SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

FOR ANNUAL AND TRANSITION REPORTS

PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2001

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-15451

United Parcel Service, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**58-2480149**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
55 Glenlake Parkway, N.E.	
Atlanta, Georgia	**30328**
(Address of Principal Executive Offices)	*(Zip Code)*

(404) 828-6000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Class B common stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Class A-1 common stock, par value $.01 per share
Class A-2 common stock, par value $.01 per share
Class A-3 common stock, par value $.01 per share

(Title of Class)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

As of February 1, 2002, the aggregate market value of the class B common stock held by non-affiliates of the registrant was approximately $21,683,077,233. As of February 1, 2002, non-affiliates held 665,167,890 shares of class A common stock and 381,811,538 shares of class B common stock. The registrant's class A common stock is not listed on a national securities exchange or traded in an organized over-the-counter market, but each share of our class A common stock is convertible into one share of the registrant's class B common stock.

As of February 1, 2002, there were 733,125,341 outstanding shares of class A common stock and 382,337,438 outstanding shares of class B common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its annual meeting of shareowners scheduled for May 16, 2002 are incorporated by reference into Part III of this Report.

PART I

Item 1. ***Business***

Overview

We are the world's largest express carrier, the world's largest package delivery company and a leading global provider of specialized transportation and logistics services. We were founded in 1907 as a private messenger and delivery service in the Seattle, Washington area. Over the past 95 years, we have expanded from a small regional parcel delivery service into a global company. We deliver packages each business day for 1.8 million shipping customers to six million consignees. In 2001, we delivered an average of more than 13.5 million pieces per day worldwide. Total revenue in 2001 was over $30.6 billion. We focus on the movement of goods, information and funds, and we seek to position ourselves as the world's premier enabler of global commerce.

Our primary business is the time-definite delivery of packages and documents throughout the United States and in over 200 other countries and territories. We have established a vast global transportation infrastructure and developed a comprehensive portfolio of guaranteed delivery services, and we support these services with advanced technology. We provide logistics services, including integrated supply chain management, for major companies worldwide. We are the industry leader in the delivery of goods purchased over the Internet.

Competitive Strengths

We have the following competitive strengths:

Global Reach and Scale. We believe that our integrated global ground and air network is the most extensive in the industry. We operate a ground fleet of more than 150,000 vehicles, ranging from custom-built delivery vehicles to large tractors and trailers, and almost 600 airplanes. In the U.S., we estimate that our integrated door-to-door delivery system carries goods having a value in excess of 6% of the U.S. gross domestic product, and we reach all U.S. businesses and residential addresses. We have invested billions of dollars in information technology, a fleet of airplanes and sorting facilities across our vast global delivery network. Based on the number of jet aircraft operated, we are the ninth largest airline in North America. Our primary air hub is located in Louisville, Kentucky.

We established our first international operation in Canada in 1975, and we created a domestic operation in West Germany in 1976. In the 1980s and early 1990s, we expanded our operations throughout Europe as the single market created by the European Union drove the need for pan-European delivery services. Today, we have what we believe is the most comprehensive integrated delivery and information services portfolio of any carrier in Europe, and we offer a broad portfolio of time-definite services, ranging from same-day delivery to logistics solutions for total supply chain management.

In the last decade, we created more than two dozen alliances with Asian delivery companies to supplement company-owned operations, and we currently serve more than 40 Asia Pacific countries and territories. Direct service between the U.S. and China began in April 2001. In April 2002, we plan to open a new intra-Asia hub at Clark Air Force Base in the Philippines to enable future growth in the region.

We also have operations in Latin America and the Caribbean, and we are positioned to capitalize upon the growth potential in those regions. We are the largest air cargo carrier in Latin America, and we are a leading provider of service parts logistics in Latin America and the Caribbean. In addition, we have formed alliances with a number of service partners in countries throughout our Americas region.

Technology Systems. We have expanded our reputation as a leading package distribution company by developing an equally strong capability as a mover of electronic information. In 2001, we transmitted about 1.25 billion packets of data via wireless networks, and we currently collect electronic data on about 12.2 million packages each day — more than any of our competitors. As a result, we have improved our efficiency and price competitiveness, and we provide improved customer solutions.

We have made significant investments in technology over the past decade. In 2001, *InfoWorld* magazine named UPS among the top 10 of its "InfoWorld 100" ranking for "leveraging the latest technology to bolster business efforts, maximize return on investment, streamline business processes, reduce costs, save resources, improve customer service, and create new streams of revenue." *Computerworld ROI* magazine designated UPS as one of the top wireless innovators in 2001 for "successfully employing emerging and rapidly evolving wireless technologies to accomplish strategic business goals in new and innovative ways." The state-of-the-art technology that we deploy over our network enables us to serve our customers globally in the most efficient ways. This technology provides our customers with total order visibility and improves customer service, receiving, order management and accounting operations. Currently, we process about 87% of our domestic volume using a UPS shipping system or a UPS-compatible shipping system.

The following are examples of our technology:

- We built and maintain the world's largest private DB2 database.
- We use the "DIAD", which is the fastest and most complete delivery information hand-held computer used by any delivery company in the world.
- In selected hubs, we have installed sophisticated, automated sortation systems to improve processing speed and operational efficiency.
- We offer more on-line service options than any other delivery company, enabling our customers to integrate UPS functionality into their own businesses — not only to conveniently send, manage and track their shipments, but to provide their own customers with better information services.

E-Commerce Capabilities. We are a leading participant in and facilitator of global e-commerce, which we define as the use of networked computer technology to facilitate the buying and selling of goods and services. According to Forrester Research, by 2004, business-to-business electronic commerce will grow to $6.3 trillion, and online transactions will account for 17% of business trade volume in the U.S. and 18% of world exports. The U.S. Department of Commerce also shows that online retail sales increased over 19% in 2001. We are enabling our customers around the world to thrive in this environment by providing a portfolio of technology solutions that integrate critical transportation information into their business processes.

We have teamed with companies such as SAP, Oracle and eBay to offer fully integrated web-enabled solutions for our customers. These solutions give our customers, and our partners' customers, direct access to UPS services and information from within their websites and business applications. This integration allows customers to improve their supply chain efficiency, provide better decision-making information and improve customer service. At the same time, we gain a competitive advantage as the high-value transportation solution.

We have also expanded access to UPS around the globe through our website, www.ups.com®, our wireless solutions and our innovative set of UPS OnLine® Tools. Our website strategy is to provide our customers with the convenience of all the functions that they otherwise would perform over the phone or at one of our shipping outlets. UPS.com receives over 60 million hits and processes over 5.7 million package tracking transactions daily. Some of those tracking requests are now coming from customers in the 34 countries that have wireless access to UPS tracking information. Businesses in 37 countries can also download our interfaces to UPS transportation functionality, known as UPS OnLine Tools, to their own websites for direct use by their customers. This allows users to access the information they need without leaving our customers' websites. Two new OnLine Tools introduced in 2001 include UPS Shipping and UPS Signature Tracking™.

Broad, Flexible Range of Distribution Services. Our portfolio of services enables customers to choose the delivery option that is most appropriate for their requirements. All of our air, international and business-to-business ground delivery service offerings are guaranteed.

Our express air services are integrated with our vast ground delivery system. This integrated air and ground network enhances pickup and delivery density and provides us with the flexibility to transport packages using the most efficient and cost-effective transportation mode or combination of modes. Our sophisticated engineering systems allow us to optimize our network efficiency and asset utilization.

We make guaranteed international shipments to more than 200 countries and territories worldwide, including guaranteed overnight delivery of documents to the world's major business centers. We offer a complete portfolio of time-definite services for customers in major markets. To make our services more easily available and to integrate our presence on the web wherever e-commerce is taking place, we have developed a wide range of Internet tools accessible both from our website and from the websites of many of our customers.

Customer Relationships. We serve the ongoing package distribution requirements of our customers worldwide and provide additional services that both enhance customer relationships and complement our position as the world's premier enabler of global commerce.

We focus on building and maintaining long-term customer relationships. We deliver packages each business day for 1.8 million shipping customers to six million consignees. In addition, thousands of other customers access us daily through On Call Air Pickup® for air delivery services, about 47,000 letter drop-boxes, and over 11,000 independently owned authorized shipping outlets.

We place significant importance on the quality of our customer relationships and conduct comprehensive market research to monitor customer perceptions. Since 1993, we have conducted telephone interviews with shipping decision-makers virtually every business day to determine their satisfaction with delivery providers and perception of performance on 17 key categories of service factors. We use the telephone interview data to develop a statistical model that identifies those service factors that have the greatest impact on improving customer satisfaction. This proprietary Customer Satisfaction Index allows us to continuously monitor satisfaction levels, to focus our sales and communications efforts and new service developments and to develop process improvement initiatives.

Brand Equity. We have built strong brand equity as a leader in quality service and product innovation in our industry. Among the factors that contribute to our brand equity are our:

- friendly, professional delivery employees and familiar brown delivery vehicles;
- long history of service reliability;
- comprehensive service portfolio;
- state-of-the-art technology;
- history of innovation and industry firsts;
- competitive pricing;
- consistent advertising and communications to customers and the public about our evolving capabilities; and
- longstanding and significant contributions to the communities in which we live and work.

Our brand has successfully made the transition from a U.S.-based ground delivery company to a global time-definite service provider with the ability to launch innovative new products and services around the globe. For example, we were the first company to offer next-day delivery to every address in the 48 contiguous states and guaranteed next-business day delivery of packages and documents by 8:00 a.m. or 8:30 a.m. We also were the first full-service carrier to introduce same-day delivery services in the U.S., and the first to provide guaranteed nationwide ground service in the U.S.

Increasingly, our customers recognize that we are an innovator of transportation and information-based business solutions on a broadening global scale. For example, in 2000 we launched UPS Signature Tracking, which allows customers to electronically view the actual signature image of the person who signed for a shipment at a delivery as captured on the delivery driver's handheld computer. The information includes the full delivery address and, if applicable, the C.O.D. amount. We introduced this service in a secure environment on *www.ups.com* in 13 European countries, the U.S., Canada and Puerto Rico. In 2001, we expanded this service to include a total of 15 European countries, 18 Asia-Pacific countries and four Latin American countries. UPS Signature Tracking has reduced significantly the number of phone calls to our

customer service centers for these information requests, with a 13.2% reduction achieved on our busiest day in December 2001 compared to December 2000.

Distinctive People and Culture. Our people are our most valuable asset. We believe that the dedication of our employees results in large part from our distinctive "employee-owner" concept. Our employee stock ownership tradition dates from 1927, when our founders, who believed that employee stock ownership was a vital foundation for successful business, first offered stock to employees. To facilitate stock ownership by employees, we maintain several stock-based compensation programs. Currently, employees, retirees, founders' families and foundations own about 66% of our total outstanding shares and control about 95% of the voting power of our outstanding stock.

Our long-standing policy of "promotion from within" complements our tradition of employee ownership, and this policy has reduced significantly our need to hire managers and executive officers from outside UPS. A majority of the members of our management team began their careers as full-time or part-time hourly UPS employees, and have since spent their entire careers with us. Our chief executive officer and most of our executive officers have more than 25 years of service with us and have accumulated a meaningful ownership stake in our company. Therefore, our executive officers have a strong incentive to effectively manage UPS, which benefits all of our shareowners.

Our many community service activities include:

- *The UPS Foundation.* Since 1951, The UPS Foundation has provided financial support to alleviate social problems — most notably programs that support family and workplace literacy, food distribution and nationwide volunteerism. The UPS Foundation also supports high-impact educational and urgent human needs programs.

- *Community Internship Program.* For over 30 years, selected managers have participated in four weeks of intense community service in underprivileged areas. We designed this initiative to educate managers about the needs of a diverse workforce and customer base and to allow these managers to apply their problem solving skills in the community.

- *United Way.* Since our first campaign in 1982, we and our employees have contributed over $500 million to the United Way. In its 2001/2002 campaign, UPS became the largest corporate donor in United Way history, awarding over $52 million in corporate and employee contributions.

- *Welfare-to-Work.* In 1997, we became one of the five founding members of the White House-sponsored welfare-to-work program, which places people on public assistance into private sector jobs. We have developed, trained and mentored over 50,000 qualified candidates nationwide for positions at UPS.

- *School-to-Work.* We have introduced a school-to-work program, which promotes education and real-world work experience for at-risk youth.

Financial Strength. Our balance sheet gives us financial strength that few companies can match. As of December 31, 2001, we had a balance of cash, cash equivalents, marketable securities and short-term investments of approximately $1.6 billion and shareowners' equity of $10.2 billion. Long-term debt was $4.6 billion. Our financial strength has given us the resources to achieve global scale and to make needed investments in technology, transportation equipment and buildings to facilitate our growth.

Growth Strategy

Our growth strategy is designed to take advantage of our competitive strengths while maintaining our focus on meeting or exceeding our customers' requirements. The principal components of our growth strategy are as follows:

Build on Our Leadership Position in Our Core Domestic Business. Our U.S. package operation is the foundation of our business and the primary engine for our future growth. We believe that our tradition of reliable parcel service, our experienced and dedicated employees and our unmatched delivery system provide

us with the advantages of reputation, service quality and economies of scale that differentiate us from our competitors. Our strategy is to increase core domestic revenues through cross-selling our existing and new services to our large and diverse customer base, to limit the rate of expense growth and to employ technology-driven efficiencies to increase operating profit. Our core business also is a springboard for our growth in all other areas, including international, logistics, supply chain management, e-commerce and financial services. We plan to focus on maintaining and improving service quality, meeting customer demands and providing innovative service offerings in order to continue to grow domestic package revenues.

Continue International Expansion. We have built a strong international presence through significant investments over a number of years. In 2001, our international package operations generated $4.2 billion of revenue. The international package delivery market has grown, and continues to grow, at a faster rate than the U.S. market. We plan to leverage our worldwide infrastructure and broad product portfolio to continue to improve our international business mix, to grow high margin premium services and to implement cost, process and technology improvements.

Europe, which includes our operations in Africa and the Middle East, remains our largest regional market outside of the U.S. As the European Community evolves into a single marketplace, with well-established regional standards and regulations, we believe that our business will benefit from additional growth within Europe as well as continued growth in imports and exports worldwide. We plan to solidify and expand our market position in Europe, where we already have created a pan-European network. We believe that we have the strongest portfolio of pan-European services of any integrated carrier in Europe, combining time-definite delivery options and related information capabilities. We plan to continue to expand our service offerings in Eastern Europe and the Middle East.

We continue to invest in infrastructure and technology in Asia. Direct service between the U.S. and China began in April 2001. In April 2002, we plan to open a new intra-Asia hub at Clark Air Force Base in the Philippines to enable future growth in the region. This hub will complement our existing hubs in Hong Kong and Taiwan and allow us to more aggressively pursue the Asian express market and improve our Europe-to-Asia service. We also have acquired landing slots on the new runway at Tokyo's Narita Airport, which will enhance access and connections to the new intra-Asia hub. We continue to seek additional operating rights in a number of countries, including Hong Kong, Japan, China and South Korea. We now have express handling centers at Incheon Airport in Seoul and Pudong Airport in China, and we recently expanded our code-sharing arrangement with Nippon Air Cargo.

We also have introduced technology, including UPS Signature Tracking and the DIAD, in critical Asia markets. We have expanded our native language capabilities with traditional and simplified Chinese, Japanese and Korean, and we are committed to bringing our wireless service to cell phones and PDAs throughout Asia.

We believe that there is significant untapped potential for us to expand our service offerings in Latin America. To this end, we have introduced overnight delivery between key cities in Mercosur and other trade blocs. In November 2001, we opened our Americas International Gateway in Miami, Florida. This new gateway complements our current operations in Florida and Latin America and represents our commitment to the Americas market. We are the largest air cargo carrier in Latin America, and we believe that this position will enable us to further develop our cargo business and provide advantages in pursuit of additional express package volume.

Provide Comprehensive Supply Chain and Financial Solutions. Many businesses have decided to outsource the management of all or part of their supply chains to streamline and gain efficiencies, to strengthen their balance sheets and to improve service. We anticipate that there will be further demand for a global service offering that incorporates transportation, service parts logistics and supply chain services with complete financial support and information services. We believe that we are well positioned to capitalize on this growth for the following reasons:

- We now redesign and operate supply chains for major companies in 120 countries, with about 25 million square feet of distribution space and over 500 facilities worldwide, and we have acquired leading supply chain management and service parts logistics providers throughout the world.

- We focus on technology, reengineering and management-based solutions for our customers rather than focusing solely on more traditional logistics assets like warehouses and vehicle fleets.

- We maintain long-term relationships with our customers, which allows us to share our expertise in supply chain management across many industries and geographies, to establish innovative ways to speed products to market and to recommend to our customers more efficient services for their customers. We seek to strengthen our customers' financial and logistical performance.

- Through the 2001 acquisition of Fritz Companies Inc., a global freight forwarding, customs brokerage and logistics business, and other customs brokerage acquisitions, we provide a broad range of transportation solutions to customers worldwide, including air, ocean and road freight, as well as trade management and materials management. We offer the flexibility to meet global freight and customs brokerage requirements through an integrated worldwide network in 120 countries.

