

**Universal Express Inc., The Most Naked Shorted Stock in U.S. History**  
**- A Shareholder's Perspective**  
**October 18, 2007**

Universal Express Inc. (USXP) is an OTC BB company that is currently in the hands of a court-appointed "receiver". The receiver has essentially sold off all valuable assets of the company and is expected to file for bankruptcy or cause it to be de-listed, thereby decimating the investment of thousands of shareholders around the globe. Once again, the Securities and Exchange Commission (SEC) would have succeeded in cooperating with wall street hedge funds and brokers who would walk away with hundreds of millions of \$ of illegal and "non-taxable" gains, thanks to their relentless efforts in "naked shorting" USXP.OB over the past ten or so years. The SEC has refused to open its books to put to rest the repeated allegations by this company of rampant "naked shorting" in its equity, even after the company had already proven such shorting existed in the past by winning two very large, RICO non-appealable judgments in two separate jury trials in Florida (in 2001 and 2003), the only company to have done so in recent history. The following is a summary of relevant events in this "David vs Goliath" story covering the past 6 years from a shareholder's perspective. A great deal of information about the company can be gleaned from the over 500 press releases (PRs), dozens of interviews and webcasts, etc. that are accessible on its website [www.usxp.com](http://www.usxp.com).

In July of 2001, the company won a historic 389 million \$ **non-appealable, RICO** judgment against Select Capital Advisers, a company whose actions were later characterized as "naked shorting" once this term came into common parlance. Shorting of a stock is legal. It involves selling shares you do not own with the intention of buying them back at some point in the future, after locating a source from where to buy them. Naked shorting, very simply, is shorting, but without ever locating the source to buy back from at a later time, and with never any intention to do the same. This practice has clearly been deemed illegal by the SEC, but unfortunately, it has never enforced its own rules. The recent revoking of the "Grandfather Clause" (effective October 15, 2007) under Regulation SHO appears to be its first attempt to curb naked shorting, although this appears to have the effect of "closing the stable door after the horse has bolted".

In July of 2001, the company had only about 60 million shares outstanding (vs ~40 billion currently). After the initial judgment it won in July 2001, the company put out a series of press releases (PRs) between then and December 2001 stating the judgment was imminently collectible in substantial amounts. According to Mr. Bud Burrell, a securities expert and long-time whistle-blower of the SEC's inaction and ineptitude on the subject of naked shorting, one who worked closely with the company's general counsel in later years, nearly 183 million \$ were located and frozen in European banks during that same time frame. Later, some stumbling blocks were placed by Select Capital Advisers that made it difficult to liquidate and take possession of these funds. A second similar judgment was awarded by another FL jury and another FL judge against a second group of "naked shorts" in 2003 for 137 million \$. The basic premise of both jury trial judgments was that the company and its stock were manipulated by what we now call "naked shorting". Trading records were produced for a period in 1999 that showed this quite

clearly and a jury of ordinary citizens was more than convinced.

The company has put out a series of PRs since July 2001 stating its intent to buy large, mostly unnamed (some named) companies, most much larger than itself, and this trend continued till the last moments of Mr. Altomare as CEO. All we, the shareholders, could surmise from these sometimes mind-boggling PRs was that Mr. Altomare was attempting to trap the naked shorts with these huge acquisitions whose sole purpose appeared to be to catapult the company from the OTCBB exchange to one of the bigger exchanges (AMEX, NYSE), thus effecting a “short squeeze”. In late 2003 or early 2004, the company complained about intense harassment from SEC officials every time they were about to close an acquisition. On March 2, 2004 the company filed a lawsuit in the Florida courts against the SEC alleging prolonged interference and harassment. On March 22, 2004, just three weeks later, the Denver office of the SEC filed a retaliatory suit, but in New York’s Southern District Court (highly unusual) alleging over a hundred violations. It is rumored that a young man professing to be an attorney flew in the dead of night all the way from the SEC’s Denver office (which was supposedly doing all the harassing) to NYC in order to file this retaliatory suit in the NY courts. Later, on being deposed by Mr. Tifford, USXP’s litigation counsel, it was learned that this person was not even an attorney and was posing as one. The person is alleged to have sadly taken his own life after that.

