

Monday, July 18, 2005

Via Certified Mail

Mr. Mike Eskew
United Parcel Service
Chairman and Chief Executive Officer
UPS Corporate Headquarters
55 Glenlake Parkway NE
Atlanta, GA 30328



RE: The Brown Board Owners Association, Inc.

Dear Sir,

It is our intent and an integral part of our Mission Statement to represent the interests of The UPS Stores. With our stated objectives in mind, we felt compelled to inform you by way of this letter, of the concerns and issues as communicated to us by our membership stores, as well as our plans for alleviating the concerns and eliminating the issues.

A significant sampling of the stores indicates the following: many stores have had to close their doors or have been put up for sale, requiring in some cases that these owners file bankruptcy after losing their life savings. The store owners initially made their decisions based on forward looking statements made by you, as well as other UPS/MBE representatives, concerning the future growth potential of The UPS Store model, mainly The Gold Shield Program.

Over sixty percent of the network stores are losing money contrary to what is being stated by MBE and the Area Franchisees. Immediate relief is essential and our proposals consist of a short term as well as a long term plan.

Short term:

- An increase of profit margins on shipping to 70%
- Implementation of a stepped royalty scale for each store based on that store's STR, in essence, stores below a \$25,000 dollar monthly STR would pay no royalties. Stores achieving a monthly STR greater than \$25,000 dollars but less than \$42,000 dollars per month would pay a 2% royalty. More than \$42,000 dollars per month but less than \$62,500 dollars would pay 4%, and stores achieving greater than \$62,500 dollars would peak at a 5% royalty.

This royalty plan would give the new stores a chance to build their revenue base during those very important initial months of operation. It also provides an incentive for UPS to help stores build their STRs while giving the stores protection against over-saturation of franchise areas.

- Increase the compensation paid to the stores for processing ARS/BIN packages. The following is proposed: ARS/BIN packages should be compensated at 30% of shipping costs.
- The right and ability to negotiate with national vendors. UPS can provide standard specifications to ensure uniformity within the network.

Long term:

- Eliminate MBE's involvement with The UPS Stores. This action will save The UPS Stores approximately \$100 million dollars and it still will be able to fund UPS representatives to monitor the various franchise areas.
- Restructure of Area Franchisees to become UPS regional and area support personnel, which would serve the UPS network, and save UPS corporate an additional \$20 million dollars annually.
- Integrate the UPS system into The UPS Stores (i.e. UPS Computers, and all related shipping equipment as well as software).
- Adopt a percentage fee to be paid to UPS for all shipping products.
- Include UPS on all store leases (equipment leases would be 100% the responsibility of the stores).
- A program for controlling areas that have become over-saturated by placing demographic limits on the proximity of stores and then only when an existing store achieves a negotiated STR level.
- A corporate plan to buy out those stores that are already in over-saturated areas, set plan being based on criteria satisfactory to both store owners and UPS.

In summary, the intent of the long term plan is to eliminate altogether the involvement of MBE within The UPS Store network. Such a plan would enable The UPS Stores to be directly linked to UPS as direct representatives, and outlets capable of performing all counter functions of UPS, while maintaining franchisee autonomy and viability as profitable enterprises.

Unfortunately, in each store there remains references to MBE, and customers still believe us to be multi-platform stores. We are not, nor do we wish to be, as long as we are truly treated as a UPS affiliate. On the other hand, we believe that as long as the UPS brand is displayed in our stores and if we truly become representatives of UPS, any reference or affiliation to MBE will continue to have a negative impact on the image and the profitability of our stores.

Conversations with prominent financial analysts are of great interest to us. These analysts, who are aware of the problems that exist, predict that based on present performance, the entire UPS Store network will probably collapse within 1-2 years.



We request that any future agreements or modifications of set agreements not be made unilaterally as has been the policy of MBE. All modifications should include negotiations with the representatives of The UPS Stores namely, The Brown Board Owner's Association.

Due to the urgency of the issues and concerns that we've discussed above, we request a meeting within a 30 day period with members of our board of directors at a venue of your choice.

Yours Truly,

The Board of Directors
The Brown Board Owner's Association

Michael J. Rodriguez
Phone: (770) 458-3285
E-mail: mrodriguez@thebrownboard.com

Aaron D. Fray
Phone: (302) 737-4847
E-mail: afray@thebrownboard.com

Larry Bowdoin
Phone: (334) 462-3843
E-mail: lbowdoin@thebrownboard.com

Gary Zhou
Phone: (302) 230-6390
E-mail: gzhou@thebrownboard.com

Robert H. Appert
Phone: (626) 695-7766
E-mail: rappert@thebrownboard.com

Michael Koch
Phone: (919) 602-1404
E-mail: mkoch@thebrownboard.com

Barry Barnes
Phone: (281) 923-1260
E-mail: bbarnes@thebrownboard.com

Keith Ogren
Phone: (206) 624-3313
E-mail: kogren@thebrownboard.com



THE BROWN BOARD
STORE OWNERS UNITED
IT'S UP TO US

The Brown Board Owner's Association, Inc., 1208 S. San Gabriel Blvd., San Gabriel, CA 91776