- Through UPS Capital Corporation, we offer a full portfolio of financial services that provides customers with short and long term financing, secured lending, working capital, government guaranteed lending, lines of credit, global trade financing, credit cards, equipment leasing and insurance.

Leverage Our Leading-Edge Technology and E-Commerce Advantage. According to Forrester Research, online retail sales will grow 44.4% during 2002 to $74.4 billion. We believe that e-commerce will drive smaller and more frequent shipments and provide a strong complement to our core delivery service offerings.

Our goal is to integrate our technology into the business processes of our customers, providing information to assist them in serving their customers and improving their cash flows. We also will use our technology and our physical infrastructure to help provide the operational backbone to our customers striving to create new business models in e-commerce. These new business models generally will operate in just-in-time or manufacturer-direct distribution modes, which are heavily dependent on smaller, more frequent shipments. In the process, we will gain knowledge of new repeatable business models and market this expertise elsewhere. A key component of this strategy is to expand relationships with technology providers in areas such as enterprise resource planning, e-procurement and marketplace solutions, and to integrate our technologies into their solutions and into the websites and systems of their and our customers.

Our leading-edge technology has enabled our e-commerce partners to integrate our shipping functionality into their e-commerce product suites. Our partners' products are being installed throughout the Internet, and we expect these integrated systems to provide us with a competitive advantage. In addition, the technology we integrate into our partners' products creates significant value for our customers through reduced cycle times, lower operating costs, improved customer service, enhanced collections and the ability to offer strong delivery commitments.

Our website at *www.ec.ups.com* supports our commitment to e-commerce, promotes the advantages of e-commerce and spotlights our unique position with regard to the facilitation of e-commerce.

Pursue Strategic Acquisitions and Global Alliances. In order to remain the preeminent global company in our industry, we will continue to make strategic acquisitions and enter into global alliances. We are positioned to pursue strategic acquisitions and enter into global alliances that can:

- complement our core business;

- build our global brand;

- enhance our technological capabilities or service offerings;

- lower our costs; and

- expand our geographic presence and managerial expertise.

During 2001, we completed 12 acquisitions, which were concentrated primarily in the non-package segment and the customs brokerage industry. These included:

- *Fritz Companies, Inc.* In May 2001, we acquired Fritz Companies, Inc., a global freight forwarding, customs brokerage and logistics company in a transaction in which we issued 7.3 million shares of class B common stock valued at approximately $456 million.

- *First International Bancorp, Inc.* In August 2001, we acquired First International Bancorp, Inc., a provider of structured trade finance, commercial and government-backed lending products, in a transaction in which we issued 1.1 million shares of class B common stock valued at approximately $54 million.

- *Mail Boxes Etc.* In April 2001, we acquired substantially all of the assets of Mail Boxes Etc., the world's largest franchisor of independently owned and operated business, communication and shipping centers, for approximately $185 million in cash.

Products and Services — Package Operations

Domestic Ground Services

For most of our history, we have been engaged primarily in the delivery of packages traveling by ground transportation. We expanded this service gradually, and today our standard ground service is available for interstate and intrastate destinations, serving every address in the 48 contiguous states and intrastate in Alaska and Hawaii. We restrict this service to packages that weigh no more than 150 pounds and are no larger than 108 inches in length and 130 inches in combined length and girth. In 1998, we introduced *UPS Guaranteed Ground*^{SM}, which gives guaranteed, time-definite delivery of all commercial ground packages.

In addition to our standard ground delivery product, *UPS Hundredweight Service*® offers discounted rates to customers sending multiple package shipments having a combined weight of 200 pounds or more, or air shipments totaling 100 pounds or more, addressed to one recipient at one address and shipped on the same day. Customers can realize significant savings on these shipments compared to less-than-truckload (LTL) or air freight forwarder rates. UPS Hundredweight Service is available in all 48 contiguous states.

Domestic Air Services

We provide domestic air delivery throughout the United States. *UPS Next Day Air*® offers guaranteed next business day delivery by 10:30 a.m. to more than 75% of the United States population and delivery by noon to areas covering an additional 14% of the population. We offer Saturday delivery for UPS Next Day Air shipments for an additional fee.

UPS Next Day Air® Early A.M.® guarantees next business day delivery of packages and documents by 8:00 a.m. or 8:30 a.m. to more than 55% of the United States population. UPS Next Day Air Early A.M. is available from virtually all overnight shipping locations coast to coast. *UPS Next Day Air Saver*® offers next day delivery by 3:00 or 4:30 p.m. to commercial destinations and by the end of the day to residential destinations in all 48 contiguous states.

We offer three options for customers who desire guaranteed delivery services but do not require overnight delivery:

- *UPS 2nd Day Air A.M.*® provides guaranteed delivery of packages and documents to commercial addresses by noon of the second business day;

- *UPS 2nd Day Air*® provides guaranteed delivery of packages and documents in two business days; and

- *3 Day Select*® provides guaranteed delivery in three business days.

International Delivery Services

We deliver international shipments to more than 200 countries and territories worldwide, and we provide guaranteed overnight delivery to the world's major business centers. Throughout 2001, we continued to develop our global delivery and logistics network. We offer a complete portfolio of import, export and domestic services that is designed to provide a uniform service offering across major countries, including *UPS Worldwide Express*SM and *UPS Worldwide Expedited*SM. This portfolio includes guaranteed 8:00 a.m., 8:30 a.m., 10:30 a.m., and 12:00 p.m. next business day delivery to major cities around the world, as well as scheduled day-definite air and ground services. We offer complete customs clearance service for any mode of transportation, regardless of carrier, at all UPS Customhouse Brokerage sites in the U.S. and Canada and other parts of the world.

UPS Worldwide Express provides guaranteed door-to-door, customs-cleared delivery to more than 200 countries and territories. This service includes guaranteed overnight delivery of documents from major cities worldwide to many international business centers. For package delivery from the U.S., UPS Worldwide Express provides guaranteed overnight delivery to major cities in Mexico and Canada and guaranteed second business day delivery for packages to more than 700 cities in Europe. Shipments from the U.S. and other parts of the world to other destinations via UPS Worldwide Express generally are delivered in one to three business days.

*UPS Worldwide Express Plus*SM complements our UPS Worldwide Express service by providing guaranteed early morning delivery options from international locations to major cities around the world. These options include guaranteed early morning second business day delivery from the United States to over 180 cities in Europe and other early morning delivery to major business centers around the world.

We also offer UPS Worldwide Expedited service, a guaranteed alternative that is faster and more reliable than traditional air freight. From the United States, shipments to Mexico and Canada are delivered within three business days, and shipments to most major destinations in Europe, South America and Asia generally are delivered in four to five business days. Customers outside the United States enjoy similar qualities of service and transit.

*UPS 3 Day Select*SM from Canada is an example of our ability to support customers' commerce needs between the major trading lanes of the U.S. and Canada. UPS 3 Day Select is an economical service with guaranteed delivery from most locations in Canada to every address in the 48 contiguous states within three business days.

UPS Standard service provides scheduled delivery of shipments within and between the European Union countries, within Canada and between the United States and Canada. This service includes day-specific delivery of less-than-urgent package shipments. It offers delivery typically between one and five days, depending on distance.

We also have a portfolio of UPS domestic services in major countries throughout the world, which provide our customers another set of time-definite delivery options for packages moving between points in those countries.

Delivery Service Options

We offer additional services such as Consignee Billing, Delivery Confirmation and UPS Return Services℠ to those customers who require customized package distribution solutions. We designed Consignee Billing for customers who receive large volumes of merchandise from a number of vendors. We bill these consignee customers directly for their shipping charges, enabling them to more tightly control inbound transportation costs. Delivery Confirmation provides automatic confirmation and weekly reports of deliveries and is available throughout the United States and Puerto Rico. Immediate confirmation is also available upon request.

UPS Return Services provide our customers in the U.S., Canada, Mexico and Europe with multiple solutions to meet their various returns needs.

- *UPS Returns* provides a return label to the end-user;
- *UPS Returns Plus* provides a return label and a pickup to the end-user; and
- *UPS Returns on the Web,* a web-based solution, enables an end-user to generate a return label directly from the vendor's website.

Products and Services — Non-Package Operations

Our non-package operations, which include UPS Logistics Group, UPS Capital Corporation, UPS Freight Services and Mail Boxes Etc., Inc., are distinct from our package operations. We manage and report them separately.

In February 2002, we announced the creation of UPS Supply Chain Solutions, a streamlined organization that combines the sales, marketing, finance and technology resources for our supply chain subsidiaries. This new organization makes it easier for customers to access our expanding range of logistics, freight, financial and consulting services in order to improve the performance of their global supply chains.

UPS Logistics Group

UPS Logistics Group offers a full portfolio of logistics services on a global or regional level, including supply chain network design, re-engineering and management expertise, leading-edge information systems and value-added services such as product testing, configuration and returns management. UPS Logistics Group's operations in North America, Europe, Asia and Latin America include hundreds of distribution facilities and strategic stocking locations.

During 2001, UPS Logistics Group provided its comprehensive logistics solutions through four primary business units:

- *Supply Chain Management* provides solutions to re-engineer and manage supply chains — from supplier through manufacturer, distributor, dealer or end-consumer — in a wide variety of industries, including computers, telecommunications, automotive, electronics, consumer goods and healthcare.
- *Transportation Services* manages complex transportation networks and a full range of multi-modal options. It provides transportation network analysis and re-engineering, lane and mode optimization, carrier selection and routing, tracking and tracing, auditing and freight payment and other value-added services that cover a full range of shipment sizes and weights and multiple modes. It also provides dedicated contract carriage and specialized automotive services ranging from inbound sourcing to finished vehicle delivery network management and aftermarket distribution.
- *Service Parts Logistics* manages post-sale support, including strategic stocking locations, urgent parts deliveries and return-and-repair operations across a wide variety of industries. It provides logistics planning, central parts distribution, inventory management, returns management, *SmartCourier*® field repair, depot repair and hundreds of strategically placed forward stocking locations.
- *Logistics Technologies* provides integrated logistics information systems and services that support UPS Logistics Group customer solutions and sells proprietary software for route scheduling and dispatching.

UPS Capital Corporation

UPS Capital Corporation and its subsidiaries deliver a portfolio of financial products and services that help customers accelerate cash flow, increase working capital, expand operations, grow globally, improve inventory turns and lease new equipment. Its portfolio includes:

- *Distribution Finance,* which helps businesses leverage their non-cash assets, such as receivables and inventory, to meet working capital needs. Product offerings include asset-based lending, corporate finance solutions, and inventory purchase programs.

- *Equipment Leasing,* which provides leases for a full range of business equipment. Leasing helps businesses conserve cash by reducing expenditures, while at the same time allowing companies to acquire equipment to increase cash flow.

- *First International Bank,* which provides credit, trade and financial solutions for small and medium size industrial businesses. The bank is a leader in the use of SBA, USDA and Export-Import Bank supported loans, utilizing a network of U.S. representative offices and overseas agents.

- *Glenlake Insurance Agency, Inc.,* which helps businesses manage the inherent risks of moving goods and funds. Products include excess value insurance and Flexible Parcel Insurance for UPS shipments and credit insurance to safeguard receivables. Glenlake also offers C.O.D. enhancement services to give UPS C.O.D. shippers faster access to payments.

- *Global Trade Finance,* which operates from offices in the U.S., Europe and Asia, provides international trade finance solutions, including letters of credit and export receivables management. These offerings help exporters and importers accelerate cash flow and expand their customer base and supplier base, while mitigating risk.

- *Card Transaction Solutions,* which delivers credit card and card-related services, including complete solutions for small business corporate cards and corporate T&E/purchase cards.

UPS Freight Services

Our Fritz subsidiary and our customs brokerage operations help customers to move their goods by any mode of transportation across borders. Services include global freight forwarding and full service customs brokerage. Specialized services include trade management, consolidations, customs clearance, cross-docking, and materials management.

Electronic Services

We provide a variety of UPS OnLine solutions that support automated shipping and tracking. *UPS OnLine*® WorldShip® helps shippers streamline their shipping activities by processing shipments, printing address labels, tracking packages and providing management reports, all from a desktop computer. WorldShip supports the portfolio of UPS services, including international shipments, and provides support for preparation of export documentation. *UPS Internet Shipping* is a quick and convenient way to ship packages using the web without installing additional software. Internet Shipping is available in the U.S. and most major markets in Europe, Asia and Latin America. All a shipper needs to process a shipment is a computer with Internet access and a laser printer. *UPS OnLine Host Access* provides electronic connectivity between UPS and the shipper's host computer system, linking UPS shipping information directly to all parts of the customer's organization. UPS OnLine Host Access can be used to enhance and streamline the customer's sales, service, distribution and accounting functions by providing direct access to vital transportation planning, shipment status and merchandise delivery information. *UPS OnLine Compatible Solutions,* provided by third-party vendors, offer similar benefits to customers who want to automate their shipping and tracking processes.

Our website, *www.ups.com,* brings a wide array of information services to customers worldwide. Package tracking, pick-up requests, rate quotes, account opening, wireless registration, drop-off locator, transit times

and supply ordering services all are available at the customer's desktop. The site also displays full domestic and international service information.

Sales and Marketing

Our field sales organization includes about 3,600 domestic and 1,200 international account executives worldwide. Account executives are assigned to individual operating districts. For our largest multi-site customers, we have an organization of regionally based account managers who report directly to our corporate office.

In addition to our general sales force, we have three supplemental sales forces. In the U.S., we have an international business sales force, which is focused on international business out of major U.S. business centers, and a UPS Hundredweight Service sales force, which targets LTL volume. Globally, we have an e-commerce sales team, which focuses on UPS technology solutions for businesses.

Our marketing organization is generally organized along similar lines. At the corporate level, the marketing group is engaged in brand management, rate-making and revenue management policy, market and customer research, product development, product management, marketing alliances and e-commerce, including the non-technical aspects of our web presence. Advertising, public relations and most formal marketing communications are centrally conceived and controlled.

Individual district and region marketing personnel are engaged in business planning, bid preparation and other revenue management activities, and in coordinating alignment with corporate marketing initiatives. Individual regions and districts may engage in local promotional and public relations activities pertinent to their locales.

Employees

During 2001, we had approximately 371,000 employees.

We have received numerous awards and wide recognition as an employer-of-choice, including the following.

- We recently were named one of *Fortune Magazine*'s "Diversity Elite — 50 Best Companies for Blacks, Asians and Hispanics" for the third consecutive year.
- We recently were named the NAACP Corporate Citizen of the Year for 2002.
- In May 2001, we received the Ron Brown Award for Corporate Leadership.
- *Hispanic Magazine* recognized us as a leader in its "13th Annual Corporate 100."
- We were named to DiversityInc.com's "Diversity Top 30."

As of December 31, 2001, we employed approximately 232,500 of our employees (64% of our total employees) under a national master agreement and various supplemental agreements with local unions affiliated with the International Brotherhood of Teamsters. These agreements run through July 31, 2002. We employ the majority of our pilots under a collective bargaining agreement with the Independent Pilots Association. This agreement becomes amendable on January 1, 2004. Our airline mechanics are covered by a collective bargaining agreement with Teamster Local 2727, which became amendable July 31, 2001. Members of Teamsters 2727 recently voted down a proposed new contract, and negotiations are scheduled to resume in April 2002. The majority of our ground mechanics who are not employed under agreements with the Teamsters are employed under collective bargaining agreements with the International Association of Machinists and Aerospace Workers. These agreements have various expiration dates between July 31, 2002 and May 31, 2003.

We believe that our relations with our employees are good.

Competition

We are the largest package distribution company in the world, in terms of both revenue and volume. We offer a broad array of services in the package delivery industry and, therefore, compete with many different companies and services on a local, regional, national and international basis. Our competitors include the postal services of the United States and other nations, various motor carriers, express companies, freight forwarders, air couriers and others. Our major competitors include FedEx Corp., the United States Postal Service, Airborne Express, DHL Worldwide Express, Deutsche Post and TNT Post Group.

We believe competition increasingly is based on a carrier's ability to integrate its distribution and information systems with its customers' systems to provide unique transportation solutions at competitive prices. We rely on our vast infrastructure and service portfolio to attract and maintain customers. As we expand our logistics and other non-package businesses, we compete with a number of participants in the logistics, financial services and information technology industries.

Government Regulation

Both the U.S. Department of Transportation and the Federal Aviation Administration regulate air transportation services.

The DOT's authority primarily relates to economic aspects of air transportation, such as discriminatory pricing, non-competitive practices, interlocking relations and cooperative agreements. The DOT also regulates, subject to the authority of the President of the United States, international routes, fares, rates and practices, and is authorized to investigate and take action against discriminatory treatment of United States air carriers abroad. We are subject to U.S. customs laws and related DOT regulations regarding the import and export of shipments to and from the U.S. In addition, our customs brokerage entities are subject to those same laws and regulations as they relate to the filing of documents on behalf of client importers and exporters.

The FAA's authority primarily relates to safety aspects of air transportation, including aircraft standards and maintenance, personnel and ground facilities. In 1988, the FAA granted us an operating certificate, which remains in effect so long as we meet the operational requirements of federal aviation regulations.

