rail Exchange is aligned to customers and vendors who are steady, loyal and know how to persevere in the toughest of times.

For more insight into the current steel situation, read the story on Kreher Steel Company, LLC, on page 3 of this newletter. And, as always, call me with questions.

Thank you again for your cooperation in this matter and I'll keep you posted as the steel issue continues to develop.

All the best,

Dean M. Bartolini

Dean M. Bartolini
President & CEO

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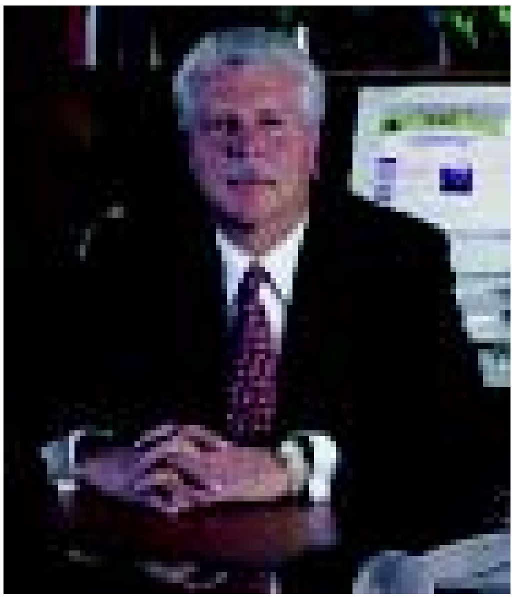
Steeling for a Bright Future

Kreher Steel Company, LLC, one of the largest distributors of alloy and carbon special steels in North America, is one company that Rail Exchange is proud to have aligned with.



“We’ve enjoyed a long relationship with Rail Exchange,” says Joe Druzak, president and CEO, Kreher Steel. “They have a good business model and we wanted to work with them as we went through the tough economic times. Now that we’re in the middle of a steel shortage, we think we can provide Rail Exchange with all of its needs.”

Druzak admits that the railroad industry faced some very trying times, as did most manufacturers, between 2000 and 2003, but now predicts a very bright future, due in part, to the rising cost of fuel, which makes shipping by railcar a cost-saving alternative.

“It’s more efficient fuel-wise to ship via rail. You’re consuming less fuel per ton shipped than by truck,” says Druzak, adding that the government mandate that limits the number of hours that truckers can drive is adding to the railcar boom.

He should know. While Kreher is headquartered in Melrose Park, IL, it has facilities in Houston, Dallas, Detroit and Los Angeles and relies upon cost-efficient transportation.

“We’re shipping more of our products by rail than we ever have in the past and we don’t see that changing. We think as we go forward that percentage will increase.”

He also attributes the recovery in the manufacturing segment to the weaker dollar. “In the ‘90s we went through a period where the dollar was overvalued in comparison to other world currencies. Now, it has lost significant value and as a result, our manufacturing is more competitive.

“We can’t have a strong economy without a manufacturing segment and I think our politicians will come to realize this,” he adds. “As we look out five years, we’ll have peaks and valleys in the economy, but the peaks will be higher and valleys will also be higher. We won’t go back to where we were before.”

Unfortunately, steel prices won’t go back to where they were before either. The cost of steel is up significantly from last year, due again, to the weak dollar. “Because of the weak dollar, the cost of raw material has risen dramatically, however, we have still not returned to what steel pricing was in 1980 and that’s not adjusting for inflation,” Druzak says.

In five years, “we’ll have peaks and valleys in the economy, but the peaks will be higher and valleys will also be higher. We won’t go back to where we were before,” predicts Joe Druzak, president and CEO, Kreher Steel Company, LLC.

Steel pricing won’t return to its old levels. There have simply been too many cost increases overall in everything from the cost of raw material to healthcare. Couple that with consolidations and bankruptcies in the industry and the result is the new cost of steel.

However, Druzak says there is an upside. While there is still room for minor cost increases, “the major increases are behind us.”

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Rail Exchange Takes Home SECO Award for Fifth Straight Year

For the fifth consecutive year, Rail Exchange, Inc. has received the SECO (Supplier Evaluation Committee) Award from TTX Company. Only top companies that receive a high overall SECO rating based on annual evaluations earn the TTX Excellent Supplier designation and the award.

In wining the award, Rail Exchange was recognized for its commitment to customer satisfaction and product excellence.

This year marks the 13th year of TTX's SECO Program, a process defined from its inception as an effort to improve the communication of mutual expectations and performance between TTX and its suppliers. According to TTX, it has resulted in better documentation of mutual interests and provided an improved focus on areas where expectations are being met, as well as on areas where improvement is needed.

The TTX Excellent Supplier designation for 2003 was awarded to suppliers having a SECO rating of at least 90.0 and an "A" rating in all categories.

Rail Exchange achieved A rankings and high marks in all five of the categories which were graded including quality, cost, delivery, service and financial administration.

The ratings assigned to each supplier by the SECO group represent the consensus view expressed by representatives from the TTX Fleet Management, Equipment and Finance departments based upon hours of review and discussion.

"It is really an honor to have received the SECO award these many years," said Dean Bartolini, president & CEO, Rail Exchange, Inc. "It is validation that the hard work you put into your products and service does not go unnoticed."

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Begin. The rest is easy.