Recitation of Facts by General Counsel

Within one month after the publication of the Company's second judgment against naked shorters in the amount of $137 Million Dollars rendered by a jury on April 22, 2003 and referred to below, the Denver office of the SEC commenced a pattern of attacks against the Company, its acquisition candidates, funders and other business associates, designed to silence the Company's public complaints on naked shorting. This pattern of behavior by the regulator that should have regulated naked shorting, instead of ignoring the subject and covering it up for over 10 years, culminated in our federal court suit against the SEC.

It may also be noted that three weeks after we filed our complaint in federal court in Florida against the SEC, the Denver office of the SEC flew to New York late on the night of March 22, 2004 and filed their retaliatory suit against our Company. This baseless case, we believe, was rushed to filing because we are a whistleblower on naked shorting and was designed to finally silence us.

By way of my background, I am a graduate of Columbia University School of Law, where I was a Harlan Fiske Stone Scholar. I was associated with a leading Wall Street Law firm for over ten years. I then joined the Law Department of a public Fortune 500 Company, where I was Assistant General Counsel for seventeen years.

In February, 1995, I joined Mr. Altomare's company, which was then called Packaging Plus Services, Inc., as its General Counsel. Mr. Altomare had worked, without compensation as the manager of the reorganization of this Company from 1991 until 1994, under the supervision of the Senior Bankruptcy Judge of the United States Bankruptcy Court, Eastern District of New York.

Mr. Altomare had been appointed to that position by the Bankruptcy Judge. He was not part of prior management. The reorganization was successful and the Company emerged as a "fresh start" public Company on May 11, 1994.

The Company's introduction to the national scandal of "naked shorting", now called "Stockgate," began with our press release of January 16, 1998, entitled 'Packaging Plus Services Suspends Conversions of Convertible Debentures". As I indicated, Packaging Plus Services was the prior name of Universal Express, Inc.

That also was the time frame of the beginning of the vicious attacks on our Company by the naked shorters.

The naked shorting attack against us actually began a few months prior to January 16, 1998, when we were negotiating long term financings with an investment banking

firm in Miami. They seemed to be legitimate with a lot of domestic and foreign offices and a large roster of attorneys in the United States and abroad.

We needed long-term financing for two rather large and synergistic acquisitions. They said they could raise the long term financing, but urged us to sign convertible debentures with their related ten or so hedge funds for seed money to make down payments on the proposed acquisitions.

Although we were not aware of it at the time, like many other victims, it was the story of toxic convertibles, placed with hedge funds formed for the purpose of engaging in the naked shorting scheme. As a company's stock price goes into a sharp decline arising from the issuance of a vast amount of counterfeit shares, the naked shorters make huge profits on the way down. Finally, through conversion demands for the companies' stock in huge volumes at the rock bottom price caused by their naked shorting, they drive the company out of business, so the naked short positions never have to be covered.

Later we learned this happened many times to other small public companies and continues today unabated.

Easy theft, but now its even worse, since the naked shorting continued and continues to date, without the use of convertibles. It continued on a much larger scale by brokers, market makers and hedge funds just selling trillions of counterfeit, naked shorted shares into the market, with the Depository Trust and Clearing Corporation (DTCC) in an active role, and the SEC doing and having done nothing effective to stop it.

Our stock was at $2 at the time we were negotiating the contracts with the investment banking firm.

Weeks before we even signed the documents we began to see a tremendous increase in the volumes of our shares along with a substantial daily drop in our market price, despite many announcements of good news.

It's an old story by now. We didn't initially know what was going on.

As General Counsel, I called the New York City office of the SEC twice for help during this period. Their answer each time was they were not interested and suggested we write to our market makers.

I later learned that the ten or so hedge funds involved in the convertibles, all offshore with agents in the United States, were the same names that attacked and ruined a number of other smaller public companies. They were and are, however, only a few of the hundreds of funds and other financial interests involved in naked shorting.

Fortunately for Universal Express, our company had a General Counsel, which very few smaller public companies have. Before we had issued any stock under the

conversion notices from the holders of the debentures, I suspended all conversions on the basis of stock manipulation. Thus, my press release of January 16, 1998.

Prior to the suspension, we had 4,000,000 shares outstanding and were trading an average of 25,000 shares a day.

During the 30 trading days that the suspension was in effect and no further shares were issued by our Company, 58 million shares in our name traded; 11 times our outstanding and 69 times our daily average trading volume. Our stock fell from $2 to 2 cents per share over a relatively short period of time.

Thus, our Company is one of the few that can prove the existence of naked shorting; which the Wall Street interests and the SEC have long denied has damaged small public companies or that it even exists to any substantial extent.

Our stock never recovered substantially and the naked shorting continued on a massive scale. Each rise on good news has been countered with a naked shorting attack. This has been the unfortunate scenario for thousands of companies and constitutes acute criminal activity.

Unable to obtain any help from the SEC we sued the naked shorters in 1998 in Dade County Circuit Court in Florida.

On July 26, 2001, the first of two jury trials occurred in Florida before a six person jury, drawn from a panel of 30 potential jurors. Our testimony was exactly on the shorting situation and what the illegal shorters did to our Company. The jurors, ordinary folks, deliberated for two hours and returned a verdict in our favor in the amount of $389 Million Dollars, including $210 Million in punitive damages. We did a detailed press release on this verdict and judgment and clearly stated that it arose from illegal shorting, although at that time we were not using the term “naked shorting”.