The FAA has issued rules mandating repairs on all Boeing Company and McDonnell-Douglas Corporation aircraft that have completed a specified number of flights, and also has issued rules requiring a corrosion control program for Boeing Company aircraft. Our total expenditures under these programs for 2001 were about $23 million. The future cost of repairs pursuant to these programs may fluctuate. All mandated repairs have been completed, or are scheduled to be completed, within the timeframes specified by the FAA.

In response to the September 11, 2001 terrorist attacks, the FAA issued a federal ground stop order prohibiting all flights to, from, and within the United States. Due to this order, all domestic UPS aircraft were grounded, and international flights into the United States were diverted, on September 11th and 12th. During this time, we were able to transport many of our express shipments through our extensive ground network until the FAA order was lifted and our air operations resumed on the evening of September 13th. We may become subject to additional regulation (by the FAA or by other federal or state agencies) as a result of increased security concerns in the aftermath of September 11.

On September 22, 2001, President Bush signed into law the Air Transportation Safety and System Stabilization Act, a $15 billion emergency economic assistance package to mitigate the dramatic financial losses experienced by the nation's air carriers. Among other things, the Stabilization Act provides for:

- $5 billion in compensation for direct losses incurred as a result of the federal ground stop order and for incremental losses incurred through December 31 as a result of the attacks,

- $10 billion in federal loan guarantees and credits,

- expanded war risk insurance coverage for air carriers, and

- government assistance for short-term increases in insurance premiums.

We submitted a claim for compensation to the Department of Transportation and recognized a pre-tax amount of $74 million related to this reimbursement as a credit to other operating expenses. We cannot be assured of the timing or amount of any additional payments we may be entitled to receive under the Stabilization Act.

Our ground transportation of packages in the United States is subject to the DOT's jurisdiction with respect to the regulation of routes and to both the DOT's and the states' jurisdiction with respect to the regulation of safety, insurance and hazardous materials.

We are subject to similar regulation in many non-U.S. jurisdictions. In addition, we are subject to non-U.S. government regulation of aviation rights to and beyond non-U.S. jurisdictions, and non-U.S. customs regulation.

The Postal Reorganization Act of 1970 created the United States Postal Service as an independent establishment of the executive branch of the federal government, and vested the power to recommend domestic postal rates in a regulatory body, the Postal Rate Commission. We believe that the U.S. Postal Service consistently attempts to set rates for its monopoly services, particularly first class letter mail, above the cost of providing these services, in order to use the excess revenues to subsidize its expedited, parcel, international and other competitive services. Therefore, we participate in the postal rate proceedings before the Postal Rate Commission in an attempt to secure fair postal rates for competitive services.

Item 1A. ***Executive Officers of the Registrant***

Name and Office	Age	Principal Occupation and Employment For the Last Five Years
John J. Beystehner		
Senior Vice President	50	Senior Vice President (1999 to present), Marketing Group Manager (2001 to present), Worldwide Sales Group Manager (1997 to present), Airline Operations Manager (1994 to 1997).
Calvin Darden		
Senior Vice President and Director	52	Senior Vice President and U.S. Operations Manager (1998 to present), Director (2001 to present), Corporate Quality Manager (1995 to 1998).
D. Scott Davis		
Senior Vice President, Chief Financial Officer and Treasurer	50	Senior Vice President, Chief Financial Officer and Treasurer (2001 to present), Vice President — Finance (2000 to 2001), Chief Executive Officer of Overseas Partners Ltd. (1998 to 2000), Accounting Manager (1996 to 1998).
Michael L. Eskew		
Chairman and Chief Executive Officer	52	Chairman and Chief Executive Officer (2002 to present), Vice Chairman (2000 to 2001), Executive Vice President (1999 to 2001), Director (1998 to present), Corporate Development Group Manager (1999 to 2000), Senior Vice President (1996 to 1999), Engineering Group Manager (1996 to 2000).

Name and Office	Age	Principal Occupation and Employment For the Last Five Years
Kenneth W. Lacy		
Senior Vice President and Chief Information Officer	52	Senior Vice President and Chief Information Officer (1996 to present).
Christopher D. Mahoney		
Senior Vice President	54	Senior Vice President (1998 to present), Transportation Group Manager (2001 to present), Labor Relations Group Manager (2001 to present), U.S. Operations Manager (1998 to 2001), Region Manager (1990 to 1998).
Joseph R. Moderow		
Senior Vice President, Secretary and Director	53	Senior Vice President and Secretary (1986 to present), Director (1988 to present), Legal and Public Affairs Group Manager (1989 to present).
Joseph M. Pyne		
Senior Vice President	54	Senior Vice President (1996 to present), Corporate Development Group Manager (2000 to present), Marketing Group Manager (1996 to 2001).
Lea N. Soupata		
Senior Vice President and Director	51	Senior Vice President and Human Resources Group Manager (1995 to present), Director (1998 to present).
Ronald G. Wallace		
Senior Vice President and President — UPS International	57	Senior Vice President and President — UPS International (1998 to present), Region Manager (1994 to 1998).
Thomas H. Weidemeyer		
Senior Vice President, Chief Operating Officer, President — UPS Airlines and Director	54	Chief Operating Officer (2001 to present), Director (1998 to present), Senior Vice President (1994 to present), Engineering Group Manager (2000 to present), Corporate Compliance Officer (2001 to present), Transportation Group Manager (1997 to 2001), Labor Relations Group Manager (1997 to 2001), President — UPS Airlines (1994 to present).

Item 2. ***Properties***

Operating Facilities

We own our headquarters, which are located in Atlanta, Georgia and consist of about 735,000 square feet of office space on an office campus.

We also own our 27 principal U.S. package operating facilities, which have floor spaces that range from about 310,000 to 693,000 square feet. In addition, we have a 1.9 million square foot operating facility near Chicago, Illinois, which is designed to streamline shipments between East Coast and West Coast destinations, and we own or lease about 1,500 additional smaller package operating facilities in the U.S. The smaller of these facilities have vehicles and drivers stationed for the pickup of packages and facilities for the sorting, transfer and delivery of packages. The larger of these facilities have additional facilities for servicing our

vehicles and equipment and employ specialized mechanical installations for the sorting and handling of packages.

We also own or lease almost 600 facilities that support our international package operations and over 800 facilities that support our non-package operations. Our non-package operations maintain facilities with about 25 million square feet of floor space. We believe that our facilities are adequate to support our current operations.

Our aircraft are operated in a hub and spokes pattern in the United States. Our principal air hub in the United States is located in Louisville, Kentucky, with regional air hubs in Columbia, South Carolina; Dallas, Texas; Hartford, Connecticut; Ontario, California; Philadelphia, Pennsylvania; and Rockford, Illinois. These hubs house facilities for the sorting, transfer and delivery of packages. Our Louisville, Kentucky hub handles the largest volume of packages for air delivery in the United States. Our European air hub is located in Cologne, Germany, and our Asia-Pacific air hub is located in Taipei, Taiwan. Our regional air hub in Canada is located in Hamilton, Ontario.

Our new automated sorting facility, "Hub 2000," currently is nearing completion in Louisville, Kentucky. We expect this new facility to add efficiency and to increase our hub capacity by over 40% in Louisville. Hub 2000 commenced partial operations in September 2000, and phase II opened successfully in August 2001. We anticipate that Hub 2000 will be fully operational by Fall 2002.

Our computer operations are consolidated in a 435,000 square foot owned facility, the Ramapo Ridge facility, which is located on a 39-acre site in Mahwah, New Jersey. We also own a 175,000 square foot facility located on a 25-acre site in the Atlanta, Georgia area, which serves as a backup to the main computer operations facility in New Jersey. This facility provides production functions and backup capacity in case a power outage or other disaster incapacitates the main data center. It also helps us to meet communication needs.

Fleet

Aircraft

The following table shows information about our aircraft fleet as of December 31, 2001:

Description	Owned and Capital Leases	Short-term Leased or Chartered From Others	On Order	Under Option
McDonnell-Douglas DC-8-71	23	—	—	—
McDonnell-Douglas DC-8-73	26	—	—	—
Boeing 727-100	51	—	—	—
Boeing 727-200	10	—	—	—
Boeing 747-100	11	—	—	—
Boeing 747-200	4	5	—	—
Boeing 757-200	75	—	—	—
Boeing 767-300	32	—	—	—
Boeing MD-11	3	—	10	22
Airbus A300-600	18	—	72	50
Other	—	341	—	—
Total	253	346	82	72

We maintain an inventory of spare engines and parts for each aircraft.

All of the aircraft we own meet Stage III federal noise regulations and can operate at airports that have aircraft noise restrictions. We became the first major airline to successfully operate a 100% Stage III fleet more than three years in advance of the date required by federal regulations.

During 2001, we took delivery of 11 Airbus A300-600 aircraft, three Boeing MD-11 aircraft and two Boeing 767-300 aircraft. We have firm commitments to purchase ten Boeing MD-11 aircraft between 2002 and 2004 and 72 Airbus A300-600 aircraft between 2002 and 2009. We also have options to purchase 22 Boeing MD-11 aircraft between 2005 and 2010 and 50 Airbus A300-600 aircraft between 2004 and 2012.

Vehicles

We operate a ground fleet of more than 150,000 vehicles, ranging from custom built delivery vehicles to large tractors and trailers.

Our ground support fleet consists of over 24,000 pieces of equipment designed specifically to support our aircraft fleet, ranging from non-powered container dollies and racks to powered aircraft main deck loaders and cargo tractors. We also have over 32,000 containers used to transport cargo in our aircraft.

Safety

We promote safety throughout our operations.

Our Automotive Fleet Safety Program is built with the following components:

- *Selection.* Four out of every five drivers come from our part-time ranks. Therefore, many of our new drivers are familiar with our philosophies, policies, practices and training programs.

- *Training.* Training is the cornerstone of our Fleet Safety Program. Our approach starts with training the trainer. All trainers undergo a rigorous training workshop to ensure that they have the skills and motivation to effectively train novice drivers. A new driver's employment includes five hours of classroom training and 15 hours of on-road training, followed by three safety training rides integrated into his or her training cycle.

- *Responsibility.* Our operations managers are responsible for their drivers' safety records. We investigate every accident. If we determine that an accident could have been prevented, we re-train the driver.

- *Preventive Maintenance.* An integral part of our Fleet Safety Program is a comprehensive Preventive Maintenance Program. Our fleet is tracked by computer to ensure that each vehicle is serviced before a breakdown or accident is likely to occur.

- *Honor Plan.* A well-defined safe driver honor plan recognizes and rewards our drivers when they achieve success. We have over 2,000 drivers who have driven for 25 years or more without an avoidable accident.

We have a comprehensive health and safety program that is monitored by our employee-management health and safety committees. The workplace safety process focuses on employee conditioning and safety-related habits. We enlist employees' help in designing facilities and work processes.

Item 3. ***Legal Proceedings***

On August 9, 1999, the United States Tax Court held that we were liable for tax on income of Overseas Partners Ltd. ("OPL"), a Bermuda company that had reinsured excess value ("EV") package insurance purchased by our customers beginning in 1984, and that we were liable for additional tax for the 1983 and 1984 tax years. The Court held that for the 1984 tax year we were liable for taxes of $31 million on income reported by OPL, penalties and penalty interest of $93 million, and interest for a total after-tax exposure estimated at approximately $246 million.

On June 20, 2001, the United States Court of Appeals for the Eleventh Circuit reversed the Tax Court's decision. On September 13, 2001, the Eleventh Circuit denied the IRS's petition to have the appeal reheard en banc. The IRS did not appeal the case to the U.S. Supreme Court and, consequently, the case has been remanded to the Tax Court to consider alternative arguments raised by the parties. At this time, we do not know what the outcome of the remanded proceedings in the Tax Court will be.

The IRS has taken similar positions to those advanced in the Tax Court decision for tax years subsequent to 1984. Tax years 1985 through 1990 currently are docketed in the Tax Court, although no trial date has been set pending resolution of the case that covers the 1984 year. Further, the IRS has issued a report asserting similar positions for the 1991 through 1994 tax years, and we expect the IRS to take similar positions for tax years 1995 through 1999. Based on the Tax Court decision, we estimate that our total after-tax exposure for tax years 1984 through 1999 could be as high as $2.353 billion.

In our second quarter 1999 financial statements, we recorded a tax assessment charge of $1.786 billion, which included an amount for related state tax liabilities. The charge included taxes of $915 million and interest of $871 million. This assessment resulted in a tax benefit of $344 million related to the interest component of the assessment. As a result, our net charge to net income for the tax assessment was $1.442 billion, increasing our total after-tax reserve at that time with respect to these matters to $1.672 billion. The tax benefit of deductible interest was included in income taxes in 1999; however, since none of the income on which this tax assessment is based is our income, we did not classify the tax charge as income taxes.

We determine the size of our reserve with respect to these matters in accordance with accounting principles generally accepted in the United States of America. In 1999, we estimated our most likely liability based on the initial Tax Court decision. In making this determination, we concluded that, based on the Tax Court decision, it was more likely that we would be required to pay taxes on income reported by OPL and interest, but that it was not probable that we would be required to pay any penalties and penalty interest. In our prior estimation, if penalties and penalty interest ultimately were determined to be payable, we would have had to record an additional charge of up to $681 million. Since the outcome of remanded proceedings in the Tax Court is uncertain, we currently do not know what impact the Eleventh Circuit decision ultimately will have on our recorded reserve and above estimations for this matter.

Further, again as a result of the unfavorable Tax Court decision, and in order to stop the potential accrual of additional interest that might ultimately be determined to be due to the IRS, on August 31, 1999, we paid $1.349 billion and, on August 8, 2000, we paid an additional $91 million, to the IRS related to these matters for the 1984 through 1994 tax years. We included the profit of the EV insurance program, using the IRS's methodology for calculating these amounts, for both 1998 and 1999 in filings we made with the IRS in 1999. In February 2000, we paid $339 million to the IRS related to these matters for the 1995 through 1997 tax years. These amounts will remain with the IRS pending further proceedings.

The EV program that was the subject of the Tax Court decision has been changed since September 1999. The revised arrangement should eliminate the issues considered by the Tax Court and the Eleventh Circuit related to OPL.

The IRS has proposed adjustments, unrelated to the OPL matters discussed above, regarding the allowance of deductions and certain losses, the characterization of expenses as capital rather than ordinary, the treatment of certain income, and our entitlement to the investment tax credit and the research tax credit in the 1985 through 1990 tax years. The proposed adjustments would result in $16 million in additional income tax expense. Also, the IRS has issued a report taking a similar position with respect to some of these issues for each of the years from 1991 through 1994. This report proposes adjustments that would result in $155 million in additional income tax expense. For the 1985 through 1994 tax years, unpaid interest on these adjustments through December 31, 2001 could aggregate up to approximately $436 million, after the benefit of related tax deductions. We expect that we will prevail on substantially all of these issues. Specifically, we believe that our practice of expensing the items that the IRS alleges should have been capitalized is consistent with the practices of other industry participants. The IRS may take similar positions with respect to some of these issues for each of the years 1995 through 2001. The IRS's proposed adjustments include penalties and penalty interest. We believe that the possibility that such penalties and penalty interest will be sustained is remote. We

believe that the eventual resolution of these issues will not have a material adverse effect on our financial condition, results of operations or liquidity.

We are named as a defendant in twenty-five pending lawsuits that seek to hold us liable for the collection of premiums for EV insurance in connection with package shipments since 1984. Based on a variety of state and federal tort, contract and statutory claims, these cases generally claim that we failed to remit collected EV premiums to an independent insurer; we failed to provide promised EV insurance; we acted as an insurer without complying with state insurance laws and regulations; and the price for EV insurance was excessive.

These actions were filed after the August 9, 1999 Tax Court decision. As discussed above, on June 20, 2001, the U.S. Court of Appeals for the Eleventh Circuit ruled in our favor and reversed the Tax Court decision.

Twenty-four of these twenty-five cases have been consolidated for pre-trial purposes in a multi-district litigation proceeding ("MDL Proceeding") in federal court in New York. Motions to dismiss these cases are pending, as are motions to remand several of these cases to state court. The other pending case was filed on January 28, 2002 in state court in Georgia. We have removed it to federal court and are seeking to have it consolidated into the MDL Proceeding.

In addition to the cases in which UPS is named as a defendant, there is also an action,*Smith v. Mail Boxes Etc.,* against Mail Boxes Etc. and its franchisees relating to UPS EV insurance purchased through Mail Boxes Etc. centers. Although the case has been pending in California state court, the complaint was recently amended to allege a nationwide plaintiff class, and to add a UPS subsidiary, Mail Boxes Etc., Inc. ("New MBE"), and an MBE franchisee as a representative of a purported nationwide defendant class of franchisees, as new defendants. Previously, only the former franchisor, which was not affiliated with UPS, was named a defendant. New MBE has removed the case to federal court, and is attempting to have it consolidated into the MDL Proceeding. The plaintiff is seeking to have the case remanded back to state court.

