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UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

U.S. SECURITIES AND EXCHANGE COMMISSION,	
Plaintiff,	
v.	1:04-cv-2322(GEL)
UNIVERSAL EXPRESS, INC., et al.,	
Defendants.	

SECOND REPORT OF THE RECEIVER OF UNIVERSAL EXPRESS, INC.

Jane W. Moscowitz, as Court-appointed Receiver of Universal Express, Inc. (the "Company") and its subsidiaries, hereby reports to the Court regarding the Receiver's findings and activities since the date of the first receiver report, September 28, 2007.

The $700 million judgments

As noted in the Receiver's first report, the Company received two judgments in Miami-Dade Circuit Court in 2001 and 2003, totaling, with interest, approximately $700 million. The Company has claimed in SEC filings and in other documents that these judgments are "substantially collectable." See, e.g., Form 10-KSB/A for Universal Express for the fiscal year

ending June 30, 2006. In addition, the Company has claimed that its success in obtaining these judgments after a jury trial confirms its contention that it was the victim of naked short selling.

The Receiver has sought to evaluate the collectability of these judgments. While the judgments are valid, and collection efforts are ongoing, the Company's characterization of them as "substantially collectible" does not appear to be correct. The amounts that may be realized from these collections efforts, while not insignificant, are only a fraction of the $700 million awarded and will not be sufficient even to cover the debts of the Company. Moreover, since these judgments were obtained in essentially uncontested trials, the validity of the Company's claim that it was the victim of naked short selling was never actually put to the test.

The history of these judgments is as follows:[1] In 1998, the Company sued Ronald Williams, Walter Kolker, Select Capital Advisors, Inc., Sheldon Taiger, and South Beach Financial Corp., alleging that they had engaged in manipulation of the Company's shares to its detriment. Specifically, the allegation was that they had engaged in naked short selling of the Company's stock. The case against Williams, Kolker, and Select Capital Advisors, Inc. went to trial in 2001. Those defendants defaulted and presented no defense to the charges. The court entered judgment on liability in favor of the Company and against the defendants without any presentation of proof by the Company.

Damages were then tried to a jury. The Company's proof on this issue was the testimony of Altomare and Gunderson. They each testified that there had been instances where as many as 6-10 times the total outstanding shares of Universal traded in a very short amount of time such as

[1] This summary is primarily based upon information obtained by the Receiver from Company counsel, Arthur W. Tifford, who obtained the judgments and has been pursuing collection of the judgments.

a day or a week or a two week period. They testified that this would be physically impossible without shorting the stock. There was no independent, documentary or expert proof of naked short selling. Moreover, Altomare and Gunderson were not subjected to cross-examination, and no defense was presented.

Based on this presentation and the jury's verdict on damages, a judgment was entered against all three defendants jointly and severally for $388,908,600 ("the 2001 judgment"). It was comprised of $87,622,000 in compensatory damages, $26,286, 6000 of prejudgment interest and $275,000,000 in punitive damages.

The case against Taiger and South Beach Financial, who had been severed from the first trial, went to trial in 2003. At that trial, Taiger represented himself. No lawyer appeared for the defendants at trial. The only proof of short selling was again the testimony of Altomare and Gunderson of huge unexplained trading in the stock. The Company, again, won a judgment. The 2003 judgment was for $137,407,253.10, including pre-judgment interest.

Arthur W. Tifford, the attorney who brought these cases, has sought to collect on these judgments since they were entered. He entered into a standard commercial contingency agreement with the Company under which he is entitled to 40% of funds collected and expenses. The Receiver has continued that agreement on the same terms and conditions due to the great familiarity that Tifford has with the facts of the collection efforts.

The corporate defendants in these cases were dissolved, and no collection efforts were made against them. Tifford engaged in discovery in aid of execution and determined that Taiger was not worth pursuing and that Kolker had his assets well protected. He has, therefore, concentrated his efforts on Williams.