The USXP lawsuit against the SEC was essentially rejected by the Florida judge in late 2005, with the judge stating that the ongoing NY litigation would be sufficient for USXP to prove some of its allegations and also the lack of any specific wrongdoings or wrongdoers identified in USXP’s complaint. An appeal of this ruling to the 11th circuit court was also later rejected (in mid 2006). Meanwhile, the SEC lawsuit vs USXP et al. was interrupted several times in 2004 by a parallel criminal investigation by the Department of Justice, with no evidence of criminality ever forthcoming. Recent evidence in a filing by Mr. Tifford points to how these criminal investigations continue to this day parallel with the civil case, apparently in stark violation of legal norms which would require that Giglio rules apply and disclosures in civil cases cannot be applied to criminal cases on the same subject. Depositions in the civil suit began to be taken in right earnest in early 2005. Both the SEC and USXP agreed to a summary judgment by the courts, although there was a technical glitch in this. In previous conversations, Mr. Tifford had insisted to the SEC lawyers that USXP does not waive its right to a jury trial regardless of the outcome of the summary judgment, but for reasons partly related to his wife's recent demise, he had accidentally signed a case plan for the summary judgment that did not include this objection. Later, the SEC lawyer indicated quite clearly in a separate email to Mr. Tifford that the SEC would not have any objection to USXP's insistence for a jury trial regardless of the outcome of the summary judgment, but this was apparently not first known to the Judge. The Honorable Judge Lynch of the NY district courts (southern district) wrote an opinion on his summary judgment in February of 07, and finalized it in early April of 07. Colonel Tifford's filings for a stay based on the jury trial request were later totally ignored by Judge Lynch who stated that the parties have decided to appeal, thus a jury trial can be had in case of a favorable response to the appeal. The summary judgment contained scathing comments for Richard Altomare

(USXP CEO) and Chris Gunderson (USXP General Counsel) and levied very stiff fines against both and an even stiffer fine for disgorgement of illegal proceeds against the company. The SEC complained that Altomare was flaunting the court's summary judgment by making brash and bold statements, staying on as CEO and recklessly issuing billions of shares, all against the court's explicit orders and needed to be held in contempt or incarcerated. Before the USXP legal team could mount an appeal in the 2<sup>nd</sup> circuit court, the Judge appointed a receiver without conducting a hearing on August 31, 2007. This has been alleged by some as being highly unusual.

The company won the initial two large judgments in jury trials proving that irregular trading of USXP shares took place in a time period around 1998. Ever since, Mr. Altomare has been extremely vocal about the persistent naked shorting in the company's shares, giving an endless number of interviews, webcasts, prepared video presentations, etc. and releasing a number of press releases on this subject (see [www.usxp.com](http://www.usxp.com)). He took the SEC to task in rather strong language every single time. The SEC always claimed there was no proof of naked shorting in USXP and that Altomare was issuing illegal shares without proper authority from itself. Altomare claimed (via attorney Tifford) that the bankruptcy judge who handed over the previous bankrupt company (Packaging Plus) to him in 1991 also gave him "carte blanche" authority to issue shares for whatever reason "in order to maintain the capitalization" of the company, and since the company was being severely naked shorted, the shares issued offset the negative capitalization effected by the practice of massive naked shorting. Thus, these shares were legally issued, and moreover, necessary to keep the company afloat. From nearly 500 million outstanding shares when the SEC sued the company in March of 2004, a time when the SEC claimed hundreds of millions of shares were already illegally issued and resold by Altomare and certain of his "funder/resellers", Mr. Altomare had issued nearly 80 times as many shares (almost 40 billion) as of last count in August of 2007, when the SEC appointed a receiver to take over the company. The receiver took over on September 5, 2007, promptly fired all employees, and is in the process of getting rid of all company businesses (nearly complete). Judge Lynch held a recent "contempt" hearing in NY (Oct. 2) where Altomare officially resigned and offered some sort of a plan for payment of the fines levied against him. The contempt citation was thrown out. The hearing for Mr. Gunderson was postponed to a later date.

### **So Where Do We Shareholders Stand ?**

Real evidence of naked shorting post July 2001 from reputed experts in the field has not been forthcoming in spite the company's repeated allegations of the same. However, from observing and analyzing the trading records in this stock over the past six odd years, a casual observer can reach that conclusion quite readily. There were several times in the period between July 2001 and December 2005 when the company would make an announcement of some "enormous acquisition" worth hundreds of millions of \$. The stock would usually begin to rise after such an announcement and then would hit a wall and then start to fall precipitously soon thereafter, often with tremendous volume on the way up but very little volume on the way down. Of course, it was later found out that in the period between July 2001 and March 2004 this was at least partly caused by the many

so-called "funders" at that time who the SEC alleged to have promptly sold most of their discounted shares they purchased into the short-lived rallies. But to anybody who has observed normal stock trading patterns, there was clearly more to it than that. The volume of shares traded during these times was clearly enormous, even assuming these re-sellers were dumping. Then an all-important event or series of events happened.

### **The Comet That Blazed - The Statistical Proof of Naked Shorting in USXP**

In December of 2005, the stock was in the doldrums (0.03 to 0.05c/share). Folks had essentially given up, in spite of Altomare's repeated claims of having struck up these fantastic relationships with Princes and Monarchs in Saudi Arabia and absurdly rich folks in Dubai. He even made a "broad daylight" buyout offer in November of 2005 with what appeared to be a bona fide offer letter in January 2006 for a NYSE-listed (later AMEX) company, Air Net Systems (ANS). However, there was no reaction in the market to all these "forward-looking" PRs, and curiously, neither did the folks at ANS issue any press releases whatsoever about such an offer. In the past, the stock had traded billions of shares on certain days, especially after certain announcements were made (such as the ANS purchase), but with absolutely no movement. It was clear on those days that many ordinary investors were buying, with very few selling, yet there was no movement at all in the stock price.