We believe that the allegations in these cases have no merit and intend to continue to defend them vigorously. The ultimate resolution of these cases cannot presently be determined.

There was an additional EV case that was pending in state court in Madison County, Illinois (*Triad Industries, Inc. v. UPS*). Shortly before the Eleventh Circuit reversed the Tax Court decision, we entered into a settlement of this case — only with respect to Illinois EV shippers — based in part on our desire to vigorously defend these actions in the single MDL Proceeding. While expressly denying any and all liability, the settlement resolved the Illinois case. This settlement has no impact on the claims pending in the MDL Proceeding regarding EV purchases relating to shipments from states other than Illinois. The Illinois court held a fairness hearing on November 15, 2001, and approved the settlement. No appeals were filed to challenge the settlement, and the deadline to do so has passed. Under the settlement, we will provide qualifying settlement class members with coupons toward the purchase of specified UPS services, subject to the terms and conditions of the settlement, and have paid the agreed-upon plaintiffs' attorneys' fees. The settlement's ultimate cost to us will depend upon a number of factors. This settlement did not have a material adverse effect on our financial condition, results of operations or liquidity.

In addition, we are a defendant in various other lawsuits that arose in the normal course of business. We believe that the eventual resolution of these cases will not have a material adverse effect on our financial condition, results of operations or liquidity.

Item 4. ***Submission of Matters to a Vote of Security Holders***

None

PART II

Item 5. ***Market for Registrant's Common Equity and Related Stockholder Matters***

Our class A common stock is not listed on a national securities exchange or traded in an organized over-the-counter market. Our class B common stock trades on the New York Stock Exchange under the ticker symbol "UPS".

The following is a summary of our stock price activity and dividend information for 2001 and 2000.

	High	Low	Close	Dividends Declared
2001				
1st Quarter	$62.50	$54.57	$56.90	$ 0.19
2nd Quarter	$60.00	$52.00	$57.80	$ 0.19
3rd Quarter	$58.75	$46.15	$51.98	$ 0.19
4th Quarter	$57.15	$49.80	$54.50	$ 0.19
2000				
1st Quarter	$69.75	$49.50	$63.00	$ 0.17
2nd Quarter	$66.94	$55.00	$59.00	$ 0.17
3rd Quarter	$61.50	$51.88	$56.38	$ 0.17
4th Quarter	$64.31	$51.25	$58.81	$ 0.17

As of March 8, 2002, there were 138,783 and 12,760 record holders of class A and class B stock, respectively.

The policy of our board of directors is to declare dividends each year out of current earnings. The declaration of future dividends is subject to the discretion of the board of directors in light of all relevant facts, including earnings, general business conditions and working capital requirements.

Item 6. ***Selected Financial Data***

The following table sets forth selected financial data for each of the five years in the period ended December 31, 2001. This financial data should be read in conjunction with our Consolidated Financial Statements, Management's Discussion and Analysis of Financial Condition and Results of Operations and other financial data appearing elsewhere in this report.

	Years Ended December 31,				
	2001	2000	1999	1998	1997
	(In millions except per share amounts)				
Selected Income Statement Data					
Revenue:					
U.S. domestic package	$23,997	$24,002	$22,313	$20,650	$18,868
International package	4,245	4,078	3,718	3,386	3,054
Non-package	2,404	1,691	1,021	752	536
Total revenue	30,646	29,771	27,052	24,788	22,458

	Years Ended December 31,				
	2001	2000	1999	1998	1997
	(In millions except per share amounts)				
Operating expenses:					
Compensation and benefits	17,397	16,546	15,285	14,346	13,289
Other	9,287	8,713	7,862	7,439	7,526
Total operating expenses	26,684	25,259	23,147	21,785	20,815
Operating profit (loss):					
U.S. domestic package	3,620	3,929	3,506	2,815	1,623
International package	125	277	230	30	(105)
Non-package	217	306	169	158	125
Total operating profit	3,962	4,512	3,905	3,003	1,643
Other income (expense):					
Investment income	159	527	197	126	97
Interest expense	(184)	(205)	(228)	(227)	(187)
Tax assessment	—	—	(1,786)	—	—
Income before income taxes	3,937	4,834	2,088	2,902	1,553
Income taxes	1,512	1,900	1,205	1,161	644
FAS 133 cumulative adjustment	(26)	—	—	—	—
Net income	$ 2,399	$ 2,934	$ 883	$ 1,741	$ 909
Per share amounts:					
Basic earnings per share	$ 2.13	$ 2.54	$ 0.79	$ 1.59	$ 0.82
Diluted earnings per share	$ 2.10	$ 2.50	$ 0.77	$ 1.57	$ 0.81
Dividends declared per share	$ 0.76	$ 0.68	$ 0.58	$ 0.43	$ 0.35
Weighted Average Shares Outstanding					
Basic	1,126	1,153	1,121	1,093	1,103
Diluted	1,144	1,175	1,141	1,108	1,116
As Adjusted Net Income Data:					
Net income before impact of non-recurring items	$ 2,425(1)	$ 2,795(2)	$ 2,325(3)	$ 1,741	$ 909
As a percentage of revenue	7.9%	9.4%	8.6%	7.0%	4.0%
Basic earnings per share	$ 2.15	$ 2.42	$ 2.07	$ 1.59	$ 0.82
Diluted earnings per share	$ 2.12	$ 2.38	$ 2.04	$ 1.57	$ 0.81

	Years Ended December 31,				
	2001	2000	1999	1998	1997
	(In millions)				
Selected Balance Sheet Data					
Working capital	$ 2,968	$ 2,623	$ 5,994	$ 1,355	$ 734
Long-term debt	4,648	2,981	1,912	2,191	2,583
Total assets	24,636	21,662	23,028	17,067	15,912
Shareowners' equity	10,248	9,735	12,474	7,173	6,087

(1) Excludes $26 million related to the adoption of FAS 133.

(2) Excludes $139 million in net income related primarily to investment gains.

(3) Excludes a $1.442 billion tax assessment charge.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Operations

2001 Compared to 2000

The following tables set forth information showing the change in revenue, average daily package volume and average revenue per piece, both in dollars or amounts and in percentage terms:

	Years Ended December 31,		Change	
	2001	2000	$	%
Revenue (in millions):				
U.S. domestic package:				
Next Day Air	$ 5,433	$ 5,664	$ (231)	(4.1)%
Deferred	2,893	2,910	(17)	(0.6)
Ground	15,671	15,428	243	1.6
Total U.S. domestic package	23,997	24,002	(5)	0.0
International package:				
Domestic	907	904	3	0.3
Export	2,931	2,818	113	4.0
Cargo	407	356	51	14.3
Total International package	4,245	4,078	167	4.1
Non-package:				
UPS Logistics Group	1,354	1,021	333	32.6
Forwarding and Brokerage Services	450	88	362	411.4
Other	600	582	18	3.1
Total Non-package	2,404	1,691	713	42.2
Consolidated	$30,646	$29,771	$ 875	2.9%
Average Daily Package Volume (in thousands):				
U.S. domestic package:				
Next Day Air	1,116	1,122	(6)	(0.5)%
Deferred	917	914	3	0.3
Ground	10,317	10,434	(117)	(1.1)
Total U.S. domestic package	12,350	12,470	(120)	(1.0)
International package:				
Domestic	805	786	19	2.4
Export	408	368	40	10.9
Total International package	1,213	1,154	59	5.1
Consolidated	13,563	13,624	(61)	(0.4)%
Average Revenue Per Piece:				
U.S. domestic package:				
Next Day Air	$ 19.32	$ 19.87	$(0.55)	(2.8)%
Deferred	12.52	12.53	(0.01)	(0.1)
Ground	6.03	5.82	0.21	3.6
Total U.S. domestic package	7.71	7.58	0.13	1.7
International package:				
Domestic	4.47	4.53	(0.06)	(1.3)
Export	28.51	30.15	(1.64)	(5.4)
Total International package	12.56	12.70	(0.14)	(1.1)
Consolidated	$ 8.14	$ 8.01	$ 0.13	1.6%

U.S. domestic package revenue was flat compared to 2000, primarily as a result of a 1.0% decrease in average daily package volume, offset by a 1.7% increase in average revenue per piece. The decrease in volume resulted from the declining U.S. economy during 2001. For the first quarter of 2001, average daily domestic volume was up 1.3%. However, average daily domestic volume was down 0.9% during the second quarter, down 3.4% during the third quarter, and down 0.8% during the fourth quarter. The third quarter decline was largely a result of the events of September 11th. Also affecting the period comparison were two extra operating days in 2000 compared to 2001.

During the first quarter of 2001, we increased rates for standard ground shipments an average of 3.1% for commercial deliveries. The ground residential charge increased $0.05 to $1.05 over the commercial ground rate, and we increased rates for UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, and 3 Day Select an average of 3.7%. The surcharge for UPS Next Day Air Early A.M. increased from $25.00 to $27.50. Rates for international shipments originating in the United States (Worldwide Express, Worldwide Express Plus, UPS Worldwide Expedited and UPS International Standard service) increased by 2.9%. Rate changes for shipments originating outside the U.S. were made throughout the past year and varied by geographic market. In addition, all package rates during 2001, up until December 10th, included a 1.25% fuel surcharge that was put in place August 7, 2000. Effective December 10, 2001, we implemented an index-based surcharge which initially reduced the surcharge rate to 0.75% and which will reset on a monthly basis beginning in February 2002. The index-based surcharge could range from 0.00% to 1.50% and is based on the National U.S. Average On-Highway Diesel Fuel Prices as reported by the U.S. Department of Energy. Approximately $348 million in revenue was recorded in 2001 as a result of our fuel surcharge, an increase of $218 million over the prior year.

The increase in international package revenue was due primarily to an increase in cargo revenue and a 10.9% volume growth for our export products, offset by a decline in the revenue per piece for these products. The increase in cargo revenue resulted primarily from increased volume which was driven by the integration of Challenge Air. Our Europe region was a significant contributor to the export volume increase. Excluding the impact of currency fluctuations, average revenue per piece for international products increased 1.7%. Overall average daily package volume increased over 5% for international operations.

The increase in non-package revenue resulted primarily from the impact of acquisitions, particularly Fritz, which is included in our Forwarding and Brokerage Services component. Non-package revenue also increased due to the continued growth of the UPS Logistics Group. The Logistics Group revenue increase was primarily due to increases in our supply chain management and service parts logistics offerings. Other non-package revenue also increased as a result of acquisitions (First International Bancorp and Mail Boxes Etc.), offset by a decrease in third-party air operations revenue due to the discontinuation of our charter passenger services.

Operating expenses increased by $1.425 billion, or 5.6%, with compensation and benefits up $851 million and other operating expenses up $574 million. The 5.1% increase in compensation and benefits included a $101 million reduction in pension benefits expense, as discussed in Note 5. Depreciation and amortization and other occupancy expenses (primarily rent and utilities) accounted for over one-half of the 6.6% increase in other operating expenses. Much of the increase in operating expenses was related to expanding our capabilities and service offerings for our non-package segment. Excluding the non-package segment, operating expenses increased by 2.6% over 2000. Other operating expenses include a credit of $74 million for compensation under the Air Transportation Safety and System Stabilization Act, as discussed in Note 18. Depreciation and amortization expense included $72 million of goodwill amortization, a $33 million increase from 2000.

Our operating margin, defined as operating profit as a percentage of revenue, declined from 15.2% for 2000 to 12.9% for 2001. This decline continued the trend that began in the fourth quarter of 2000 as the economy began to weaken. Our operating margin for the fourth quarter was comparable to the operating margin for the year.

The following table shows the change in operating profit, both in dollars and in percentage terms:

Operating Segment	Years Ended December 31, 2001	2000	Change $	%
		(In millions)		
U.S. domestic package	$3,620	$3,929	$(309)	(7.9)%
International package	125	277	(152)	(54.9)
Non-package	217	306	(89)	(29.1)
Consolidated operating profit	$3,962	$4,512	$(550)	(12.2)%

U.S. domestic package operating profit decreased by $309 million due primarily to the decline in volume discussed previously. This decrease was mitigated by the cost control initiatives implemented during the year. These initiatives focused on many of our semi-variable costs and included curtailing non-union hiring, eliminating new consulting projects, reevaluating all capital expenditures and information technology projects in process, plus a variety of other items. As discussed in Note 18, we recorded a credit to expense related to the Air Transportation Safety and System Stabilization Act, which benefited this segment by $28 million.

The decline in the operating profit of our international package operations resulted primarily from increased expenses, particularly those expenses associated with aircraft used in this segment (maintenance, rental and fuel) as we continued to add air lift capabilities to further expand our international presence. This segment was also impacted by the events of September 11th, and we recorded a $46 million credit to expense for this segment related to the Air Transportation Safety and System Stabilization Act as discussed in Note 18. We recorded $11 million of goodwill amortization in our international package segment in both 2001 and 2000.

The decrease in non-package operating profit is partially due to the $49 million gain we recognized from the sale of our UPS Truck Leasing subsidiary in the first quarter of 2000. The remaining decrease is due to start-up, integration and operating costs for several subsidiaries that we are developing or have acquired, along with goodwill amortization expense associated with recent acquisitions. During 2001, we recorded $61 million of goodwill amortization in our non-package segment, which is an increase of $33 million over 2000. Non-package operating profit includes $113 million (compared to $101 million in 2000) of intersegment profit, with a corresponding amount of operating expense, which reduces operating profit, in the U.S. domestic package segment.

The decrease in investment income of $368 million for 2001 is due to two factors relating to 2000. First, in the first quarter of 2000, we recognized a $241 million gain on investments held by our Strategic Enterprise Fund in two companies that were acquired by other companies. In addition, we earned income on the $5.3 billion in net IPO proceeds available for investment prior to the tender offer that occurred in early March 2000, and the $1.2 billion in IPO proceeds that were not utilized for the tender offer.

Net income for 2001 amounted to $2.399 billion, or $2.10 per diluted share, compared to $2.934 billion, or $2.50 per diluted share, for 2000. Our 2000 results reflect certain non-recurring items, which include the gains on our Strategic Enterprise Fund investments and the sale of our Truck Leasing subsidiary (discussed above), offset partially by a charge for retroactive costs associated with creating new full-time jobs from existing part-time Teamster jobs. Our 2001 results reflect a FAS 133 cumulative expense adjustment, net of tax, of $26 million. Excluding these non-recurring transactions for each of these periods, adjusted net income for 2001 would have been $2.425 billion, a decrease of $370 million from adjusted net income of $2.795 billion for 2000. Adjusted diluted earnings per share decreased from $2.38 in 2000 to $2.12 in 2001.

2000 Compared to 1999

The following tables set forth information showing the change in revenue, average daily package volume and average revenue per piece, both in dollars or amounts and in percentage terms:

	Years Ended December 31,		Change	
	2000	1999	$	%
Revenue (in millions):				
U.S. domestic package:				
Next Day Air	$ 5,664	$ 5,240	$ 424	8.1%
Deferred	2,910	2,694	216	8.0
Ground	15,428	14,379	1,049	7.3
Total U.S. domestic package	24,002	22,313	1,689	7.6
International package:				
Domestic	904	924	(20)	(2.2)
Export	2,818	2,479	339	13.7
Cargo	356	315	41	13.0
Total international package	4,078	3,718	360	9.7
Non-package				
UPS Logistics Group	1,021	771	250	32.4
Forwarding and Brokerage Services	88	12	76	633.3
Other	582	238	344	144.5
Total non-package	1,691	1,021	670	65.6
Consolidated	$29,771	$27,052	$2,719	10.1%
Average Daily Package Volume (in thousands):				
U.S. domestic package:				
Next Day Air	$ 1,122	$ 1,039	$ 83	8.0%
Deferred	914	852	62	7.3
Ground	10,434	10,016	418	4.2
Total U.S. domestic package	12,470	11,907	563	4.7
International package:				
Domestic	786	711	75	10.5
Export	368	303	65	21.5
Total international package	1,154	1,014	140	13.8
Consolidated	$13,624	$12,921	$ 703	5.4%
Average Revenue Per Piece:				
U.S. domestic package:				
Next Day Air	$ 19.87	$ 19.86	$ 0.01	0.1%
Deferred	12.53	12.45	0.08	0.6
Ground	5.82	5.65	0.17	3.0
Total U.S. domestic package	7.58	7.38	0.20	2.7
International package:				
Domestic	4.53	5.12	(0.59)	(11.5)
Export	30.15	32.21	(2.06)	(6.4)
Total international package	12.70	13.21	(0.51)	(3.9)
Consolidated	$ 8.01	$ 7.84	$ 0.17	2.2%

U.S. domestic package revenue increased almost $1.7 billion, or 7.6%, primarily due to volume gains across all product lines, combined with a 2.7% increase in average domestic revenue per piece, which was primarily driven by our Ground products. All products contributed to the revenue increase, with our higher revenue per piece express (Next Day Air and Deferred) products increasing at approximately the same rate (8.1% and 8.0% respectively). Our average daily Ground volume grew at a 4.2% rate for the period, helping to bring our total U.S. average daily package volume to almost 12.5 million pieces.

