



Consolidators international, Inc.

MAY
2007



2006 Highly Successful At CII 2007 Expected To Be Even Better:



Last year was highly successful at CII with increased revenues, number of shipments and new customers coming on board. 2007 shapes up as even more auspicious. The first quarter, normally a quiet period after the Holiday rush, has been quite active for us with increased momentum both to the South Pacific and Asia; our principal destinations. Despite a generally flat air freight market in the first three months of this year (international cargo was up by a very modest 2 per cent while domestic freight was down by about the same



percentage), CII has forged ahead with our winning combination of high-reaching personal service, plus advanced technology, rivaling the largest companies in our industry. We expect at least 20 per cent revenue gains for the full year, which will make 2007 easily the strongest 12 months in CII's thirteen year history.

Outstanding Current & New Personnel:



We could not have achieved sales and revenues success without the untiring, dedicated efforts of our people throughout the CII network of facilities. They deserve all the credit for our growth in a very challenging international and domestic environment. To facilitate our growth and to continue providing the high level of service CII customers expect, we are adding staff both at our LAX headquarters and throughout our system. Here are some of the new players.

Greg Melissinos has been appointed Vice President-Eastern Region at our key JFK facility. Greg is a veteran of the freight business starting at his grandfather's trucking business even before graduating from high school. Greg has strong relationships with the carriers serving JFK and enjoys the confidence of shippers in this highly competitive market. Greg was previously gateway manager at GeoLogistics, now known as Agility.



Also coming on board at JFK is Ana Perez, with the title of Operations Manager. Ana, who holds an MBA degree, has a thorough knowledge of the air freight business and is well respected in the JFK cargo community.

At our Atlanta facility, Ricky Coltey has been appointed Operations Manager. With twenty years experience in air freight ranging from domestic operations to specializing in entertainment traffic, Ricky is a valuable addition to our staff there. Shawn Tatham, Southeastern Vice President, notes that Atlanta is perhaps the fastest growing facility in the CII network and requires skilled, experienced people. The facility is moving cargo not only to the South Pacific but throughout Asia and Europe as well.



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Atlanta also is the new home for Tim Miyamoto who joins Corrigan's Express, CII's sister company, as Vice President, Southeastern Region. We believe Corrigan's is the fastest growing "boutique" forwarder in the industry, basing its success on a powerful sense of personalized service provided to a wide variety and size of customers. Prior to joining Corrigan's, Jim was in export operations for GeoLogistics. At our LAX headquarters, Mehri Askari has been appointed Chief Accountant, adding to our already highly experienced and competent financial staff. With a graduate degree in finance, Mehri has some twenty five years experience in the cargo industry. She reports to Lyne Enzweiler, Vice President-Administration. From long experience, I can report that the accounting function has been the weak link at many forwarders. At CII, we have been determined not make the critical mistake of lax accounting standards. Customers have been very pleased at our accurate and efficient financial department.



Computer Facilities Also Upgraded:

In the age of the computer, technology is right up there with personal attention as the two ingredients needed to provide seamless service to the customer. At CII, we recognize this inescapable fact of life. We have spent enormous amounts of time, energy and money to ensure that our technical facilities are on par with the best in the industry. Our hi-tech guru, Peter Lamy, informs me that CII now boasts a computer system that is at least equal to and probably better than any of the big, multi-national forwarders who have invested hundreds of millions of dollars in less current, legacy operations. Says Peter, "CII's new package is web-based, user friendly and completely state of the art."

Continues Peter, "there is no question that technology has leveled the playing field for small/mid-sized forwarders. Our new system includes a state of the art order processing, monitoring, tracking and tracing package more sophisticated and user friendly than the multi-nationals have to offer. From an operational and accounting perspective, the software vendor we chose genuinely had a grasp of our needs. He did not give us an 'off the shelf' package but a truly customized system that uniquely works for CII and our customers. We even are reaching for that Holy Grail, true paperless transactions."



A Little Self Serving At Qantas Also:

EGL's Jim Crane isn't the only person in the aviation business with a little larceny in his heart.