In March of 2005, Tifford, on behalf of the Company, entered into the first of two forbearance agreements with Williams. Under the first forbearance agreement, Williams could satisfy the judgment as against him by the payment of a floor of $4 million in cash and a ceiling of $20 million in stock. If Williams fulfilled his obligations under the forbearance agreement, that would be the end of collection efforts against him. He was required under the agreement to pay $250,000 in cash, for which he would get a dollar for dollar credit against the $20 million. Then there were incentives for him to pay in cash rather than stock. That is, for every dollar that he paid in cash during the first year of the agreement, he would receive credit for five dollars. As each year went by the amount of the credit decreased. If Williams paid in stock, the company was to receive $20 million worth of stock, but there were other requirements due to the need to liquidate the stock.

Williams eventually breached this first forbearance agreement. Before the breach, Tifford collected $987,500 in cash and shares of several different penny stocks, most of which were restricted at the time of acquisition. Some have since been liquidated. The total cash collected to date resulting from both the cash payment and stock liquidations is $1,123,500.71. That sum went to Tifford to pay his contingency fee, his expenses and other legal fees due him for representation of the Company.

Tifford is still holding some of the restricted penny stocks he received under this first forbearance agreement. It should be noted that these stocks are in Tifford's own name, but, that, of course, he holds them for the benefit of the Company and has accounted and agreed to account for all liquidations. As restriction periods expire, Tifford will seek to sell these stocks. If that stock, excluding the stock of one of the companies, Tandem Energy Holdings, Inc., a Nevada

corporation, which is discussed below, could be liquidated now, based upon the stock prices of those issues on October 25, 2007, the proceeds could be worth about $450,000 to the Company. [2]

There is active litigation over the stock Tifford holds of Tandem Energy Holdings, Inc., which he received from Williams under the first forbearance agreement. Tifford has brought suit in the Western District of Texas for conversion and other causes of action due to the efforts of that company to cancel shares that Tifford claims are property of Universal.

Tifford also obtained some promissory notes with a total unpaid face value of $300,000 and some accounts receivable which have not been evaluated from two penny stock companies at the time of the breach of the first forbearance agreement. He is litigating to collect on one of those notes.

Tifford has since entered into a second forbearance agreement with Williams under which Williams was to pay $500,000 on September 25, 2007. He is also supposed to pay over restricted shares in five different penny stock companies in which he has or will have an interest. As of the writing of this report, Williams is in breach of the second forbearance agreement, as the $500,000 has not yet been paid.

There have been a number of rumors surrounding the judgments and their collection. One was that early on the Company had located and was about to collect $183 million of the judgments. That rumor is wholly without foundation. Shareholders have also written that they were told that $15 million had recently been offered by Williams. No such offer was made.

[2] These estimates take into account the contingency fees due in the case but not expenses.

The Jackson memorabilia collection

Another potential asset of the Receivership was the Jackson family memorabilia collection. The Receiver has sought to determine the value, if any, of the Company's interest in this collection. The Company stated in a May 22, 2007 press release issued before the auction regarding the collection that: "We have previously valued the auction estimates from $30,000,000 to $200,000,000." The auction realized instead only $580,110.

The morass of litigation and money owed surrounding the acquisition and auction of this collection make it highly unlikely that any funds will be realized from the sale of this collection. The Receiver is, instead, seeking to minimize liabilities.

The Company purchased the Jackson memorabilia collection from Vintage Associates, LLC, a/k/a Vintage Pop. Vintage Associates, LLC had supposedly bought this collection from the bankruptcy court which had heard the bankruptcy case of the Jackson parents and two Jackson siblings. The Company was supposed to pay $4,000,000 for the collection in total but paid only $150,000. Because of this failure to pay, Vintage Associates, LLC claims that title to the collection did not pass to the Company.

In any event, Winter International Investment and Overtoun Holdings have filed suit in the Superior Court of New Jersey contending that Vintage Associates, LLC did not itself have title to the collection when it supposedly sold it to the Company. That litigation is still pending.

The Company arranged for the auction of the collection to be conducted by Guernsey's, an auction house. Guernsey's was not convinced of the value of the collection and, therefore, required the Company to agree not only to a commission of 15% but also to pay it a minimum commission of $700,000. The Company advanced $200,000 to Guernsey's against that

commission.