During the first quarter of 2000, we increased rates for standard ground shipments an average of 3.1% for commercial deliveries. The ground residential charge continued to be $1.00 over the commercial ground rate, with an additional delivery area surcharge of $1.50 added to certain less accessible areas. In addition, we increased rates for UPS Next Day Air, UPS Next Day Air Saver and UPS 2nd Day Air an average of 3.5%. The surcharge for UPS Next Day Air Early A.M. did not change. Rates for international shipments originating in the United States (Worldwide Express, Worldwide Express Plus, UPS Worldwide Expedited and UPS International Standard service) increased by 2.9%. Rate changes for shipments originating outside the U.S. were made throughout the past year and varied by geographic market.

The increase in international package revenue was due to double-digit volume growth for both our domestic and export products, offset by a decline in the revenue per piece for these products. This decline was primarily due to a decline in the value of the Euro relative to the U.S. dollar that occurred during 2000. The value of the Euro averaged $0.92 in 2000 compared to $1.07 in 1999. Overall average daily package volume increased 13.8% for international operations, with our export products, which had an average revenue per piece in excess of $30, increasing at 21.5%.

The increase in non-package revenue resulted primarily from the new arrangement for providing excess value package insurance for our customers as well as continued growth of the UPS Logistics Group. Revenue for the UPS Logistics Group increased by $250 million, or 32.4%, to over $1 billion for the year ended December 31, 2000. The new arrangement for providing excess value package insurance began in the fourth quarter of 1999. Consequently, this item will have a reduced impact on the comparability of the revenue for our non-package segment in future periods.

Operating expenses increased by $2.112 billion, or 9.1%, which was less than our revenue increase of 10.1%. Compensation and benefits expenses, the largest component of this increase, accounted for $1.261 billion of the increase and included a $59 million charge recorded in the first quarter of 2000 relating to the creation of 4,000 new full-time hourly jobs resulting from the 1997 Teamsters contract. Other operating expenses increased $851 million primarily due to higher purchased transportation costs, higher fuel costs and claims expense associated with the new arrangement for providing excess value package insurance for our customers. The increase in purchased transportation costs was primarily due to increased business for our international and logistics operations. The 40.1% increase in fuel costs from $681 million to $954 million was due to the increase in fuel prices during 2000 and the additional fuel usage due to the growth in our average daily package volume, partially offset by cost reductions generated by our fuel hedging program. The increase in other operating expenses of $219 million was slightly offset by the $49 million gain we recognized in the first quarter of 2000 from the sale of our UPS Truck Leasing subsidiary. International operating expenses were favorably impacted by the decline in the value of the Euro relative to the U.S. dollar as discussed above.

To offset the increasing fuel costs, we implemented a temporary 1.25% fuel surcharge effective August 7, 2000. Approximately $130 million in revenue was recorded in 2000 as a result of the surcharge.

Our operating margin improved from 14.4% during 1999 to 15.2% during 2000. This improvement was favorably impacted by continued product mix improvements and our continued successful efforts in obtaining profitable volume growth.

The following table shows the change in operating profit, both in dollars and in percentage terms:

Operating Segment	Years Ended December 31, 2000	1999	Change $	Change %
		(In millions)		
U.S. domestic package	$3,929	$3,506	$423	12.1%
International package	277	230	47	20.4
Non-package	306	169	137	81.1
Consolidated operating profit	$4,512	$3,905	$607	15.5%

U.S. domestic package operating profit increased by $423 million, or 12.1%, due to the volume and revenue improvements discussed previously.

The improvement in the operating profit of our international package segment of 20.4%, or $47 million, resulted primarily from increased volume and revenue, and was realized despite significantly higher fuel costs. This improvement occurred throughout our international regions. The improvement in operating profit for this segment would have been $36 million greater, if the impact of currency fluctuations was excluded.

The increase in non-package operating profit is largely due to the new arrangement for providing excess value package insurance for our customers, which contributed $183 million of additional operating profit for the year. Also contributing to the operating profit improvement was the $49 million gain we recognized during the first quarter of 2000 from the sale of our UPS Truck Leasing subsidiary. These improvements were offset somewhat by start-up costs associated with UPS Logistics Group's service parts logistics offering, UPS e-Ventures, UPS Capital Corporation and other initiatives. Non-package operating profit includes $101 million (compared to $108 million in 1999) of intersegment profit, with a corresponding amount of operating expense, which reduces operating profit, in the U.S. domestic package segment.

The increase in investment income of $330 million for the period is primarily due to two factors. First, in the first quarter of 2000, two companies in which our Strategic Enterprise Fund held investments were acquired by other companies, which caused us to recognize a gain of $241 million. Second, we earned income on the $5.3 billion in net IPO proceeds available for investment prior to the tender offer that was completed in early March 2000 and the $1.2 billion in IPO proceeds that were not utilized for the tender offer. In 1999, we had the net IPO proceeds available for investment from mid-November through the end of the year. We announced a share repurchase program on April 20, 2000 under which we would utilize up to the remaining $1.2 billion not used in the tender offer. As of December 31, 2000, approximately $105 million remained available for share repurchases.

Net income for the year ended December 31, 2000 was $2.934 billion, or $2.50 per diluted share, compared to net income of $883 million, or $0.77 per diluted share, for the prior year. Our 2000 results reflect the non-recurring items discussed above, which include the gains on our Strategic Enterprise Fund investments and the sale of our UPS Truck Leasing subsidiary, offset partially by the charge for retroactive costs associated with creating new full-time jobs from existing part-time Teamster jobs. Our 1999 results reflect a tax assessment charge resulting from an unfavorable ruling of the U.S. Tax Court. Excluding these non-recurring transactions for each of these years, adjusted net income for 2000 would have been $2.795 billion, an increase in excess of 20% over adjusted 1999 net income of $2.325 billion. Adjusted diluted earnings per share would have increased from $2.04 in 1999 to $2.38 in 2000.

Our fourth quarter 2000 results reflected a decline in our previously reported growth rates for both revenue and average daily volume. These declines were caused by an overall weakening of the economy.

Liquidity and Capital Resources

Our primary source of liquidity is our cash flow from operations. We maintain significant cash, cash equivalents, marketable securities and short-term investments, amounting to $1.6 billion at December 31, 2001.

As part of our continuing share repurchase program, $1.3 billion was authorized for share repurchases in May 2001, and an additional $1.0 billion was authorized for share repurchases in February 2002.

We maintain two commercial paper programs under which we are authorized to borrow up to $7.0 billion. Approximately $1.694 billion was outstanding under these programs as of December 31, 2001, of which $1.25 billion has been classified as long-term debt in accordance with our intention and ability to refinance such obligations on a long-term basis. The average interest rate on the amount outstanding at December 31, 2001 was 1.85%. In addition, we maintain an extendible commercial notes program under which we are authorized to borrow up to $500 million. No amounts were outstanding under this program at December 31, 2001.

We maintain two credit agreements with a consortium of banks that provide revolving credit facilities of $1.25 billion each, with one expiring on April 25, 2002 and the other expiring on April 27, 2005. Interest on any amounts we borrow under these facilities would be charged at 90-day LIBOR plus 15 basis points. There were no borrowings under either of these agreements as of December 31, 2001.

We also maintain a $1.0 billion European medium-term note program. Under this program, we may issue notes from time to time, denominated in a variety of currencies. At December 31, 2001, $1.0 billion was available under this program. The £500 million Pound Sterling denominated bonds which are outstanding (recorded at $725 million at December 31, 2001) were issued in February 2001 and bear interest at a stated rate of 5.50%.

We have a $2.0 billion shelf registration statement under which we may issue debt securities in the U.S. There was approximately $1.132 billion issued under this shelf registration statement at December 31, 2001, including $491 million in notes issued under the UPS Notes program. These notes have various terms and maturities, all with fixed interest rates. Also during 2001, we issued $89 million in floating rate senior notes due December 2050, $52 million in floating rate senior notes due June 2051, and $95 million in floating rate senior notes due December 2051, all of which bear interest at one-month LIBOR less 45 basis points.

On August 9, 1999, the United States Tax Court held that we were liable for tax on income of Overseas Partners Ltd. (“OPL”), a Bermuda company that had reinsured excess value (“EV”) package insurance purchased by our customers beginning in 1984, and that we were liable for additional tax for the 1983 and 1984 tax years. The Court held that for the 1984 tax year we were liable for taxes of $31 million on income reported by OPL, penalties and penalty interest of $93 million, and interest for a total after-tax exposure estimated at approximately $246 million.

On June 20, 2001, the United States Court of Appeals for the Eleventh Circuit reversed the Tax Court’s decision. On September 13, 2001, the Eleventh Circuit denied the IRS’s petition to have the appeal reheard en banc. The IRS did not appeal the case to the U.S. Supreme Court and, consequently, the case has been remanded to the Tax Court to consider alternative arguments raised by the parties. At this time, we do not know what the outcome of the remanded proceedings in the Tax Court will be.

The IRS has taken similar positions to those advanced in the Tax Court decision for tax years subsequent to 1984. Tax years 1985 through 1990 currently are docketed in the Tax Court, although no trial date has been set pending resolution of the case that covers the 1984 year. Further, the IRS has issued a report asserting similar positions for the 1991 through 1994 tax years, and we expect the IRS to take similar positions for tax years 1995 through 1999.

We are named as a defendant in twenty-five pending lawsuits that seek to hold us liable for the collection of premiums for EV package insurance in connection with package shipments since 1984. Based on a variety of state and federal tort, contract and statutory claims, these cases generally claim that we failed to remit collected EV premiums to an independent insurer; we failed to provide promised EV insurance; we acted as an insurer without complying with state insurance laws and regulations; and the price for EV insurance was excessive.

These actions were filed after the August 9, 1999 Tax Court decision. As discussed above, on June 20, 2001, the U.S. Court of Appeals for the Eleventh Circuit ruled in our favor and reversed the Tax Court decision.

Twenty-four of these twenty-five cases have been consolidated for pre-trial purposes in a multi-district litigation proceeding ("MDL Proceeding") in federal court in New York. Motions to dismiss these cases are pending, as are motions to remand several of these cases to state court. The other pending case was filed on January 28, 2002 in state court in Georgia. We have removed it to federal court and are seeking to have it consolidated into the MDL Proceeding.

We believe that the allegations in these cases have no merit and intend to continue to defend them vigorously. The ultimate resolution of these cases cannot presently be determined.

There was an additional EV case that was pending in state court in Madison County, Illinois (*Triad Industries, Inc. v. UPS*). Shortly before the Eleventh Circuit reversed the Tax Court decision, we entered into a settlement of this case — only with respect to Illinois EV shippers — based in part on our desire to vigorously defend these actions in the single MDL Proceeding. While expressly denying any and all liability, the settlement resolved the Illinois case. This settlement has no impact on the claims pending in the MDL Proceeding regarding EV purchases relating to shipments from states other than Illinois. The Illinois court held a fairness hearing on November 15, 2001, and approved the settlement. No appeals were filed to challenge the settlement, and the deadline to do so has passed. Under the settlement, we will provide qualifying settlement class members with coupons toward the purchase of specified UPS services, subject to the terms and conditions of the settlement, and have paid the agreed-upon plaintiffs' attorneys' fees. The settlement's ultimate cost to us will depend upon a number of factors. This settlement did not have a material adverse effect on our financial condition, results of operations or liquidity.

In addition, we are a defendant in various other lawsuits that arose in the normal course of business. We believe that the eventual resolution of these cases will not have a material adverse effect on our financial condition, results of operations or liquidity.

Reference is made to Note 4 to the accompanying consolidated financial statements for more information on the preceding matters.

Due to the events of September 11, 2001 (as described in Note 18), increased security requirements for air carriers may be forthcoming; however, we do not anticipate that such measures will have a material adverse effect on our financial condition, results of operations or liquidity. In addition, our insurance premiums have risen and we have taken several actions, including self-insuring certain risks, to mitigate the expense increase.

As of December 31, 2001, we had approximately 232,500 employees (64% of total employees) employed under a national master agreement and various supplemental agreements with local unions affiliated with the Teamsters. These agreements run through July 31, 2002. The majority of our pilots are employed under a collective bargaining agreement with the Independent Pilots Association, which becomes amendable January 1, 2004. Our airline mechanics are covered by a collective bargaining agreement with Teamsters Local 2727, which became amendable on July 31, 2001. Members of Teamsters 2727 recently voted down a proposed new contract, and negotiations are scheduled to resume in April 2002. In addition, the majority of our ground mechanics who are not employed under agreements with the Teamsters are employed under collective bargaining agreements with the International Association of Machinists and Aerospace Workers. These agreements have various expiration dates between July 31, 2002 and May 31, 2003.

We entered into negotiations with the Teamsters in January 2002 for a new national master agreement. It is our desire through these discussions to reach an agreement on a new contract prior to the end of our current five-year agreement on July 31, 2002. Any strike, work stoppage or slowdown that results from our failure to reach a timely agreement with the Teamsters, and any change in shipping behavior by our customers or potential customers due to perceptions that we will not reach a timely agreement with the Teamsters, could have a material adverse effect on our financial condition and results of operations. We do not, however, anticipate that this will occur.

In November 2001, we announced rate increases, that took effect on January 7, 2002, and are in line with previous rate increases. We increased rates for standard ground shipments an average of 3.5% for commercial deliveries. The ground residential charge increased $0.05 to $1.10 over the commercial ground rate, and this charge will also be applied to express deliveries in 2002. The additional delivery area surcharge added to ground deliveries in certain less accessible areas remained at $1.50, however in 2002 this charge will also be applied to express deliveries to these addresses. Rates for UPS Hundredweight will increase 5.9%. In addition, we increased rates for UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, and 3 Day Select an average of 4.0%. The surcharge for UPS Next Day Air Early A.M. increased from $27.50 to $28.50. Rates for international shipments originating in the United States (Worldwide Express, Worldwide Express Plus, UPS Worldwide Expedited and UPS International Standard service) increased an average of 3.9%. Rate changes for shipments originating outside the U.S. were made throughout the past year and varied by geographic market. An index-based surcharge, which initially was effective December 10, 2001, will continue and will reset on a monthly basis beginning in February 2002. The index-based surcharge could range from 0.00% to 1.50% and is based on the National U.S. Average On-Highway Diesel Fuel Prices as reported by the U.S. Department of Energy.

We believe that funds from operations and borrowing programs will provide adequate sources of liquidity and capital resources to meet our expected long-term needs for the operation of our business, including anticipated capital expenditures such as commitments for aircraft purchases, through 2009. Following is a summary of capital expenditures:

	Year Ended December 31,		
	2001	2000	1999
	(In millions)		
Buildings and facilities	$ 763	$ 947	$ 579
Aircraft and parts	932	645	433
Vehicles	303	156	139
Information technology	374	399	325
	$2,372	$2,147	$1,476

We anticipate capital expenditures of approximately $2.0 billion in 2002. These expenditures will provide for replacement of existing capacity and anticipated future growth and include the projected cost of capitalized software.

A discussion of our anticipated future payments under operating leases, capital leases, debt obligations, and purchase commitments is provided in Note 2 to the consolidated financial statements. A discussion of our unfunded lending commitments is provided in Note 14 to the consolidated financial statements.

Market Risk

We are exposed to market risk from changes in foreign currency exchange rates, interest rates, equity prices, and certain commodity prices. All of these market risks arise in the normal course of business, as UPS does not engage in speculative trading activities. In order to manage the risk arising from these exposures, we utilize a variety of foreign exchange, interest rate, equity and commodity forward contracts, options, and swaps.

The following analyses provide quantitative information regarding our exposure to foreign currency exchange risk, interest rate risk, commodity price risk, and equity price risk. We utilize valuation models to evaluate the sensitivity of the fair value of financial instruments with exposure to market risk that assume instantaneous, parallel shifts in exchange rates, interest rate yield curves, and commodity and equity prices. For options and instruments with non-linear returns, models appropriate to the instrument are utilized to determine the impact of market shifts. There are certain limitations inherent in the sensitivity analyses presented, primarily due to the assumption that exchange rates change in a parallel fashion and that interest rates change instantaneously. In addition, the analyses are unable to reflect the complex market reactions that normally would arise from the market shifts modeled.

A discussion of our accounting policies for derivative instruments and further disclosures are provided in Note 13 to the consolidated financial statements.

Commodity Price Risk

We are exposed to an increase in the prices of refined fuels, principally jet-A, diesel, and unleaded gasoline, which are used in the transportation of packages. Additionally, we are exposed to an increase in the prices of other energy products, primarily natural gas and electricity, used in our operating facilities throughout the world. We use a combination of options, swaps, and futures contracts to provide some protection from rising fuel and energy prices. These derivative instruments generally cover forecasted fuel and energy consumption for periods up to one year. The net fair value of such contracts subject to price risk, excluding the underlying exposures, as of December 31, 2001 and 2000 was a liability of approximately $(27) and $(5) million, respectively. The potential loss in the fair value of these derivative contracts, assuming a 10% change in the underlying commodity price, would be approximately $27 and $9 million at December 31, 2001 and 2000, respectively. This amount excludes the offsetting impact of the price risk inherent in the physical purchase of the underlying commodities.

