

Courier Industry Alert

Dear TBS Customers,

As you may or may not have known, many courier companies are being, and will be, audited by the Employment Development Department (EDD) of the state of California by the end of July 2007. The reason for the audit is that many courier companies, large and small, use independent contractors as their couriers/messengers, drivers, etc.

The independent contractor business model in the courier industry has raised many speculations by EDD and the California State Compensation Fund with issues of insurance fraud for many years. Many courier companies are still using this business model.

Courier companies that have independent contractors use companies, some privately-owned, that offer independent contractors occupational accident coverage to avoid paying company payroll taxes and worker's compensation premiums. Members of these companies have been charged with insurance fraud for making false claims. Since 2003, there has been over \$37 million paid in back taxes and penalties by courier companies using independent contractors.

TBS Couriers does not implement the independent contractor business model. ALL of our couriers are employees of TBS, NOT independent contractors.

We want our customers to be aware that TBS Couriers will not be affected by this alarming investigation.

Sincerely,

TBS Couriers Management

Source:

1. Green, Frank. "8 Executives Indicted Here in Insurance Fraud," The San Diego Union Tribune May 6, 2006.
2. Lifsher, Marc. "8 Arrested in Alleged Insurance Fraud," Los Angeles Times May 5, 2006.
3. Reinert, Sue. "Suit Says 6 Were Denied Pay For Overtime." The Patriot Ledger May 1, 2006.
4. "How Do You Spell Crisis in California?...EDD," Messenger Courier World Spring 2006.
5. "Insurance Firm's Employees Plead Not Guilty to Fraud," The San Diego Union Tribune May 17, 2006.