As more information leaks out re the Qantas buy-out by a bunch of Australian, Canadian and American private equity firms, it seems top Qantas executives also have their hands in the cookie jar.

When and if the controversial \$9 billion deal is consummated, executives at Qantas will make out like bandits. They will receive cash and share incentives from the new private equity owners including bonuses of up to 200 per cent of their cash salaries; a stake in the new company of almost 5 per cent and a performance fee for CEO Geoff Dixon of as high as \$60 million. The Qantas execs will receive their pay-out for shares worth millions of dollars even if they do not meet very low performance standards. Dixon and CFO Peter Gregg will receive an additional \$5 million each from the old company literally the day they report to work for the new company.



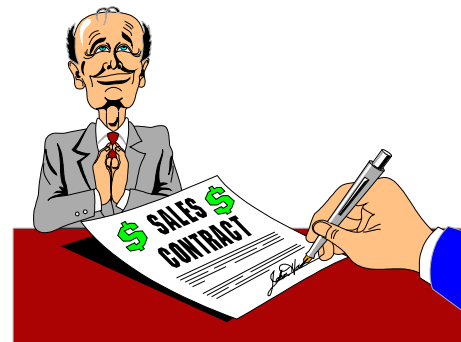
"The Qantas execs will receive their pay-out for shares worth millions of dollars even if they do not meet very low performance standards"

In the meantime, Qantas labor unions will lose jobs because of the drive for greater profitability by the new owners. Also, it is expected that a greater amount of maintenance work will be outsourced to China and other cheap labor nations. Happily, the take-over offer is facing increased political and shareholder flak. Institutional shareholders are balking, saying the \$5.60 per share offer is too low. Of course, the top executives couldn't care less as they will be paid enormous sums in cash and stock if the deal goes through. Institutional fund managers, aided by small investors, could block 90 per cent of the shares sought by the buy-out group. Let's hope they succeed for the simple reason that Qantas currently is a very successful airline. It is carrying more people and more freight than ever before in its history. The airline's passenger load factor in the first quarter of 2007 was a record 87 per cent, a figure only dreamed about by airline executives in the past.

Greed & Avarice Run Rampant At EGL:

I've commented on the EGL situation before, but the greed & avarice displayed by all parties is so striking, it calls for further comment.

It is indeed a tangled web that EGL head honcho Jim Crane has spun. Crane's plan to take EGL private began to unravel in February of this year. His first private equity partner mysteriously backed away from a \$36 per share offer, only days after a "special committee" of the EGL board, created by Crane, had approved the bid. Crane quickly cobbled together another team, this time with two private equity sugar daddies, and made another bid, again at \$36 per share. The bid then was upped to \$38 per share. At the same time, the chief financial officer at EGL, who had been on board for about a year, quietly resigned with no explanation from him or the company. Things then got even messier. Apollo Management Group, a well known private equity firm, tried to muscle into the action with a \$40 per share offer with the \$38 per share offer still on the table from Crane. Crane's dream to take his company private became a nightmare when it was revealed that he had written in a \$30 million "break-up" fee paid to himself if the deal fell through plus \$15 million in "transaction" expenses. The entire matter now is being fought in the courts between Apollo and Crane with only the lawyers profiting. This deal has conflict of interest written all over it. Crane's machinations in trying to enrich himself at the expense of EGL shareholders and employees, is an object lesson on how not to go about taking a major company in our industry private—with hopefully no one noticing.



Warren Buffett Prefers Old Fashioned Transportation:

Warren Buffett, the second richest man in the world, head of Berkshire-Hathaway with its stock price of more than \$100,000 per share, the highest on the NYSE, recently had his company acquire a 10 per cent interest in Burlington Northern-Santa Fe Railroad. His company's acquisition of a 10 per cent stake in the 150-year old railroad got me thinking. What Buffett didn't buy was almost as interesting as what he purchased. Why did the "sage of Omaha," so-called because of his investment acumen, after analyzing the transportation business, buy a type of transportation that existed when Indians still were still on the warpath? Why didn't he buy any of the much more up to date truck or air companies that move freight?