Before the auction could be held, both Michael Jackson and Janet Jackson, through counsel, challenged the Company's right to auction goods that they claimed were their personal items and which, according to them, should not have been part of the goods sold to the Company.

In brief, the parents of Michael Jackson and Janet Jackson and two of their siblings were the parties in a bankruptcy case entitled *In re Joseph Walter Jackson and Katherine Esther Jackson, Jermaine Lajuane Jackson and Tariano Adaryll Jackson*, United States Bankruptcy Court, Central District of California, Case No. SV 99-12461. Neither Michael nor Janet Jackson was a party to the bankruptcy proceeding. The Jackson family utilized a commercial storage facility to store property belonging to the Jackson parents and their nine children. The Bankruptcy Court allowed the sales of "non exempt" property of the family members who were in bankruptcy but made clear in an order that the property of third parties could not be transferred or sold. As Michael Jackson and Janet Jackson were third parties, their personal property could not be sold under that order.

Before the auction was held, the Company reached a settlement with Michael Jackson which was put on the record in the Clark County, Nevada District Court in Las Vegas on May 18, 2007. Pursuant to that settlement, a number of items were to be returned to Mr. Jackson, he would withdraw his objection to the auction going forward, and mutual releases would be exchanged. Counsel for the Company noted his agreement in open court to the settlement as it was spelled out on the record in court.

A similar settlement with Janet Jackson was in the final stages of negotiation at the time of the auction. The personal items which Michael Jackson and Janet Jackson specified were

delivered to the court and were not put up for auction. The Company, however, reneged on the Michael Jackson settlement. This resulted in the Company being held in contempt in court in Las Vegas. The court also ordered the Company to pay the fees of its opposing counsel. The goods at issue are still being held by the Las Vegas court.

The Company also failed to complete the settlement agreement with Janet Jackson and the items she claims are also still being held by the court in Las Vegas.

Based on the order of the Bankruptcy Court and the open court settlement announcement, the Receiver has agreed to reinstitute the settlement with Michael Jackson and further to complete the settlement with Janet Jackson. The Receiver will seek to have the contempt purged as a result of these actions.

As far as the Receiver can tell, there was no appraisal of the memorabilia collection, and the various estimates given by the Company and by Altomare were without any foundation. The auction house's requirement of a minimum commission of $700,000 was not a standard term and resulted from its determination that the collection might not have enough value to support the ususal 15% commission. Moreover, there was no reserve placed on the goods to be auctioned, indicating no calculation of any minimum value. And the removal of the goods of Michael Jackson and Janet Jackson affected the value of the collection. The auction generated only $580,110.[3] Together with the $200,000 advance the Company had paid, Guernsey's received $780,110. Subtracting the $700,000 minimum commission owed to Guernsey's left a balance of $80,110 due to the Company as what it earned in the auction. However, the Company had agreed

[3] As one of the attorneys representing one of the parties in this litigation stated, "the auction valued the collection."

to indemnify Guernsey's for any expenses related to the auction. Legal fees for the various litigations more than exhausted that balance.

A number of items were put up for sale at the auction but not purchased by anyone and a number of items were purchased at the auction but not paid for. These items are being kept in warehouses in Nevada. The value of these items cannot presently be given, but it should be noted that these are the auction rejects. There is also a piano which is being held by Guernsey's in New York. Those items must still be dealt with.

The collection also consisted of some master tapes of various Jackson family recordings. Those items have not been located, and there is reason to believe that Altomare has them in his possession and is seeking to sell them. Counsel for Michael Jackson has informed the Receiver that these recordings would in any event be protected by Jackson's copyright and, according to him, could not legitimately be sold.

Sales of subsidiaries

The Receiver has had no alternative but to sell assets of the Company. As noted in the prior report, there were no funds to keep the Company's operating subsidiaries in operation. At the commencement of the Receivership, the Company's bank accounts held approximately $80,000. The Company had not paid its rent, could not pay its payroll, was over $133,000 in the red to its major operational vendor, Federal Express, and was being run on the backs of its employees who charged company expenses on their personal charge cards to keep the company afloat. These operational deficits were independent of the millions of dollars of indebtedness incurred in advertising in sports arenas, on race cars, etc., and with an army of advertising and press agents.