Foreign Currency Exchange Risk

We have foreign currency risks related to our revenue, operating costs, and financing transactions in currencies other than the local currencies in which we operate. We are exposed to currency risk from the potential changes in functional currency values of our foreign currency-denominated assets, liabilities, and cash flows. Our most significant foreign currency exposures relate to the Euro and the British Pound Sterling. We use a combination of purchased and written options and forward contracts to hedge cash flow currency exposures. As of December 31, 2001 and 2000, the net fair value of the hedging instruments described above was an asset (liability) of approximately $4 and $(9) million, respectively. The potential loss in fair value for such financial instruments from a hypothetical 10% adverse change in quoted foreign currency exchange rates would be approximately $4 and $37 million for 2001 and 2000, respectively.

This sensitivity analysis assumes a parallel shift in the foreign currency exchange rates. Exchange rates rarely move in the same direction. The assumption that exchange rates change in a parallel fashion may overstate the impact of changing exchange rates on assets and liabilities denominated in a foreign currency.

Interest Rate Risk

As described in Note 2 to the consolidated financial statements, we have various debt instruments, including debt associated with capital leases, that are issued at fixed rates of interest. Such financial instruments are exposed to fluctuations in fair value resulting from changes in market interest rates. The fair value of our total long-term debt, including current maturities, at December 31, 2001 and 2000 was $5.3 and $3.7 billion, respectively. The potential decrease in fair value resulting from a hypothetical 10% shift in interest rates would be approximately $196 and $127 million for 2001 and 2000, respectively.

We use a combination of derivative instruments, including interest rate swaps and cross-currency interest rate swaps, as part of our program to manage the fixed and floating interest rate mix of our total debt portfolio and related overall cost of borrowing. These swaps are entered into concurrently with the issuance of the debt that they are intended to modify, and the notional amount, interest payment, and maturity dates of the swaps match the terms of the associated debt. Interest rate swaps allow us to maintain a target range of floating rate debt. The net fair value of our interest rate swaps at December 31, 2001 and 2000 was an asset (liability) of approximately $(74) and $3 million, respectively. The potential decrease in fair value resulting from a hypothetical 10% shift in interest rates would be approximately $67 and $30 million for 2001 and 2000, respectively.

This sensitivity analysis assumes a parallel shift in the yield curve. Although certain assets and liabilities may have similar maturities or periods to repricing, they may not react correspondingly to changes in market interest rates.

Equity Price Risk

We hold investments in various available-for-sale equity securities which are subject to price risk. The fair value of such investments, as of December 31, 2001 and 2000, was an asset of approximately $341 and $382 million, respectively. In addition, we utilize options to hedge the price risk for certain of these equity securities. The potential change in the fair value of these investments, assuming a 10% change in prices net of the offsetting impact of any hedges, would be approximately $12 and $31 million for 2001 and 2000, respectively.

Credit Risk

The forward contracts, swaps, and options previously discussed contain an element of risk that the counterparties may be unable to meet the terms of the agreements. However, we minimize such risk exposures for these instruments by limiting the counterparties to large banks and financial institutions that meet established credit guidelines. We do not expect to incur any losses as a result of counterparty default.

Future Accounting Changes

In June 2001, the FASB issued Statement No. 141 "Business Combinations" ("FAS 141") and Statement No. 142 "Goodwill and Other Intangible Assets" ("FAS 142"). FAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. FAS 141 also specifies the types of acquired intangible assets that are required to be recognized and reported separately from goodwill. FAS 142 eliminates the current requirement to amortize goodwill and indefinite-lived intangible assets, addresses the amortization of intangible assets with a defined life, and addresses the impairment testing and recognition for goodwill and intangible assets.

Goodwill amortization, which was $72 million for 2001, ceased when we implemented FAS 142 on January 1, 2002. To comply with the transition provisions of FAS 142, we have determined our reporting units and assigned goodwill and other net assets to those reporting units. Goodwill attributable to each of our reporting units is being tested for impairment by comparing the fair value of each reporting unit with its carrying value. Fair value is primarily being determined through the use of a discounted cash flow methodology. We have not completed our impairment testing required by the transition provisions of FAS 142, and therefore it is not practical, at this time, to estimate the impact of adoption of this statement.

In August 2001, the FASB issued Statement No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("FAS 144") which superceded Statement No. 121 "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of" ("FAS 121"). FAS 144 establishes a single accounting model for long-lived assets to be disposed of by sale, and resolves several implementation issues arising from FAS 121. FAS 144 became effective for us on January 1, 2002, and the effects of adoption were not material to our results of operations or financial condition.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which are prepared in accordance with accounting principles generally accepted in the United States of America. As indicated in Note 1 to our consolidated financial statements, the amounts of assets, liabilities, revenue and expenses reported in our financial statements are affected by estimates and judgments that are necessary to comply with generally accepted accounting principles. We base our estimates on prior experience and other assumptions that we consider reasonable to our circumstances. Actual results could differ from our estimates, which would affect the related amounts reported in our financial statements. While estimates and judgments are applied in arriving at many reported amounts, such as pension and postretirement medical benefits and provisions for self-insured risks, we believe that the following matters may involve a higher degree of judgment and complexity.

Contingencies — As discussed in Note 4 to our consolidated financial statements, we are involved in various legal proceedings and contingencies. We have recorded liabilities for these matters in accordance with

Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies" ("FAS 5"). FAS 5 requires a liability to be recorded based on our estimate of the probable cost of the resolution of a contingency. The actual resolution of these contingencies may differ from our estimates. If a contingency is settled for an amount greater than our estimate, a future charge to income would result. Likewise, if a contingency is settled for an amount that is less than our estimate, a future credit to income would result.

Goodwill impairment — The FASB issued Statement No. 142, "Goodwill and Other Intangible Assets," ("FAS 142") in June 2001. As a result of the issuance of this new standard, goodwill will no longer be amortized, but will be subjected to annual impairment testing starting in 2002. Goodwill impairment testing will require that we estimate the fair value of our goodwill and compare that estimate to the amount of goodwill recorded on our balance sheet. The estimation of fair value will require that we make judgments concerning future cash flows and appropriate discount rates. Our estimate of the fair value of goodwill could change over time based on the a variety of factors, including the actual operating performance of the underlying reporting units. We have not completed our transitional impairment testing required by FAS 142, so we are unable to estimate the impact of the adoption of this standard on our financial statements. At December 31, 2001, our recorded goodwill (net of accumulated amortization) was $1.112 billion.

Derivative instruments — As discussed in Note 13 to our consolidated financial statements, and in the "Market Risk" section of this report, we hedge certain risks that are incurred in the normal operation of our business. In connection with these activities, we have adopted Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities," as amended, which requires that all financial derivative instruments be recorded on the balance sheet at fair value. Fair values are based on listed market prices, when such prices are available. To the extent that listed market prices are not available, fair value is determined based on other relevant factors, including dealer price quotations, price quotations for similar instruments traded in different markets, and pricing models that consider current market conditions and contractual prices for the underlying financial instruments or commodities. Changes in the fixed income, equity, foreign exchange and commodity markets will impact our estimates of fair value in the future, potentially affecting our results of operations.

Forward-Looking Statements

"Management's Discussion and Analysis of Financial Condition and Results of Operations," "Liquidity and Capital Resources" and other parts of this report contain "forward-looking" statements about matters that are inherently difficult to predict. These statements include statements regarding our intent, belief and current expectations about our strategic direction, prospects and future results. We have described some of the important factors that affect these statements as we discussed each subject. Forward-looking statements involve risks and uncertainties, and certain factors may cause actual results to differ materially from those contained in the forward-looking statements.

Risk Factors

The following are some of the factors that could cause our actual results to differ materially from the expected results described in our forward-looking statements:

- The effect of general economic and other conditions in the markets in which we operate, both in the United States and internationally. Our operations in international markets also are affected by currency exchange and inflation risks.

- Strikes, work stoppages and slowdowns by our employees. Such actions may affect our ability to meet our customers' needs, and customers may do more business with our competitors if they believe that such actions may adversely affect our ability to provide service. We may face permanent loss of customers if we are unable to provide uninterrupted service. The terms of future collective bargaining agreements also may affect our competitive position and results of operations.

- The impact of complex and stringent aviation, transportation, environmental, labor, employment and other governmental laws and regulations, and the impact of new laws and regulations that may result

from increased security concerns following the events of September 11, 2001. Our failure to comply with applicable laws, ordinances or regulations could result in substantial fines or possible revocation of our authority to conduct our operations.

- The impact of competition on a local, regional, national and international basis. Our competitors include the postal services of the U.S. and other nations, various motor carriers, express companies, freight forwarders, air couriers and others. Our industry is undergoing rapid consolidation, and the combining entities are competing aggressively for business at low rates.

- An increase in the prices of gasoline, diesel fuel and jet fuel for our aircraft and delivery vehicles. We require significant quantities of gasoline and fuel and are exposed to the commodity price risk associated with variations in the market price for petroleum products.

- Cyclical and seasonal fluctuations in our operating results due to decreased demand for our services.

Item 7A. ***Quantitative and Qualitative Disclosures about Market Risk***

Information about market risk can be found in Item 7 of this Form 10-K under the caption "Market Risk."

Item 8. ***Financial Statements and Supplementary Data***

Our financial statements are filed together with this Form 10-K. See the Index to Financial Statements and Financial Statement Schedules on page F-1 for a list of the financial statements filed together with this Form 10-K. Supplementary data appear in Note 19 to our financial statements.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

Information about our directors is presented under the caption "Election of Directors" in our definitive Proxy Statement for the Annual Meeting of Shareowners to be held on May 16, 2002, which we filed with the SEC on March 22, 2002, and is incorporated herein by reference.

Information about our executive officers can be found in Part I, Item 1A, of this Form 10-K under the caption "Executive Officers of the Registrant" in accordance with Instruction 3 of Item 401(b) of Regulation S-K and General Instruction G(3) of Form 10-K.

Information about our compliance with Section 16 of the Exchange Act of 1934, as amended, is presented under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive Proxy Statement for the Annual Meeting of Shareowners to be held on May 16, 2002, which we filed with the SEC on March 22, 2002, and is incorporated herein by reference.

Item 11. ***Executive Compensation***

Information about executive compensation is presented under the caption "Compensation of Executive Officers and Directors," excluding the information under the caption "Report of the Compensation Committee," in our definitive Proxy Statement for the Annual Meeting of Shareowners to be held on May 16, 2002, which we filed with the SEC on March 22, 2002, and is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management***

Information about security ownership is presented under the caption "Beneficial Ownership of Common Stock" in our definitive Proxy Statement for the Annual Meeting of Shareowners to be held on May 16, 2002, which we filed with the SEC on March 22, 2002, and is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions***

None.

PART IV

Item 14. ***Exhibits, Financial Statement Schedules, and Reports on Form 8-K***

(a) 1. *Financial Statements.*

See the Index to Financial Statements and Financial Statement Schedules on page F-1 for a list of the financial statements filed with this Form 10-K.

2. *Financial Statement Schedules.*

Not applicable.

3. *List of Exhibits.*

See the Exhibit Index beginning on page E-1 for a list of the exhibits incorporated by reference into or filed with this Form 10-K.

(b) *Reports on Form 8-K.*

None.

(c) *Exhibits required by Item 601 of Regulation S-K.*

See the Exhibit Index beginning on page E-1 for a list of the exhibits incorporated by reference into or filed with this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, United Parcel Service, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED PARCEL SERVICE, INC.
(REGISTRANT)

By: /s/ MICHAEL L. ESKEW

Michael L. Eskew
Chairman and
Chief Executive Officer

Date: March 29, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ WILLIAM H. BROWN, III William H. Brown, III	Director	March 29, 2002
/s/ D. SCOTT DAVIS D. Scott Davis	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 29, 2002
/s/ CALVIN DARDEN Calvin Darden	Senior Vice President and Director	March 29, 2002
/s/ MICHAEL L. ESKEW Michael L. Eskew	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	March 29, 2002
 James P. Kelly	Director	
 Ann M. Livermore	Director	
 Gary E. MacDougal	Director	
/s/ JOSEPH R. MODEROW Joseph R. Moderow	Senior Vice President, Secretary and Director	March 29, 2002
/s/ KENT C. NELSON Kent C. Nelson	Director	March 29, 2002

Signature	Title	Date
	Director	
Victor A. Pelson		
/s/ LEA N. SOUPATA	Senior Vice President and Director	March 29, 2002
Lea N. Soupata		
	Director	
Robert M. Teeter		
	Director	
John W. Thompson		
/s/ THOMAS H. WEIDEMEYER	Senior Vice President, Chief Operating Officer and Director	March 29, 2002
Thomas H. Weidemeyer		

UNITED PARCEL SERVICE, INC.

AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND

FINANCIAL STATEMENTS SCHEDULES

Item 8 — *Financial Statements*

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareowners

United Parcel Service, Inc.
Atlanta, Georgia

We have audited the accompanying consolidated balance sheets of United Parcel Service, Inc. and its subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, shareowners' equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of United Parcel Service, Inc. and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2001, the Company changed its method of accounting for derivative instruments and hedging activities to conform with Statement of Financial Accounting Standards No. 133, as amended.

DELOITTE & TOUCHE LLP

Atlanta, Georgia

January 29, 2002

CONSOLIDATED BALANCE SHEETS

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES

(In millions except share and per share amounts)

	December 31,	
	2001	2000
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 858	$ 879
Marketable securities and short-term investments	758	1,073
Accounts receivable, net	4,078	4,078
Finance receivables, net	708	62
Prepaid health and welfare benefit costs	446	408
Other current assets	749	624
Total Current Assets	7,597	7,124
Property, Plant and Equipment (net of accumulated depreciation and amortization of $10,620 and $9,665 in 2001 and 2000)	13,438	12,329
Prepaid Pension Costs	1,845	1,593
Other Assets	1,756	616
	$24,636	$21,662
LIABILITIES AND SHAREOWNERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt and commercial paper	$ 518	$ 623
Accounts payable	1,742	1,674
Accrued wages and withholdings	1,169	1,134
Dividends payable	212	192
Other current liabilities	988	878
Total Current Liabilities	4,629	4,501
Long-term Debt (including capitalized lease obligations)	4,648	2,981
Accumulated Postretirement Benefit Obligation	1,130	1,049
Deferred Taxes, Credits and Other Liabilities	3,981	3,396
Shareowners' Equity:		
Preferred stock, no par value, authorized 200,000,000 shares, none issued	—	—
Class A common stock, par value $.01 per share, authorized 4,600,000,000 shares, Issued 771,890,541 and 935,873,745 in 2001 and 2000.	8	9
Class B common stock, par value $.01 per share, authorized 5,600,000,000 shares, Issued 349,435,195 and 198,819,384 in 2001 and 2000.	3	2
Additional paid-in capital	414	267
Retained earnings	10,162	9,684
Accumulated other comprehensive loss	(339)	(227)
Deferred compensation arrangements	47	—
	10,295	9,735
Less: Treasury stock, at cost (817,414 and 0 shares in 2001 and 2000)	(47)	—
	10,248	9,735
	$24,636	$21,662

See notes to consolidated financial statements.

STATEMENTS OF CONSOLIDATED INCOME

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES

(In millions except per share amounts)

	Years Ended December 31,		
	2001	2000	1999
Revenue	$30,646	$29,771	$27,052
Operating Expenses:			
Compensation and benefits	17,397	16,546	15,285
Other	9,287	8,713	7,862
	26,684	25,259	23,147
Operating Profit	3,962	4,512	3,905
Other Income and (Expense):			
Investment income	159	527	197
Interest expense	(184)	(205)	(228)
Tax assessment	–	–	(1,786)
	(25)	322	(1,817)
Income Before Income Taxes And Cumulative Effect Of Change In Accounting Principle	3,937	4,834	2,088
Income Taxes	1,512	1,900	1,205
Income Before Cumulative Effect Of Change In Accounting Principle	2,425	2,934	883
Cumulative Effect Of Change In The Method Of Accounting For Derivatives, Net Of Taxes	(26)	–	–
Net Income	$ 2,399	$ 2,934	$ 883
Basic Earnings Per Share Before Cumulative Effect Of Change In Accounting Principle	$ 2.15	$ 2.54	$ 0.79
Basic Earnings Per Share	$ 2.13	$ 2.54	$ 0.79
Diluted Earnings Per Share Before Cumulative Effect Of Change In Accounting Principle	$ 2.12	$ 2.50	$ 0.77
Diluted Earnings Per Share	$ 2.10	$ 2.50	$ 0.77

See notes to consolidated financial statements.

