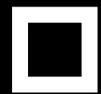




# WARNING:

All Perimeter passengers and pilots should have to check this box before being allowed to board:



I am aware that a Perimeter pilot quit because in his words, “There are endless stories from so many people about having to fight for your safety. I was done. **I see a major**

**accident in their near future unfortunately...**

Now I work more days and am away from home all the time. I took a pay cut too - but it was all worth it to feel safe again. It sucks - it's not what I ever wanted. I am mad - I never wanted to leave - but they forced me –

**I felt like I was going to die there.”**

# EIF: THE TRUTH MATTERS AND IT'S A BITTER PILL TO SWALLOW

**None of EIF's cash burn is "growth capex" because their airlines are not growing and R1 is just purchasing inventory**

## 1. CANNOT AFFORD TO PAY THE DIVIDEND

- EIF is burning cash—EIF's free cash flow (FCF) was **NEGATIVE**\$127.9 million in 2016 and **NEGATIVE**\$86.7 million in Q1'17
- EIF has increased its debt load by \$427 million and issued over \$230 million of shares to fund its \$700 million deficit
- EIF's balance sheet shows that cumulative earnings are (\$248M) versus (\$290M) cumulative dividends paid
- EIF's major subsidiary Regional One (R1) is a chop shop (73% of R1 revenue comes from aircraft part sales)
- EIF falsely claims positive FCF by pretending R1 plane inventory purchased and chopped for parts sale is "growth capex"

## 2. BET AGAINST JOCKEYS WITH RECORDS LIKE THIS

- EIF CEO Michael Pyle lied that flight cancellations were due to weather when in fact were due to safety problems
- EIF threatened employees with legal action if they say flights grounded for any reason besides weather
- EIF Board Chairman Gary Filmon was a board member of Arctic Glacier (ice cube conglomerate roll-up) in 2009 when the company pleaded guilty to taking part in a "criminal anti-competitive conspiracy" before going bankrupt
- EIF CEO has no airline experience but was Arctic Glacier COO in 2001 when the conspiracy began, says one felony charge
- CEO of R1, Doron Marom, has personally founded more than 20 side businesses since EIF acquired Regional One four years ago, considers himself a "real estate investor," and spends "a few hours a day" as R1 CEO
- Doron Marom's girlfriend's brother runs an airplane parts business that seems to compete with Regional One and Marom is an investor in that business. Some of Marom's side businesses count R1 as paying customers

## 3. WHAT GROWTH?

- Inventory build is not "growth capex." EIF's PP&E (unsold plane fragments) is inventory and should be written down
- EIF's average plane age is at least 30 years and pilots report faulty de-icing and 18-hour (illegally long) shifts
- Multiple reports out of Canada's Northern Provinces say First Nation peoples (indigenous tribes which are over 75% of the population in many cities) are boycotting EIF-owned airlines. Boycott and competition sharply cutting EIF's flight count
- EIF's airlines are shrinking not growing *e.g.* Calm Air lost important VALE contract out of Thompson (large nickel mine)

# CANNOT AFFORD TO PAY THE DIVIDEND

The simplest and most obvious math is at times overlooked...

EIF simply appears to pay out more money than it generates

"REAL" Free Cash Flow	2012	2013	2014	2015	2016	Q1 2017	Cumulative
Cash Flow from Operations	(21.1)	(6.4)	99.9	107.4	136.8	6.9	323.5
Cap Ex	63.3	80.3	84.1	153.9	264.7	93.6	739.9
<b>Free Cash Flow</b>	<b>(84.40)</b>	<b>(86.70)</b>	<b>15.80</b>	<b>(46.50)</b>	<b>(127.90)</b>	<b>(86.70)</b>	<b>(416.4)</b>
Dividends	32.7	35.9	37.4	45.2	56.3	16.3	<b>223.8</b>

## CASH IS KING..

EIF's FCF was -\$127.9 million in 2016

EIF's FCF was -\$86.7 million in Q1 2017

CANNOT AFFORD TO PAY THE DIVIDEND  
...so use fake parts?

The former Perimeter pilot continues,

**“It will NEVER change - all  
they care about is money.**

**They have used fake parts on  
the Dash 8 after all ...**

# CANNOT AFFORD TO PAY THE DIVIDEND

...so lie and blame weather for unsafe planes?

## The truth, corroborated by many

“Not only is EIF paying out way more than they can afford in a dividend but there are lots of rumours about things at Perimeter. **My understanding is that flights this winter with the Metro were not canceled due to weather but were grounded by either the company (under the direction of Transport Canada) or Transport Canada for things completely unrelated to weather.** Perimeter is also extremely short on Maintenance staff and using contractors from all over the country and paying top dollar. An Aircraft maintenance engineer I spoke with told me that he's finding worn parts that should have been replaced during the heavy checks performed by PAL still installed. They are also using 1980s technology to balance the propellers on the dash 8.”

## CEO Mike Pyle's lies on last 2 Q calls

“This past winter, we lost 1,415 flights due to bad weather, more than double what we lost in 2016. And I'd like to clarify that that's simply cancellations from weather. That's not anything related to our capacity or mechanical issues or those sorts of things, simply from weather.”

“To be clear, the cancellations had nothing to do with the fleet. They were weather.”

“Inclement weather was more acute for Perimeter during the busy Christmas season, which resulted in flight delays and cancellations.”

# CANNOT AFFORD TO PAY THE DIVIDEND

...so pressure pilots to ignore Transport Canada?

The former Perimeter pilot continues, “ It is a challenging environment to operate in in itself without all the management pressure on top of it.

The final straw for me was after we were shut down by transport Canada - it may have been about two weeks since they were operating back to normal - my crew had finished our pre flight checks and were waiting in the pilot lounge till we had freight at our plane. I got a phone call saying there was smoke in the cabin of my plane. I grabbed maintenance, and ran out to the plane. It ended up being a cabin light that was arcing. The maintenance guy had the nerve to ask me if I " just wanted to go " or if I wanted to [fix] it - obviously I want to [fix] it - **we were just shut down for sh\*t like this a few days ago!** I couldn't believe it. As soon as we were walking down the stairs - I kid you not - two transport inspectors on a surprise inspection walked right on to our smoky plane. I turned to the maintenance guy and told him - good thing we are [fixing] it huh? They have not learned their lesson at all. The plane was down for the rest of the day. We are supposed to do dent mapping of any small dents on the aircraft - I was told by another maintenance guy that it was a " bit overkill, and to use my judgement" wink wink. Its how it is –

**not even the huge shut down was a wake up call for them.”**



# Please, Transport Canada:

**BETTER ALTERNATIVES EXIST.** Don't take our word for it, a former Perimeter pilot is begging you, "They need to be held accountable for their lies and actions. I hope competition comes in and **the government can finally shut them down for good** once there is an acceptable number of flights to service the north elsewhere. It's not just Perimeter - the other fund companies all have similar problems."

Transport Canada should ground all Perimeter, Bearskin, Calm Air, and Kewatin Air planes for immediate inspection.

The First Nations peoples deserve safe and reliable air transportation.

They deserve better.

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We rely on public disclosures of the companies under review and other companies in the same or similar sectors. We also conduct interviews with employees, former employees, officers, and others associated with the companies we analyze, when possible. We review national and international news services, internet reporting, and social media and may rely on reporting by others to prepare our report. We discuss the companies with other analysts who may have positive or negative information and opinions about the companies under review and then analyze the information and opinions received to determine whether the information and opinions are based on available factual information or disclosures. We also may obtain information from, and rely on, information from sources who wish to remain confidential and whose information, but not identity, may be included in this report.

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