The Receiver sought to maximize the value of the Company's assets in the sales negotiated. In seeking to determine the value of the operating subsidiaries, the Receiver reviewed the accounting records, met with and spoke with ex-employees on numerous occasions and interviewed persons interested in buying the companies after they performed their due diligence.

It should be noted that, while Altomare was running the Company, few funds were spent on operations and improvements to operations. The great majority of funds spent was spent on various sorts of advertising and on acquisitions of subsidiaries. This advertising, largely in the name of Universal Express and not in the name of the operating subsidiaries, appears to have been targeted to investors and not to potential customers. There was a drive for revenues and market share more than profits, so pricing to customers was haphazard and ad hoc with many discounts given. In fact, the Receiver was told that the pricing for Luggage Express and Virtual Bellhop was below what was required pursuant to the contract with FedEx. Moreover, other companies provide the same services that the operating subsidiaries were providing.

Very little money was invested in systematizing operations. There were no real computer systems of value. Most of the employees kept track of their various responsibilities by use of excel spreadsheets developed by the particular employee. The credit card payment system was not integrated with the accounting system or with any other system, resulting in much duplication of effort and multiplication of errors.

The assets of each subsidiary, then, consisted of the intellectual property, such as domain names and trademarks, telephone numbers and the list of customers. A number of potential buyers contacted the Receiver, did due diligence, and made offers for the subsidiaries sold, and the Receiver accepted the best offers.

The Receiver sold the assets of the Luggage Express and Virtual Bellhop subsidiaries to Sports Express for $100,000, contingent on the approval of the Court. This was the highest offer received. Sports Express had earlier offered $125,000 but reduced the offer when the contract with Crystal Cruise Lines, Virtual Bellhop's primary source of revenue, was terminated. As noted above, the assets of these subsidiaries consist mostly of the intellectual property and the customer list. The software for the Company was primitive. Additionally, Sports Express engaged two of the Company's former employees.

The Receiver sold the assets of Madpackers, Inc. to Larry Byron for approximately $75,000. The bulk of this money will not go to the estate but to the various people who kept that company operating through the campus delivery season. The sale of these assets, which again, consist mostly of the customer list and intellectual property, was very complicated. Due diligence was performed by a number of companies, some of whom submitted offers and some of whom passed after reviewing information about the company. Mr. Byron had owned another company engaged in the same sort of business. He had sold that company to Universal Express, which failed to pay the total amount of the contract. Mr Byron had been operating the company together with another long time employee, Eric Veleker, since the Receivership began.

Litigation Resolved

The Company is involved in numerous lawsuits, and the Receiver has spent considerable time investigating these cases, especially as one of the Company's chief attorneys in many of these cases, David DeToffol, has not cooperated with the Receiver. In addition to the parts of the Jackson litigation which are in the process of being settled, as described above, the following cases have been resolved as of the writing of this second report:

Universal Express, Inc. v. MARC USA/Miami, S.D.N.Y.

MARC provided advertising and online design services to the Company beginning in June 2005. Under the parties' agreement, the Company was to pay a monthly fee plus reimbursement of expenses. The Company was to be solely liable for debts to media vendors. The Company went into arrears in 2006 on payments to MARC and by mid - 2006, owed more than $370,000 to MARC. The parties then renegotiated their agreement. The Company, however, failed to pay under the new agreement. In September 2006, the Company sued, complaining that MARC's work was unsatisfactory. MARC, however, produced many work plans that the Company had approved at the time. Moreover, the Company paid a substantial sum before falling into arrears without complaint. MARC counterclaimed against the Company for the Company's failure to pay media vendors.

This case is related to Curtco Robb Media v. Universal Express, Inc., in Palm Beach County Circuit Court. That suit alleges that the Company owes the plaintiff $29,212 since November 9, 2005 for advertising services. The Company filed a third party complaint against MARC USA/Pittsburgh, Inc. in that case stating that MARC was responsible for Curtco's loss.