STATEMENTS OF CONSOLIDATED SHAREOWNERS' EQUITY

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES

(In millions except per share amounts)

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Deferred Compensation Arrangements	Treasury Stock		Total Shareowners' Equity
	Shares	Amount	Shares	Amount					Shares	Amount	
Balance, January 1, 1999	1,118	$ 11	—	$ —	$ 325	$ 7,325	$ (63)	$ —	(23)	$ (425)	$ 7,173
Comprehensive income:											
Net income	—	—	—	—	—	883	—	—	—	—	883
Foreign currency adjustments	—	—	—	—	—	—	(104)	—	—	—	(104)
Unrealized loss on marketable securities	—	—	—	—	—	—	(3)	—	—	—	(3)
Comprehensive income											776
Dividends ($.58 per share)	—	—	—	—	—	(672)	—	—	—	—	(672)
Gain on issuance of treasury stock	—	—	—	—	5	—	—	—	—	—	5
Stock award plans	7	—	—	—	91	—	—	—	21	434	525
Treasury stock purchases	—	—	—	—	—	—	—	—	(54)	(1,232)	(1,232)
Treasury stock issuances	—	—	—	—	—	—	—	—	32	633	633
Issuance of Class B common stock in public offering, net of issuance costs	—	—	109	1	5,265	—	—	—	—	—	5,266
Retirement of treasury stock	(24)	—	—	—	(590)	—	—	—	24	590	—
Balance, December 31, 1999	1,101	11	109	1	5,096	7,536	(170)	—	—	—	12,474
Comprehensive income:											
Net income	—	—	—	—	—	2,934	—	—	—	—	2,934
Foreign currency adjustments	—	—	—	—	—	—	(56)	—	—	—	(56)
Unrealized loss on marketable securities	—	—	—	—	—	—	(1)	—	—	—	(1)
Comprehensive income								—			2,877
Dividends ($.68 per share)	—	—	—	—	—	(786)	—	—	—	—	(786)
Stock award plans	15	—	—	—	602	—	—	—	—	—	602
Common stock purchases through tender offer	(68)	(1)	—	—	(4,069)	—	—	—	—	—	(4,070)
Common stock purchases	(16)	—	(7)	—	(1,395)	—	—	—	—	—	(1,395)
Common stock issuances	1	—	—	—	33	—	—	—	—	—	33
Conversion of Class A common stock to Class B common stock	(97)	(1)	97	1	—	—	—	—	—	—	—
Balance, December 31, 2000	936	9	199	2	267	9,684	(227)	—	—	—	9,735
Comprehensive income:											
Net income	—	—	—	—	—	2,399	—	—	—	—	2,399
Foreign currency adjustments	—	—	—	—	—	—	(46)	—	—	—	(46)
Unrealized loss on marketable securities	—	—	—	—	—	—	(17)	—	—	—	(17)
Unrealized loss on cash flow hedges	—	—	—	—	—	—	(49)	—	—	—	(49)
Comprehensive income											2,287
Dividends ($.76 per share)	—	—	—	—	—	(856)	—	—	—	—	(856)
Stock award plans	13	—	—	—	521	—	—	—	—	—	521
Common stock issuances for acquisitions	—	—	8	—	510	—	—	—	—	—	510
Common stock purchases	(26)	—	(10)	—	(954)	(1,065)	—	—	—	—	(2,019)
Other common stock issuances	1	—	—	—	70	—	—	—	—	—	70
Common stock held for deferred compensation arrangements	—	—	—	—	—	—	—	47	(1)	(47)	—
Conversion of Class A common stock to Class B common stock	(152)	(1)	152	1	—	—	—	—	—	—	—
Balance, December 31, 2001.	772	$ 8	349	$ 3	$ 414	$ 10,162	$ (339)	$ 47	(1)	$ (47)	$ 10,248

See notes to consolidated financial statements.

UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED CASH FLOWS

(In millions)

	Years Ended December 31,		
	2001	2000	1999
Cash flows from operating activities:			
Net income	$ 2,399	$ 2,934	$ 883
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	1,396	1,173	1,139
Postretirement benefits	81	57	21
Deferred taxes, credits and other	638	(81)	562
Stock award plans	495	539	443
Gain on investments and sale of business	—	(263)	—
Changes in assets and liabilities, net of effect of acquisitions:			
Accounts receivable	415	(851)	(454)
Finance receivables	(630)	(62)	—
Prepaid health and welfare benefit costs	(38)	(27)	(31)
Other current assets	(104)	(252)	(3)
Prepaid pension costs	(252)	(662)	(593)
Accounts payable	(470)	317	(27)
Accrued wages and withholdings	27	131	(94)
Dividends payable	20	(169)	114
Tax assessment	—	(311)	226
Other current liabilities	(77)	269	73
Net cash from operating activities	3,900	2,742	2,259
Cash flows from investing activities:			
Capital expenditures	(2,372)	(2,147)	(1,476)
Disposals of property, plant and equipment	165	251	213
Purchases of marketable securities and short-term investments	(3,361)	(8,127)	(3,981)
Sales and maturities of marketable securities and short-term investments	3,690	9,345	2,290
Construction funds in escrow	21	90	(111)
Payments for acquisitions, net of cash acquired	(466)	(245)	(63)
Other asset receipts (payments)	(60)	(42)	3
Net cash (used in) investing activities	(2,383)	(875)	(3,125)
Cash flows from financing activities:			
Proceeds from borrowings	2,312	2,297	502
Repayments of borrowings	(1,089)	(1,168)	(679)
Issuance of Class B common stock in public offering, net of issuance costs	—	—	5,266
Purchases of common stock via tender	—	(4,070)	—
Other purchases of common stock	(2,019)	(1,395)	(1,232)
Issuances of common stock pursuant to stock awards and employee stock purchase plans	228	88	685
Dividends	(856)	(786)	(672)
Other transactions	(69)	(127)	(1)
Net cash from (used in) financing activities	(1,493)	(5,161)	3,869
Effect of exchange rate changes on cash	(45)	(31)	(39)
Net increase (decrease) in cash and cash equivalents	(21)	(3,325)	2,964
Cash and cash equivalents:			
Beginning of year	879	4,204	1,240
End of year	$ 858	$ 879	$ 4,204
Cash paid during the period for:			
Interest, net of amount capitalized	$ 164	$ 363	$ 982
Income taxes	$ 1,042	$ 1,567	$ 773

See notes to consolidated financial statements.

Note 1. ***Summary of Accounting Policies***

Initial Public Offering of Common Stock

In November 1999, we became a publicly traded company by issuing 109.4 million shares of Class B common stock of United Parcel Service, Inc. a newly formed corporation with a new capital structure, which became the parent of United Parcel Service of America, Inc. Class A shares of United Parcel Service, Inc. are entitled to ten votes each, whereas Class B shares are entitled to one vote each. The Class A shares initially issued by United Parcel Service, Inc. were equally allocated among Class A-1, A-2, and A-3 common stock. The different types of Class A common stock are identical, except for the applicable transfer restriction periods, which have all now lapsed. The new capital structure has been given retroactive effect in our financial statements, with no changes to previously reported net income. All of the net proceeds of the IPO of $5.266 billion have subsequently been used for a tender offer and other repurchases of our Class A and Class B shares.

Basis of Financial Statements and Business Activities

The accompanying financial statements include the accounts of United Parcel Service, Inc., and all of its consolidated subsidiaries (collectively "UPS" or the "Company"). All material intercompany balances and transactions have been eliminated.

UPS concentrates its operations in the field of transportation services, primarily domestic and international letter and package delivery. Through our non-package subsidiaries, we are also a global provider of specialized transportation, logistics, and financial services.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

As of December 31, 2001, we had approximately 232,500 employees (64% of total employees) employed under a national master agreement and various supplemental agreements with local unions affiliated with the International Brotherhood of Teamsters ("Teamsters"). These agreements run through July 31, 2002. The majority of our pilots are employed under a collective bargaining agreement with the Independent Pilots Association, which becomes amendable January 1, 2004. Our airline mechanics are covered by a collective bargaining agreement with Teamsters Local 2727, which became amendable on July 31, 2001. Members of Teamsters 2727 recently voted down a proposed new contract, and negotiations are scheduled to resume in April 2002. In addition, the majority of our ground mechanics who are not employed under agreements with the Teamsters are employed under collective bargaining agreements with the International Association of Machinists and Aerospace Workers. These agreements have various expiration dates between July 31, 2002 and May 31, 2003.

Revenue Recognition

In our package operations, revenue is recognized upon delivery of a letter or package. For our non-package operations, revenue recognition is as follows:

UPS Logistics Group — Material management and distribution revenue is recognized upon performance of the service provided.

Forwarding & Brokerage Services — Revenue is recognized net of the expense related to the transportation of freight at the time the services are performed. Customs brokerage revenue is recognized upon completing documents necessary for customs entry purposes.

UPS Capital — Income on loans and direct finance leases is recognized on the interest method. Accrual of interest income is suspended at the earlier of the time at which collection of an account becomes doubtful or the account becomes 90 days delinquent. Income on operating leases is recognized on the straight-line method over the terms of the underlying leases.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"), which provides guidance on applying generally accepted accounting principles to revenue recognition issues in financial statements. We adopted SAB 101 as required in the fourth quarter of 2000 without a material impact on our financial position or results of operations.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments (including investments in debt and auction rate securities of $331 and $714 million at December 31, 2001 and 2000, respectively) that are readily convertible into cash. The carrying amount approximates fair value because of the short-term maturity of these instruments.

Marketable Securities

Marketable securities are classified as available-for-sale and are carried at fair value, with related unrealized gains and losses reported as other comprehensive income ("OCI"), a separate component of shareowners' equity. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and accretion is included in investment income, along with interest and dividends. The cost of securities sold is based on the specific identification method; realized gains and losses resulting from such sales are included in investment income.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation and amortization are provided by the straight-line method over the estimated useful lives of the assets, which are as follows: Vehicles — 9 years; Aircraft — 12 to 20 years; Buildings — 20 to 40 years; Leasehold Improvements — lives of leases; Plant Equipment — 5 to 8 1/3 years. The costs of major airframe and engine overhauls, as well as routine maintenance and repairs, are charged to expense as incurred.

Goodwill

Costs of purchased businesses in excess of net assets acquired (goodwill) are amortized over either a 10-year or 20-year period using the straight-line method. See section on new accounting pronouncements included in this note.

Impairment of Long-Lived Assets

We review long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable. If the carrying amount of the asset is determined not to be recoverable, a write-down to fair value is recorded.

Income Taxes

Income taxes are accounted for under Financial Accounting Standards Board ("FASB") Statement No. 109, "Accounting for Income Taxes" ("FAS 109"). FAS 109 is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. In estimating future tax consequences,

FAS 109 generally considers all expected future events other than proposed changes in the tax law or rates. Valuation allowances are provided if it is more likely than not that a deferred tax asset will not be realized.

Capitalized Interest

Interest incurred during the construction period of certain property, plant and equipment is capitalized until the underlying assets are placed in service, at which time amortization of the capitalized interest begins, straight-line, over the estimated useful lives of the related assets. Capitalized interest was $47, $26 and $20 million for 2001, 2000 and 1999, respectively.

Stock Options

We have adopted the disclosure provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"). Under FAS 123, companies have the option to measure compensation costs for stock options using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). Under APB 25, compensation expense is generally not recognized when both the exercise price is the same as the market price and the number of shares to be issued is set on the date the employee stock option is granted. Since our employee stock options are granted on this basis and we have chosen to use the intrinsic value method, we do not recognize compensation expense for stock option grants. We do, however, include in Note 6 pro forma disclosures of net income and earnings per share as if the fair value method of accounting had been applied.

Capitalized Software

Effective January 1, 1999, we adopted the Accounting Standards Executive Committee Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which requires that we capitalize certain costs to develop or obtain computer software for internal use. Capitalized costs for this software are amortized using the straight-line method over periods ranging from three to five years.

Derivative Instruments

Effective January 1, 2001, we adopted FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"), as amended by Statements No. 137 and No. 138. FAS 133, as amended, requires us to record all financial derivative instruments on our balance sheet at fair value. Derivatives not designated as hedges must be adjusted to fair value through income. If a derivative is designated as a hedge, depending on the nature of the hedge, changes in its fair value that are considered to be effective, as defined, either offset the change in fair value of the hedged assets, liabilities, or firm commitments through income, or are recorded in OCI until the hedged item is recorded in income. Any portion of a change in a derivative's fair value that is considered to be ineffective, or is excluded from the measurement of effectiveness, is recorded immediately in income.

At January 1, 2001, our financial statements were adjusted to record a cumulative effect of adopting FAS 133, as follows (in millions):

	Income	OCI
Adjustment to fair value of derivative instruments	$ (42)	$ 37
Income tax effects	16	(14)
Adjustment, net of tax	$ (26)	$ 23
Effect on diluted earnings per share (a)	$(0.02)	

(a) For income effect, amount shown is net of adjustment to hedged items.

The cumulative effect on income resulted primarily from marking to market the time value of option contracts used in commodity and foreign currency cash flow hedging. The cumulative effect on OCI resulted primarily from marking to market swap contracts used as cash flow hedges of anticipated foreign currency cash flows and anticipated purchases of energy products.

New Accounting Pronouncements

In June 2001, the FASB issued Statement No. 141 "Business Combinations" ("FAS 141") and Statement No. 142 "Goodwill and Other Intangible Assets" ("FAS 142"). FAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. FAS 141 also specifies the types of acquired intangible assets that are required to be recognized and reported separately from goodwill. FAS 142 eliminates the current requirement to amortize goodwill and indefinite-lived intangible assets, addresses the amortization of intangible assets with a defined life, and addresses the impairment testing and recognition for goodwill and intangible assets.

Goodwill amortization, which was $72 million for 2001, ceased when we implemented FAS 142 on January 1, 2002. To comply with the transition provisions of FAS 142, we have determined our reporting units and assigned goodwill and other net assets to those reporting units. Goodwill attributable to each of our reporting units is being tested for impairment by comparing the fair value of each reporting unit with its carrying value. Fair value is primarily being determined through the use of a discounted cash flow methodology. We have not completed our impairment testing required by the transition provisions of FAS 142, and therefore it is not practical, at this time, to estimate the impact of adoption of this statement.

In August 2001, the FASB issued Statement No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("FAS 144") which superceded Statement No. 121 "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of" ("FAS 121"). FAS 144 establishes a single accounting model for long-lived assets to be disposed of by sale, and resolves several implementation issues arising from FAS 121. FAS 144 became effective for us on January 1, 2002, and the effects of adoption were not material to our results of operations or financial condition.

Changes in Presentation

Certain prior year amounts have been reclassified to conform to the current year presentation.

Note 2. ***Long-Term Debt and Commitments***

Long-term debt, as of December 31, consists of the following (in millions):

	2001	2000
8 3/8% debentures, due April 1, 2020(i)	$ 424	$ 424
8 3/8% debentures, due April 1, 2030(i)	276	276
Commercial paper(ii)	1,694	1,366
Industrial development bonds, Philadelphia Airport facilities, due December 1, 2015(iii)	100	100
Special facilities revenue bonds, Louisville Airport facilities, due January 1, 2029(iv)	149	149
Floating rate senior notes(v)	341	105
1.75% Cash-settled convertible senior notes, due September 27, 2007(vi)	291	300
Capitalized lease obligations(vii)	521	562
UPS Notes(viii)	486	—
6.625% EuroNotes, due April 25, 2001	—	200
5.50% Pound Sterling notes, due February 12, 2031	725	—
4.5% Singapore Dollar notes, due November 11, 2004	54	58
Installment notes, mortgages and bonds at various rates	105	64
	5,166	3,604
Less current maturities	(518)	(623)
	$4,648	$2,981

(i) On January 22, 1998, we exchanged $276 million of an original $700 million in debentures for new debentures of equal principal with a maturity of April 1, 2030. The new debentures have the same interest rate as the 8 3/8% debentures due 2020 until April 1, 2020, and, thereafter, the interest rate will be 7.62% for the final 10 years. The 2030 debentures are redeemable in whole or in part at our option at any time. The redemption price is equal to the greater of 100% of the principal amount and accrued interest or the sum of the present values of the remaining scheduled payouts of principal and interest thereon discounted to the date of redemption at a benchmark treasury yield plus five basis points plus accrued interest. The remaining $424 million of 2020 debentures are not subject to redemption prior to maturity. Interest is payable semiannually on the first of April and October for both debentures and neither debenture is subject to sinking fund requirements.

(ii) The weighted average interest rate on the commercial paper outstanding as of December 31, 2001 and 2000, was 1.9% and 6.5%, respectively. Of the total commercial paper balance outstanding as of December 31, 2001, $1.25 billion has been classified as long-term debt in accordance with our intention and ability to refinance such obligations on a long-term basis. The amount of commercial paper outstanding in 2002 is expected to fluctuate. We are authorized to borrow up to $7.0 billion under the two commercial paper programs we maintain as of December 31, 2001.

(iii) The industrial development bonds bear interest at a daily variable rate. The average interest rates for 2001 and 2000 were 2.5% and 4.0%, respectively.

(iv) The special facilities revenue bonds bear interest at a daily variable rate. The average interest rates for 2001 and 2000 were 2.6% and 4.1%, respectively.

(v) The floating rate senior notes bear interest at one-month LIBOR less 45 basis points. The average interest rates for 2001 and 2000 were 3.3% and 6.1%, respectively. These notes are callable at various times after 30 years at a stated percentage of par value, and putable by the note holders at various times after 10 years at a stated percentage of par value.