Then, suddenly in late January or early February of 06, almost like a bolt from the blue, the volume started to spike up and the stock began to rise. In February of 06, for no explicable reason, the stock began to rise steadily with heavy volume, till it rose nearly 10,000 % in just a month to 4.4 c/share. In the first three months of 06, close to 40 billion shares were "recorded" as being traded, this with only 6 billion in the total float at that time. Of course, much less than the 6 billion in the float would have been available for trading, possibly as little as 1 billion. Additionally, the theory behind naked shorting is that many times the amount of traded shares recorded on the tape (what an outsider sees) could have been "naked shorted" by say hiding such illegal short sales in "ex-clearing" (trenches) between brokers. Senator Bennett's simple, yet effective speech on the senate floor (<http://www.faulkingtruth.com/Articles/Investing101/1078.html>) on this subject is an eye opener for most novices in the field. The rumor going around was that the rich Saudis were buying as Altomare had promised repeatedly, and that this was causing a minor "short squeeze". The company's market cap had at one point in time in March of 06 reached an astronomical 400 million \$, this for a company with a meager 1 million \$ or less in total revenues, in mostly money-losing businesses, a clear sign that the stock was being severely manipulated.

On March 13, 2006, Mr. Altomare delivered his famous "Ides of March" speech to the shareholders in a webcast (he is an excellent orator), claiming victory synonymous to the conquering Romans. In succeeding months, most shareholders waited for the other shoe to drop, but the Saudis never really showed up and their involvement was never ever confirmed, except allegorically. The stock started to come down quite fast, but still held itself to over a penny (100 million \$ cap) for a month or two. It was the trading in this period, more than anything else, that convinced shareholders and others that allegations

of the stock in this company being severely manipulated had to be true, and one could only assume from one's vantage point that it was the dreaded "naked shorts". Whether the NSS were wall street thugs as shown in the Eagletech vs Bryn Mawr complaint (<http://www.billgroover.com/rico/rico.pdf>, <http://www.billgroover.com/rico/1ac.pdf>, <http://www.billgroover.com/rico/1ac2.pdf>, <http://www.billgroover.com/rico/ml.pdf>) or whether they were working in conjunction with Altomare, the sincere hope of shareholders was that since the regulating authorities were firmly in charge and breathing down the necks of this company, the common shareholders would be protected, otherwise the authorities would have acted preventing any further damage to the shareholders.

There were many other similar events that have played out since December of 06, albeit none so dramatic as the ones that unfolded in the February/March 06 period. A most striking thing was that SEC filings in the New York court around June of 07 showed there were ten major investors who plunked nearly 10 million \$ early this year in exchange for close to 20 billion shares, **THIS MOSTLY AFTER THE COMPANY HAD BEEN HIT BY A DEVASTATING SUMMARY JUDGMENT** by Judge Lynch in February 2007. Where was the SEC and why did this happen ? The company spent enormous amounts of funds on expensive advertising in various premier sporting events including race car driving, ice hockey, and baseball. It hosted a Saudi-U.S. Friendship Golf Tournament in April 07, where supposedly several top Saudi government officials spoke about nearly 300 billion \$ worth of business opportunities in that kingdom.

### **The Bottom Line**

It is said the SEC can very easily open the books for USXP and shed light once and for all on the alleged rampant naked shorting in its shares. As to why they would not do this and pacify thousands of common shareholders is absolutely mind-boggling to most ordinary folks, considering the centrality of this issue in the six plus year old battle of "David vs Goliath". An unbiased observer has to agree that the Eagletech vs Bryn Mawr complaint is quite devastating to the SEC. A small developing company, like Universal Express, was decimated while the SEC and others fiddled like Nero and furthermore, even assisted the plunderers and looters to fill their booty with reckless abandon by going after the whistle-blowers.

In the summary judgment of the SEC's case against USXP et al, the judge ignored the SEC's acceptance of a jury trial regardless of the outcome of the summary judgment. Without a jury trial here in the United States, discovery of the SEC's records cannot be granted, thus the mystery remains to this day. There are several large Saudi shareholders believed to be part of this company, including the current ruler of the kingdom, King Abdullah. There is also a large group of European and Asian investors. And then there is of course a large group of U.S. and Canadian shareholders, nearly 70 of whom took the time to add their names to a petition to the Receiver and Judge Lynch recently to ensure the company maintains its OTCBB status by making all the necessary filings, etc. and the company is not hastily sent into bankruptcy or de-listed.

Fifteen thousand shareholders, and possibly much more, are anxiously waiting for justice, mainly from our government officials who were not supposed to allow this to happen, yet again. A preliminary count of shares held by 50, mostly U.S., shareholders showed an average holding of 16 million shares per person. Applying this to 15,000 shareholders, this unscientific analysis would result in 240 billion shares being in the hands of common shareholders, or about 6 times the legally outstanding float. Unless responsible elected government and appointed legislative officials get to the bottom of this and provide a clear explanation to all USXP shareholders, the protection afforded to common investors here in the United States will be a sham and a great injustice. Justice Delayed is Already Justice Denied.

**GOD SAVE THIS GREAT NATION**