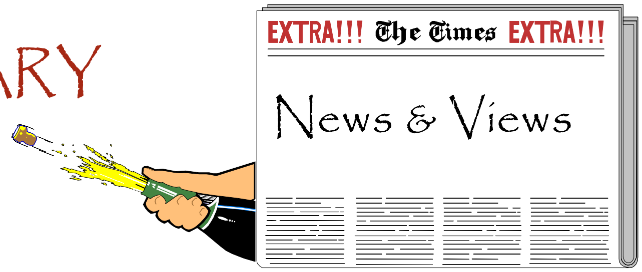
Consolidators International, Inc.

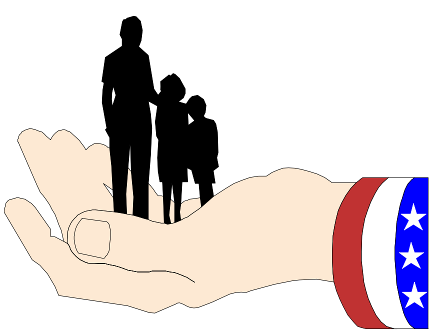
JANUARY 2010



CII Participates In Government Stimulus Program:

Consolidators International is proud to announce it is participating in the U.S. Government's Stimulus Employment Program to create more jobs. To our knowledge, CII is the first forwarder among air freight companies in the LAX area to do so. We have hired seven people through this government program, five men and two women. The calibre and intelligence of our new personnel is outstanding. After CII agreed to participate in the program, we were sent a number of applicants for consideration by the Los Angeles division of the U.S. Employment Office. We chose seven after exhaustive interviews. Candidly, we were pleasantly surprised by their abilities and willingness to learn the air freight business. We had heard and read so much about unemployed people being unable and/or unwilling to work, particularly among our minority population.

In our circumstance, these impressions turned out to be totally false. The winning candidates were more than willing to become part of the CII team, to put in long hours, and to learn the skills needed to become successful in our industry. Since joining our company, the seven have been exemplary employees. They now are working in various operational and administrative positions. They are being absorbed into our existing staff with great ease and lack of friction, very important in a service business like our's.



"We keep hearing about the futility and waste of money in various government sponsored programs. In our situation, however, these programs are accomplishing their mission."

Our decision to hire these seven through the government's stimulus program has been a win-win situation for everyone. There are seven less unemployed in Los Angeles. We have added staff at CII at no cost to ourselves to allow us to better serve our customers. The U.S. picks up their wages, health benefits and even provides a transportation allowance (a must in the car culture of Los Angeles.).

CII has been so impressed with the quality of our new employees, we are enrolling them in a number of programs sponsored by IATA. The courses begin this month and are being paid out of our own pocket. After completion of these courses, our new people will become even more valued employees. We keep hearing about the futility and waste of money in various government sponsored programs. In our situation, however, these programs are accomplishing their mission.

Announcements

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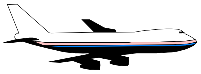


Virgin America Deserves Kudos:

Readers of our Newsletter are well aware of my criticism of Sir Richard Branson's antics; his supersized ego, his many hare-brained schemes like private space travel that are designed more to publicize his name rather than create a viable business. One of the airlines he helped create a few years ago, although he is a minority shareholder because of U.S. laws, was Virgin America based in San Francisco. The airline is one of the few successful start-ups picking its routes very carefully and keeping costs low. Starting strictly as a SFO-LAX carrier, the airline expanded slowly; initially up and down the West Coast, then to Las Vegas and trans-con to New York.

Real credit for the success of the airline goes to its American management, who doggedly pursued obtaining the airline's operating license in the face of fierce opposition by the entrenched carriers like American, United and Continental. In endless depositions before DOT, the airlines' lawyers claimed Virgin America was owned by a foreign person (Branson), who in reality was little more than a minority shareholder. Starting from scratch with brand new A320s (unlike many low cost carriers who lease the cheapest airplanes they can find), Virgin America began to expand slowly and carefully. They also were helped by Branson-inspired promotions like draping the San Francisco City Hall in red to celebrate the airline's inaugural flights. The airline is gaining traction with steadily lessening losses. For its most recent quarter, Virgin America announced a $5 million loss compared to a $55 million deficit in the comparable period last year. Unless oil prices shoot up and the U.S. falls back into a W-shaped recession, the airline should break out into the black sometime in 2010. Kudos to its management and staff for succeeding in a very tough environment.

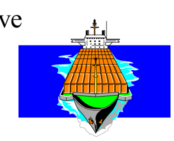
CEO Zollers Rides Serenly On While YRC Flirts With Bankruptcy:

William Zollers, CEO at YRC Trucking, the largest over the road hauler in the U.S. and with a small air freight division, is one lucky man. While the company crashes and burns all around him, Zollers continues as head of the corporation with a compliant Board bowing to his catastrophic direction. If Zollers were head of a company in comparable distress in China or Japan, he long ago would have been unceremoniously dismissed and perhaps even shot. But this is the U.S.A., where corporate executives fire thousands of workers, close factories, generate hundreds of millions in unpaid debt while they collect pay raises and bonuses.

