

EIF needs to clean house and come clean

- Mike Pyle has misled investors by covering up the grounding of the planes this winter. Mike Pyle also sold stock to investors this winter.
- Complicit sell-side firms earned big fees on stock sales to investors
- Multiple sources with personal knowledge contradict Mike Pyle
- Mike Pyle needs to RESIGN
- Sell-side needs to do independent research, not parrot Pyle's fiction
- If EIF has nothing to hide, then break out R1 financial statements
- R1 needs a new CFO capable of preparing financial statements
- Rollups with inadequate management who have poor track records tend to go the way of Concordia, Biovail, Valeant, Cineplex Odeon etc.

Transport Canada, why not set the record straight?

The truth, corroborated by many

- Transport Canada did a Program Validation Inspection at the end of 2016. **The first 3 planes failed inspection.**
- “Transport approached the VP of Maintenance and said that they had grounded the first three aircraft, and asked if the whole fleet was in the same shape. In response, Perimeter voluntarily grounded the whole fleet, wherever the aircraft were located, and had either maintenance or a crew member do a Daily Inspection to verify the Airworthiness of each aircraft.”
- **But again the planes failed inspection.**
- “This was again brought to the VP of Maintenance, and Perimeter's response was to ground the fleet again instead of losing their Air Operator's Certificate. It is true that the certificate was never pulled by Transport; instead **they issued an ultimatum to the company after their second strike in as many days.**”
- “There were no weather cancellations; there were no storms at this time, barely any snow, and nothing out of the ordinary.”

CEO Mike Pyle's story

“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.”

Free cash flow is **NEGATIVE**. Multiple sources with personal knowledge contradict Mike Pyle. He needs to **RESIGN**.

Full testimony from former maintenance exec (one testimony among many):

“Transport Canada came in to do a Program Validation Inspection at the end of 2016. The inspection of paperwork went well and the last piece of the audit was an aircraft inspection. They requested 9 aircraft to inspect and when they carried them out found issues on the first 3 aircraft they inspected. **Tires were worn past limits, and passenger seats were not securely attached.** Transport approached the VP of Maintenance and said that they had grounded the first three aircraft, and asked if the whole fleet was in the same shape. In response, **Perimeter voluntarily grounded the whole fleet, wherever the aircraft were located, and had either maintenance or a crew member do a Daily Inspection to verify the Airworthiness of each aircraft.** This was completed, and each aircraft returned to service. **The next day Transport Canada inspectors audited the same 9 aircraft. On the first they inspected they again found worn tires and unsafe passenger seats.** This was again brought to the VP of Maintenance, and Perimeter's response was to ground the fleet again instead of losing their Air Operator's Certificate. It is true that the certificate was never pulled by Transport; instead they issued an ultimatum to the company after their second strike in as many days. There was a mad panic after this, as there was no direction of how to proceed. **Each aircraft was inspected and every single one had to have a multitude of parts replaced before they were deemed airworthy. The Dash 8 fleet had almost every single cabin window replaced, most tires were replaced, and every single aircraft had to have hundreds of dents mapped and recorded, a system that was not in place before the audit. There were no weather cancellations; there were no storms at this time, barely any snow, and nothing out of the ordinary. *Since that time the books will show that well over a hundred million dollars has been sunk into Perimeter in "AOG" (aircraft on ground) parts. Or at least the books should show this. Perimeter had been selling off it's inventory of parts to offset the cost of maintenance, and attempt to make the books look better. After the audit it spent more on parts than it had ever made selling them as everything had to be ordered "AOG". There are still many aircraft in the fleet that have not yet been returned to service*”**

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Why would Pyle and the sell-side cover up business problems in Dec '16?

“WINNIPEG, Manitoba – December 12, 2016 – Exchange Income Corporation (TSX: EIF) (the “Corporation”) announced today that it has entered into an agreement to sell, on a bought deal basis, 2,003,000 common shares (the “Shares”) from treasury to a syndicate of underwriters co-led by National Bank Financial Inc., Laurentian Bank Securities Inc. and CIBC Capital Markets, and including BMO Capital Markets, RBC Capital Markets Inc., Scotiabank, TD Securities Inc., Raymond James Ltd., AltaCorp Capital Inc., Canaccord Genuity Corp., and Macquarie Capital Markets Canada Ltd. (the “Underwriters”). The Shares will be offered at a price of \$42.45 per Share”

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EIF needs to restate and expense safety costs

- “Perimeter had been selling off its inventory of parts to offset the cost of maintenance and attempt to make the books look better”
- “After the audit it spent more on parts than it had ever made selling them (>\$100m) as everything had to be ordered ‘AOG’”
- EIF incorrectly capitalized these expenses to show higher profit.
- “There are still many aircraft in the fleet that have not yet been returned to service.”

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Can R1's CFO even count? R1 needs to break out separate financials prepared by a new CFO



Chief Financial Officer
RegionalOne World Wide Services
Oct 2015 – Present • 1 yr 9 mos

Controller
 Crane Worldwide Logistics
Apr 2012 – Sep 2015 • 3 yrs 6 mos
Houston, Texas Area



District Director
Crane Worldwide Logistics
Apr 2011 – Sep 2015 • 4 yrs 6 mos
Columbus, Ohio Area



Director of Finance
Travelport
Mar 2011 – Apr 2012 • 1 yr 2 mos

Director of Customer Service Finance
 AirTran Airways
Dec 2000 – Mar 2011 • 10 yrs 4 mos



Embry-Riddle Aeronautical University
BA, Business
1998 – 2000



Potomac State College of West Virginia University



Kurt Brulisauer

Was he really Controller?

This article from Feb 2015 refers to him as “District Director”

<http://stdrd.ru/crane-worldwide-logistics-growing-in-columbus-thanks-to-auto-parts-makers-columbus-business-first/>

Was Finance really part of his title?

This article calls him “Director of Customer Service”

<http://parcelindustry.com/print-article-1251-permanent.html>

Which is it?

← Or →

Does either look like a good CFO education?

Education



Embry-Riddle Aeronautical University
1996 – 1999

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