LAX Losing Ground In Moving Freight; Is It A Trend?

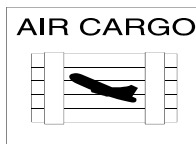
While the ports of Long Beach, Wilmington & San Pedro, making up the Los Angeles harbor complex, are exploding with cargo volume, the amount of freight handled at LAX is shrinking. LAX officials are scratching their heads trying to figure out this downward trend. They can't understand it. "We read all the stories about the huge jump in Asian-U.S. air cargo volume, but we aren't seeing it here," they say. Their puzzlement raises a question loaded with significance. Is the lessened volume at LAX reflecting a decision by forwarders to use less of an admittedly traffic choked airport, or does the downturn signify a larger problem of static volume in air freight? The answers are ambiguous although it is disturbing that SFO, the second largest gateway on the west coast, also has reflected a decline in air freight volume. My guess, however, is the shipping business is changing—and not to the benefit of air. While a number of companies are switching from expensive air to less costly ocean, the reversal is rarely true. We almost never hear of a major, or even minor company, announcing a switch from sea to air. The

Perhaps because Buffett realized that "old fashioned" railroads remain the most profitable kind of transportation today. There is nothing more profitable than a 100-car freight train highballing down a track—and Buffett knew this. There are literally thousands of FTL and LTL trucking firms, ranging from the Yellows of the world down to the single owner-driver. There are least 1,000 air freight forwarders and new cargo airlines are popping up almost every day—all fiercely competitive. Yet, there hasn't been a new railroad started since the 1920s, almost ninety years ago. And railroads are well known for cooperating among themselves rather than competing.

Is Buffett, without knowing it, teaching a lesson to all of us in the transportation business? Yes. Profitability should remain our single most important goal.

record increases in tonnage of new container ships will add pressure on ocean rates. Traffic managers may well say, "Air may be the way to satisfy our just-in-time production demands but sea is so much cheaper. The hell with JIT, let's save some money!"

What our forwarding industry requires is not time wasted by bickering with the airlines about fuel surcharges, but finding new ideas to attract new customers.



Sincerely,

Julian A. Keeling

Successful Sales Campaign

In New Zealand:

In March, Tim Miyamoto joined Exec VP Jessica Fregoso in a week's trip to Auckland. Object: to meet with Corrigan's Express partner. The week was an unqualified success. Not only did the team have meaningful sessions to discuss matters of mutual interest related to our growing partnership, they also "pounded the pavement" selling our services and people to companies in New Zealand. Reported Jessica, "it is indeed ironic that Corrigan's, a 'boutique' forwarder in every sense of the word, is partnered with NZ's largest privately owned transport and logistics company. Our tale is one of David & Goliath; joining forces and forging a successful relationship although 10,000 miles apart."

New Zealand has become Corrigan's largest market for exports from the U.S. It is one of the few countries where a U.S. trade surplus exists (Australia, another major Corrigan and CII destination, is another). The island nation has a long history of trade with the United States. The first foreign agent for Caterpillar was, and remains, a local Christchurch company, Gough, Gough & Hamer. Corrigan's now is among the five top forwarders in air cargo from the U.S. to New Zealand. It is an amazing record for a company only a few years in business. The other four forwarders are big multi-national companies with long histories in the New Zealand market. Last month, Corrigan's received an award as a major customer of Air Tahiti Nui. Corrigan's also is a major customer of Air New Zealand. Realizing the importance of the New Zealand market, Jessica utilizes a team of specialists at every Corrigan facility. They are totally dedicated to servicing New Zealand customers. Mondiale's Director recently stated, "Partnering with Corrigan's is better and more economical than opening our own branch in the U.S. Corrigan's is so focused on the air freight product into New Zealand, we feel their office at LAX is actually our own. Corrigan's and Mondiale plan a 20 per cent growth in U.S.-New Zealand trade for all of 2007.