Not too long ago, YRC dominated the truck market with almost 20 per cent of the nation's LTL operations. Its Yellow Freight Lines and Roadway Transportation were the most familiar names in surface transportation. Three years ago, well before the currecnt recession began, the company began to unravel. Pushed by Zollers and backed by his Board, the company took on billions in debt to acquire companies that turned out to be losers. This LTL giant proceeded to lose $2 billion in the past three years, the largest amount of losses ever recorded in the trucking business. Today, the company is close to bankruptcy. Its bondholders are being dragged kicking and screaming to exchange debt for equity. YRC already has cut thousands of jobs, eliminated pension benefits, closed dozens of terminals and has watched its stock drop from the high forties to little more than a dollar. Yet, Zollers keeps disseminating news releases announcing more cuts while he remains unscathed. Accountability seems to be a non-word in YRC's vocabulary. CEOs love to take credit for a company's success. With a failing company, they go into hiding while a mild and meek Board hears nothing, sees nothing and says nothing. If bankruptcy is declared with parts of YRC sold off, a trucking company that began in the 1920s will become history.

Widening Of Panama Canal To Affect All Modes Of Transport:

The air freight industry is not paying much attention to the widening of the Panama Canal. Many think it is a matter of importance only to ocean shipping. This lack of attention could be a mistake. Expected to be completed in 2014 (exactly 100 years after the completion of the original Canal) and at a cost of about $25 billion, the expanded Canal connecting the Atlantic and Pacific Oceans, will change substantially the dynamics and economics of not only ocean shipping but railroads and even air. This all-water highway will allow even the largest 14,000-TEU container vessels to transit the Canal and arrive from Asia to gulf and east coast ports faster and at a cheaper cost than landing on the West Coast and moving overland. It will boost ocean volume to even greater amounts as shippers realize they can avoid the congestion at west coast ports while saving considerably in railroad and trucking charges to midwestern, southern and eastern cities. While the opening of a wider Canal may not have the enormous impact of the original Panama Canal which revolutionized world trade and made possible a two ocean U.S. Navy, its effect nevertheless will be dramatic. A number of shipping executives believe west coast ports like Long Beach, Los Angeles, San Francisco, Oakland and Seattle may lose as much as 25 per cent of their volume as ocean lines offer greater and cheaper service from Asia and the South Pacific directly to gulf and east coast ports. With far lower rates and significant reductions in transit time, shippers may well decide to place even more of their business via ocean rather than air for the great population centers located in more than half the nation. The expansion of the Panama Canal may well have consequences far beyond originally envisioned.



Boeing Not Yet Out Of The Woods:

The recent inaugural test flight of Boeing's 787 "Dreamliner" was a rare bit of good news for the aerospace company, despite the flight being 2 1/2 years late. As Comedian Jay Leno asked about the new airplane, "will pilots in the cockpit be dreaming on the dreamliner?" Who knows how many more delays will ensue during the upcoming months of vigorous testing of the new aircraft.

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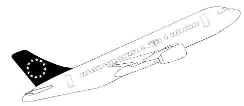

The publicity surrounding the problems of the 787 has obscured Boeing's almost complete lack of success in selling new versions of its "bread & butter" aircraft, the 737. In the past year, almost every airline with older 737s in its fleet, has opted to replace them with Airbus' new edition of its "workhorse, the A320. Not one airline has ordered Boeings to replace its Airbus fleet of A320s. This was highlighted recently by Air New Zealand's ordering of 14 A320s to replace its ageing 737s. The only major order for the advanced 737; 200 planes ordered by the maverick airline Ryanair, is bogged down in contract details and may not be consummated.

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Earlier in our Newsletter, I commented on YRC CEO William Zollers' ability to sidestep getting the axe after a disastrous career at the trucking company. Boeing's CEO, Jim Mcnerny, is equally lucky. No one seems to be after his scalp with Mcnerny shepherding the company to more than a $1.5 billion loss in its most recent quarter, and, of course, the fiasco with the 787. This failure will be analyzed for years to come as a "case history" in every business school in the country.

Dry Spell For Cargo Conversions:

In robust times, when the air freight business is booming, conversions of passenger aircraft to cargo airplanes is a very good and profitable business. When air traffic nosedives, however, the few cargo conversion companies in the business undergo a severe dry spell. Cargo conversions are, as economists call them, a "leading indicator" of the future for air freight. New orders have dried up with conversions of wide bodied aircraft like the 747, 777 and 767 coming to a dead stop. With airplanes parked in deserts from the Mojave to the Sahara, and with those freighters in the air flying less intensively, who needs more freighters? If truth be told, if no one converts any more 747s during the next four years, no one would even notice.

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Numbers tell the sad story. While international cargo fell almost 20 per cent last year and domestic U.S. air freight dropped a staggering 30 per cent, capacity decreased less than 10 per cent. A serious overcapacity in lift was created, only eased in the last month of 2009. The impact on long haul demand has been devastating. The only sign of life in the conversion market is the switching of narrow bodied passenger 737s and A320s to freighters, primarily for short haul airlines operating in the backwaters of Asia, Latin America and Africa. With few good roads and almost no rail transport, the smaller aircraft are "workhorses" in those areas. When cargo conversion orders start to pick up, we'll know air freight is returning to a healthy state.

Despite all the gloom and doom of 2009, 2010 is another year. Let's face the New Year with optimism and confidence and remember the glass always is half full and never half empty.

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Sincerely,
Julian A. Keeling