The Receiver determined that the likelihood of success for the Company in these lawsuits was minimal, and there were no funds to pay an attorney to litigate the case. The Receiver and counsel for MARC USA/Miami, Inc. have negotiated an exchange of dismissals and releases. This results in a reduction of funds owed by the Company to creditors. However, the Curtco action in Florida remains outstanding.

Universal Express, Inc. v. CDS Merger Subs, et al
State of New York, Supreme Court, Albany County

The Company sued Defendants alleging a breach of a supposed right of first refusal set forth in a Stock Repurchase Agreement. The Receiver obtained and reviewed the relevant documents in the case and determined that the Stock Repurchase Agreement, however, does not provide that right to the Company. Moreover, it appears likely, given the financial condition of the Company, that the Company could not have performed the agreement had it in fact been offered. The Defendants filed a number of counter claims against the Company. In September 2007, one of the defendants, Coach Industries, filed for bankruptcy under Chapter Eleven. The Receiver has agreed to an exchange of releases with the defendants. The Receiver determined that this outcome was in the best interest of the Company because the chances of winning a judgment were low, there were no funds for an attorney, and the Company was exposed to more liability on the counterclaim.

Other

SEC filing

On October 22, 2007, the Receiver filed a Form 12b-25 with the SEC, noting that the Form 10K-SB could not be timely filed.

New accounts payable

Attached hereto as Exhibit A is a schedule of new bills that have been received since the last Receiver Report. The total of these new payables is $2,664,722.59. The total outstanding current payables, as far as the Receiver can now tell, is $5,922,648.77.

Website

The Receiver has posted orders of the Court and the Receiver's Report on the Universal Express website located at usxp.com.

Altomare's use of corporate funds

Credit cards

Altomare had a number of personal credit cards which were in his name. Those credit cards were paid for by the Company, however, and there are no records of any reimbursement by Altomare of those funds. Overtly personal items, such as clothing, were accounted for by the bookkeeper as added salary. All hotels, airfare, and meals was simply paid by the Company and accounted for as business expenses.

Les Bijoux

Bank account records of the Company show that between April 13, 2006 and May 16, 2007, the Company paid $558,900 to Les Bijoux, a retail jeweler located in Boca Raton. On or about October 5, 2007, the SEC learned that Altomare had taken the jewelry purchased from Les Bijoux to The Estate Department, Inc., a second hand jewelry dealer, where he personally had obtained $500,000 in cash for that jewelry. On or about October 10, 2007, the Receiver served a writ of execution for the SEC and obtained the jewelry, which is now being held in a safe deposit box. The SEC has filed a motion in the case to determine the ownership of the jewelry.

Private airplane trips

The Receiver reviewed the records of the Company and determined that the Company had chartered private jets on 30 occasions between January 11, 2007 and June 22, 2007. The Company paid $272,464.20 and, according to Universal Jet, additionally owes it $223,110.04 for these

flights. Exhibit B, attached hereto, details these expenses. [4]

Markers

Bank records reflect that the Company paid $30,000 to cover Altomare's markers at the Wynn Las Vegas in July 2007.

Demand to Altomare

The Receiver has made demand on Altomare for the return of Company funds expended on jewelry, gambling markers, and an unwarranted bonus.

Note to Shareholders

Many shareholders have written asking what to do about and with their shares in the Company. The Receiver cannot offer advice on this issue.

Many shareholders have written complaining that the Receiver has ceased operating various subsidiaries. None have suggested how these companies could be run without funds.

Receipts and Disbursements of the Receivership

The receipts and disbursements of the Receivership since the last report are attached as Exhibit C.

Respectfully submitted,

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[4] Altomare also charged the Company for two one way tickets from Miami to London on Virgin Atlantic Upper Class at $8,123.91 each.

CERTIFICATE OF SERVICE

I hereby certify that on November , 2007, I electronically filed the with the Clerk of the Court for filing and uploading to the CM/ECF system which will send notification to the following as indicated to the parties listed below.

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