Almost two years later, on April 23, 2003, the Company received an additional jury verdict in the same court against a principal agent for the naked shorting funds, in the amount of $137 Million Dollars. Our public position then in a press release was if ordinary juries can understand “naked shorting” and its devastating effects on small public companies, why can’t the SEC? Now we were using the term “naked shorting.”

Apparently, these verdicts embarrassed some people at the SEC because shortly after our 2003 judgment, the Denver office of the SEC began to harass us with subpoenas (13 in all over a short period of time) for documents. We complied with each subpoena, but found out that the Denver office was contacting our funders and acquisition partners before receiving our first voluntary document response, scaring them off from our Company.

They even sent us a subpoena for us to prove the existence of “naked shorting” within hours after we issued a press release on September 23, 2003 “Declaring war on naked shorting”.

On March 2, 2004, we sued the SEC in federal court in Florida for harassment, and damages for failing to regulate “naked shorting.”

Three weeks later, on March 22, 2004, lawyers for the Denver office rushed at night to New York to file the retaliatory suit against us.

The SEC suit will, we believe, become a hallmark naked shorting case before a jury. The SEC is desperate to avoid a jury trial on this issue.

The lynchpin of this “naked shorting” case is the Bankruptcy Code and the rulings of the Bankruptcy Court. Bankruptcy Courts are very powerful. The Bankruptcy Code is also very powerful.

The SEC sued us in New York for issuing unregistered shares. This is rather ludicrous coming from an agency which has permitted trillions of unregistered and counterfeit shares, fails to deliver, to be issued by Wall Street crooks against small public companies, putting over 6,000 such companies out of business, ruining the investments of hundreds of thousands if not millions of shareholders and putting tens of thousands of employees out of work.

Universal Express, Inc. (under its former name, Packaging Plus services, Inc.) was in reorganization from 1991 to 1994. Mr. Richard Altomare was brought in by the Bankruptcy Judge for the Eastern District of New York, as manager, to try to reorganize the Company. Mr. Altomare was not part of prior management. He could not continue the failed business of franchising mail and packaging stores, but had to develop new logistics businesses, including a trade association of packaging stores.

The Reorganization Plan and Disclosure Statement of our Company, confirmed and approved by the Bankruptcy Court, contained quite a few long term documents and provisions to protect and foster the Company’s development into the future, including a long-term Stock Incentive Plan.

The Stock Incentive Plan permitted the Company to issue shares to consultants and advisors to assist in the promotion of the new businesses of our developing Company.

Since all of our businesses have been and are new and developing, this Stock Incentive Plan is very important to us.

The Reorganization Plan and the Stock Incentive Plan were filed with the SEC a number of times during the Reorganization under the Bankruptcy Code. These documents

have also filed with the SEC by reference with each of our annual reports 10-KSB's over the last 14 years.

The Reorganization Agreement and Stock Incentive Plan are the functional equivalent to S-8 registrations, which cover the same subjects, advisors and consultants, and all of the shares issued under such Reorganization Plan are registered.

These reorganization documents were provided to the Denver office of the SEC among the documents provided to them pursuant to the subpoenas, but they just ignored them until my deposition on April 21, 2006, when I testified with respect to those documents in great detail and at length.

The SEC attorneys were greatly surprised by my testimony, because they knew nothing of the Reorganization and the Bankruptcy Code.

At my deposition I placed into the record copies of all of the Reorganization documents, the Stock Incentive Plan and the various applicable provisions of the Bankruptcy Code. These provisions provide absolute immunity from any liability and suit by the SEC on these matters.

The SEC missed these filings in their retaliatory suit against the Company.

The Company in the Stock Plan is permitted to issue additional shares for any shares issued in the name of the Company in a recapitalization of the Company for which the Company receives no compensation, i.e., those naked shorted shares and the recapitalized value of such counterfeit shares issued in the name of the Company. Naked shorting is a daily recapitalization of our Company under our Reorganization and the Bankruptcy Code, as I testified at my April 21, 2006 deposition.

Thus, the shares the SEC claimed were unregistered were actually permitted, issued and registered under the Reorganization documents, as filed with the SEC.

The Bankruptcy Code provides absolute immunity from suit for shares issued under the Reorganization plan documents and we intend to prevail.

Also, in many depositions of witnesses concerning the SEC charges in their suit that some of our press releases were inaccurate, we showed that these allegations were totally false.

The lower court was not informed by the SEC that we had requested a jury trial on all fact issues, including "good faith" reliance on the Reorganization documents.

It is clear to me that the SEC intentionally withheld from the Court the Company's and its officers' requests for their Constitutional right to a jury trial on all questions of fact, the exclusive province of the jury, including the Company's "good

faith" reliance on the national scandal of "naked shorting" and its related reliance on its Reorganization Plan and the immunities of the Bankruptcy Code.

Also, the SEC has not supplied to the Company pursuant to its discovery requests, the amount of naked shorted shares issued in the Company's name on a daily and other periodic basis. Although only the SEC can obtain this data, it has consistently stonewalled this Company and other companies in releasing any naked shorting numbers and volumes. In the case of Universal Express they are ruthlessly pushing their retaliatory case against the Company, while blocking our ability to develop our defense. This is even a darker side of "Stockgate."

That name fits, now more than ever, as we look back and see the destruction to smaller public companies, their stockholders and employees.

There has also been pervasive government cover-up of this scandal, permitting trillions of counterfeit shares, not issued from the treasuries of companies, but in their names, to be sold into the market for quick profits for Wall Street financial interests, to the utter destruction of the market capitalization of small public companies, the destruction of their shareholders investments and loss of tens of thousands of jobs.

We have noticed an appeal and a request for a jury trial.

Chris Gunderson
General Counsel