(vi) The cash-settled convertible senior notes bear interest at a stated rate of 1.75% and are callable after three years. The notes may be exchanged for an amount of cash that is indexed to the trading price of our Class B common stock. In conjunction with the debt offering, we entered into a swap transaction in which UPS pays 30 Day LIBOR less 38 basis points, and receives the 1.75% cash coupon plus any equity appreciation payable in cash on the notes. The average interest rate payable on the swap for 2001 and 2000 was 3.8% and 6.3%, respectively.

(vii) We have capitalized lease obligations for certain aircraft, which are included in Property, Plant and Equipment at December 31 as follows (in millions):

	2001	2000
Aircraft	$ 933	$768
Accumulated amortization	(109)	(81)
	$ 824	$687

(viii) The UPS Notes program involves the periodic issuance of fixed rate notes in $1,000 increments with various terms and maturities. At December 31, 2001, the coupon rates of the outstanding notes varied between 5.0% and 6.6%, and the interest payments are made either monthly or semiannually. The maturities of the notes range from 2005 to 2017. Substantially all of the fixed obligations associated with the notes were swapped to floating rates, based on different LIBOR indices plus or minus a spread. The average interest rate payable on the swaps for 2001 was 2.8%.

Based on the borrowing rates currently available to the Company for long-term debt with similar terms and maturities, the fair value of long-term debt, including current maturities, is approximately $5.3 and $3.7 billion as of December 31, 2001 and 2000, respectively.

We lease certain aircraft, facilities, equipment and vehicles under operating leases, which expire at various dates through 2051. The following table sets forth the aggregate minimum lease payments under capitalized and operating leases, the aggregate annual principal payments due under our long-term debt, and the aggregate amounts expected to be spent for purchase commitments (in millions).

Year	Capitalized Leases	Operating Leases	Debt Principal(1)	Purchase Commitments
2002	$ 68	$ 368	$ 27	$ 902
2003	68	299	26	952
2004	68	225	64	877
2005	93	181	17	646
2006	68	137	71	716
After 2006	358	665	2,746	1,569
Total	723	$ 1,875	$ 2,951	$ 5,662
Less imputed interest	(202)			
Present value of minimum capitalized lease payments	521			
Less current portion	(47)			
Long-term capitalized lease obligations	$ 474			

(1) Debt principal repayments exclude our outstanding commercial paper balance of $1.694 billion.

As of December 31, 2001, we had outstanding letters of credit totaling approximately $1.3 billion issued in connection with routine business requirements.

We maintain two credit agreements with a consortium of banks that provide revolving credit facilities of $1.25 billion each, with one expiring April 25, 2002 and the other April 27, 2005. Interest on any amounts we borrow under these facilities would be charged at 90-day LIBOR plus 15 basis points. At December 31, 2001, there were no outstanding borrowings under these facilities. In addition, we maintain an extendible commercial notes program under which we are authorized to borrow up to $500 million. No amounts were outstanding under this program at December 31, 2001.

We have a $2.0 billion shelf registration statement under which we may issue debt securities in the U.S. The debt may be denominated in a variety of currencies. There was approximately $1.132 billion issued under this shelf registration statement at December 31, 2001. We also maintain a $1.0 billion European medium-term note program. Under this program, we may issue notes from time to time, denominated in a variety of currencies. At December 31, 2001, $1.0 billion was available under this program.

Note 3. ***Earnings Per Share***

The following table sets forth the computation of basic and diluted earnings per share (in millions except per share amounts):

	2001	2000	1999
Numerator:			
Numerator for basic and diluted earnings per share — net income	$2,399	$2,934	$ 883
Denominator:			
Weighted-average shares	1,124	1,152	1,119
Contingent shares — Management incentive awards	2	1	2
Denominator for basic earnings per share	1,126	1,153	1,121
Effect of dilutive securities:			
Additional contingent shares — Management incentive awards	5	6	9
Stock options	13	16	11
Denominator for diluted earnings per share	1,144	1,175	1,141
Basic earnings per share	$ 2.13	$ 2.54	$ 0.79
Diluted earnings per share	$ 2.10	$ 2.50	$ 0.77

Note 4. ***Legal Proceedings and Contingencies***

On August 9, 1999, the United States Tax Court held that we were liable for tax on income of Overseas Partners Ltd. ("OPL"), a Bermuda company that had reinsured excess value ("EV") package insurance purchased by our customers beginning in 1984, and that we were liable for additional tax for the 1983 and 1984 tax years. The Court held that for the 1984 tax year we were liable for taxes of $31 million on income reported by OPL, penalties and penalty interest of $93 million, and interest for a total after-tax exposure estimated at approximately $246 million.

On June 20, 2001, the United States Court of Appeals for the Eleventh Circuit reversed the Tax Court's decision. On September 13, 2001, the Eleventh Circuit denied the IRS's petition to have the appeal reheard en banc. The IRS did not appeal the case to the U.S. Supreme Court and, consequently, the case has been remanded to the Tax Court to consider alternative arguments raised by the parties. At this time, we do not know what the outcome of the remanded proceedings in the Tax Court will be.

The IRS has taken similar positions to those advanced in the Tax Court decision for tax years subsequent to 1984. Tax years 1985 through 1990 currently are docketed in the Tax Court, although no trial date has been

set pending resolution of the case that covers the 1984 year. Further, the IRS has issued a report asserting similar positions for the 1991 through 1994 tax years, and we expect the IRS to take similar positions for tax years 1995 through 1999. Based on the Tax Court decision, we estimate that our total after-tax exposure for tax years 1984 through 1999 could be as high as $2.353 billion.

In our second quarter 1999 financial statements, we recorded a tax assessment charge of $1.786 billion, which included an amount for related state tax liabilities. The charge included taxes of $915 million and interest of $871 million. This assessment resulted in a tax benefit of $344 million related to the interest component of the assessment. As a result, our net charge to net income for the tax assessment was $1.442 billion, increasing our total after-tax reserve at that time with respect to these matters to $1.672 billion. The tax benefit of deductible interest was included in income taxes in 1999; however, since none of the income on which this tax assessment is based is our income, we did not classify the tax charge as income taxes.

We determine the size of our reserve with respect to these matters in accordance with accounting principles generally accepted in the United States of America. In 1999, we estimated our most likely liability based on the initial Tax Court decision. In making this determination, we concluded that, based on the Tax Court decision, it was more likely that we would be required to pay taxes on income reported by OPL and interest, but that it was not probable that we would be required to pay any penalties and penalty interest. In our prior estimation, if penalties and penalty interest ultimately were determined to be payable, we would have had to record an additional charge of up to $681 million. Since the outcome of remanded proceedings in the Tax Court is uncertain, we currently do not know what impact the Eleventh Circuit decision ultimately will have on our recorded reserve and above estimations for this matter.

Further, again as a result of the unfavorable Tax Court decision, and in order to stop the potential accrual of additional interest that might ultimately be determined to be due to the IRS, on August 31, 1999, we paid $1.349 billion and, on August 8, 2000, we paid an additional $91 million, to the IRS related to these matters for the 1984 through 1994 tax years. We included the profit of the EV insurance program, using the IRS's methodology for calculating these amounts, for both 1998 and 1999 in filings we made with the IRS in 1999. In February 2000, we paid $339 million to the IRS related to these matters for the 1995 through 1997 tax years. These amounts will remain with the IRS pending further proceedings.

The EV program that was the subject of the Tax Court decision has been changed since September 1999. The revised arrangement should eliminate the issues considered by the Tax Court and the Eleventh Circuit related to OPL.

The IRS has proposed adjustments, unrelated to the OPL matters discussed above, regarding the allowance of deductions and certain losses, the characterization of expenses as capital rather than ordinary, the treatment of certain income, and our entitlement to the investment tax credit and the research tax credit in the 1985 through 1990 tax years. The proposed adjustments would result in $16 million in additional income tax expense. Also, the IRS has issued a report taking a similar position with respect to some of these issues for each of the years from 1991 through 1994. This report proposes adjustments that would result in $155 million in additional income tax expense. For the 1985 through 1994 tax years, unpaid interest on these adjustments through December 31, 2001 could aggregate up to approximately $436 million, after the benefit of related tax deductions. We expect that we will prevail on substantially all of these issues. Specifically, we believe that our practice of expensing the items that the IRS alleges should have been capitalized is consistent with the practices of other industry participants. The IRS may take similar positions with respect to some of these issues for each of the years 1995 through 2001. The IRS's proposed adjustments include penalties and penalty interest. We believe that the possibility that such penalties and penalty interest will be sustained is remote. We believe that the eventual resolution of these issues will not have a material adverse effect on our financial condition, results of operations or liquidity.

We are named as a defendant in twenty-five pending lawsuits that seek to hold us liable for the collection of premiums for EV insurance in connection with package shipments since 1984. Based on a variety of state

and federal tort, contract and statutory claims, these cases generally claim that we failed to remit collected EV premiums to an independent insurer; we failed to provide promised EV insurance; we acted as an insurer without complying with state insurance laws and regulations; and the price for EV insurance was excessive.

These actions were filed after the August 9, 1999 Tax Court decision. As discussed above, on June 20, 2001, the U.S. Court of Appeals for the Eleventh Circuit ruled in our favor and reversed the Tax Court decision.

Twenty-four of these twenty-five cases have been consolidated for pre-trial purposes in a multi-district litigation proceeding ("MDL Proceeding") in federal court in New York. Motions to dismiss these cases are pending, as are motions to remand several of these cases to state court. The other pending case was filed on January 28, 2002 in state court in Georgia. We have removed it to federal court and are seeking to have it consolidated into the MDL Proceeding.

In addition to the cases in which UPS is named as a defendant, there is also an action, *Smith v. Mail Boxes Etc.,* against Mail Boxes Etc. and its franchisees relating to UPS EV insurance purchased through Mail Boxes Etc. centers. Although the case has been pending in California state court, the complaint was recently amended to allege a nationwide plaintiff class, and to add a UPS subsidiary, Mail Boxes Etc., Inc. ("New MBE"), and an MBE franchisee as a representative of a purported nationwide defendant class of franchisees, as new defendants. Previously, only the former franchisor, which was not affiliated with UPS, was named a defendant. New MBE has removed the case to federal court, and is attempting to have it consolidated into the MDL Proceeding. The plaintiff is seeking to have the case remanded back to state court.

We believe that the allegations in these cases have no merit and intend to continue to defend them vigorously. The ultimate resolution of these cases cannot presently be determined.

There was an additional EV case that was pending in state court in Madison County, Illinois (*Triad Industries, Inc. v. UPS*). Shortly before the Eleventh Circuit reversed the Tax Court decision, we entered into a settlement of this case — only with respect to Illinois EV shippers — based in part on our desire to vigorously defend these actions in the single MDL Proceeding. While expressly denying any and all liability, the settlement resolved the Illinois case. This settlement has no impact on the claims pending in the MDL Proceeding regarding EV purchases relating to shipments from states other than Illinois. The Illinois court held a fairness hearing on November 15, 2001, and approved the settlement. No appeals were filed to challenge the settlement, and the deadline to do so has passed. Under the settlement, we will provide qualifying settlement class members with coupons toward the purchase of specified UPS services, subject to the terms and conditions of the settlement, and have paid the agreed-upon plaintiffs' attorneys' fees. The settlement's ultimate cost to us will depend upon a number of factors. This settlement did not have a material adverse effect on our financial condition, results of operations or liquidity.

In addition, we are a defendant in various other lawsuits that arose in the normal course of business. We believe that the eventual resolution of these cases will not have a material adverse effect on our financial condition, results of operations or liquidity.

Note 5. ***Employee Benefit Plans***

We maintain several defined benefit pension plans (the "Plans"). The Plans are noncontributory and include all employees of participating domestic subsidiaries who meet certain minimum age and years of service requirements, except those employees covered by certain multi-employer plans provided for under collective bargaining agreements.

The Plans provide for retirement benefits based on either service credits or average compensation levels earned by employees prior to retirement. The Plans' assets consist primarily of publicly traded securities and include approximately 24.1 and 24.5 million shares of UPS common stock at December 31, 2001 and 2000,

respectively. Our funding policy is consistent with relevant federal tax regulations. Accordingly, our contributions are deductible for federal income tax purposes.

We also sponsor postretirement medical plans that provide health care benefits to our retirees who meet certain eligibility requirements and who are not otherwise covered by multi-employer plans. Generally, this includes employees with at least 10 years of service who have reached age 55 and employees who are eligible for postretirement medical benefits from a Company-sponsored plan pursuant to collective bargaining agreements. We have the right to modify or terminate certain of these plans. In many cases, these benefits have been provided to retirees on a noncontributory basis; however, in certain cases, retirees are required to contribute toward the cost of the coverage.

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets, and a statement of funded status as of September 30, with certain amounts included in the balance sheet as of December 31 (in millions):

	Pension Benefits		Postretirement Medical Benefits	
	2001	2000	2001	2000
Change in Benefit Obligation				
Net benefit obligation at October 1, prior year	$ 4,547	$ 4,196	$ 1,500	$ 1,397
Service cost	192	181	55	50
Interest cost	363	324	118	106
Plan participants' contributions	—	—	2	2
Plan amendments	20	—	2	3
Actuarial (gain) loss	394	(13)	157	8
Gross benefits paid	(169)	(141)	(75)	(66)
Net benefit obligation at September 30.	5,347	4,547	1,759	1,500
Change in Plan Assets				
Fair value of plan assets at October 1, prior year	7,661	5,507	466	374
Actual return on plan assets	(1,218)	1,563	(70)	96
Employer contributions	222	732	49	61
Plan participants' contributions	—	—	2	2
Gross benefits paid	(169)	(141)	(75)	(66)
Fair value of plan assets at September 30.	6,496	7,661	372	467
Funded status at September 30.	1,149	3,114	(1,387)	(1,033)
Unrecognized net actuarial (gain) loss	361	(1,874)	254	(16)
Unrecognized prior service cost	295	305	(4)	(7)
Unrecognized net transition obligation	39	47	—	—
Employer contributions	1	1	7	7
Net asset (liability) recorded at end of year	$ 1,845	$ 1,593	$(1,130)	$(1,049)

Net periodic benefit cost (benefit) for the years ended December 31 included the following components (in millions):

	Pension Benefits			Postretirement Medical Benefits		
	2001	2000	1999	2001	2000	1999
Service cost	$ 192	$ 181	$ 187	$ 55	$ 50	$ 41
Interest cost	363	324	293	118	106	83
Expected return on assets	(616)	(471)	(351)	(42)	(34)	(26)
Amortization of:						
Transition obligation	8	8	8	—	—	—
Prior service cost	30	30	23	(1)	(1)	(2)
Actuarial (gain) loss	(7)	(1)	6	—	1	—
Net periodic benefit cost (benefit)	$ (30)	$ 71	$ 166	$130	$122	$ 96

The significant assumptions used in the measurement of our benefit obligations are as follows:

	2001	2000	1999
Expected long-term annual rate of earnings on plan assets	9.50%	9.50%	9.50%
Discount rate	7.50%	7.75%	7.50%
Rate of annual increase in future compensation levels for pension benefits	4.00%	4.00%	4.00%

Future postretirement medical benefit costs were forecasted assuming an initial annual increase of 7.00% for pre-65 and post-65 medical costs, decreasing to 5.50% for pre-65 and post-65 by the year 2004 and with consistent annual increases at those ultimate levels thereafter.

Assumed health care cost trends have a significant effect on the amounts reported for the postretirement medical plans. A one-percent change in assumed health care cost trend rates would have the following effects (in millions):

	1% Increase	1% Decrease
Effect on total of service and interest cost components	$ 10	$ (10)
Effect on postretirement benefit obligation	$ 87	$ (91)

We also contribute to several multi-employer pension plans for which the above disclosure information is not determinable. Amounts charged to operations for pension contributions to these multi-employer plans were $977, $897 and $809 million during 2001, 2000, and 1999, respectively.

We also contribute to several multi-employer health and welfare plans that cover both active and retired employees for which the above disclosure information is not determinable. Amounts charged to operations for contributions to multi-employer health and welfare plans were $553, $501, and $463 million during 2001, 2000, and 1999, respectively.

We also sponsor a defined contribution plan for all employees not covered under collective bargaining agreements. The Company matches, in shares of UPS common stock, a portion of the participating employees' contributions. Matching contributions charged to expense were $71, $61 and $55 million for 2001, 2000 and 1999, respectively.

Note 6. ***Incentive Compensation Plan***

We adopted the UPS Incentive Compensation Plan in October 1999. The Incentive Compensation Plan permits the grant of nonqualified stock options, incentive stock options, stock appreciation rights, restricted

stock, performance shares, performance units, and management incentive awards to eligible employees. The number of shares reserved for issuance under the Plan is 112 million, with the number of shares reserved for issuance as restricted stock limited to 34 million. As of December 31, 2001, management incentive awards, stock options, restricted stock, and performance shares had been granted under the Incentive Compensation Plan.

Management Incentive Awards

Persons earning the right to receive Management Incentive Awards are determined annually by the Compensation Committee of the UPS Board of Directors. This Committee, in its sole discretion, determines the total award, which consists of UPS Class A common stock, given in any year. The total of all such awards historically has been 15% of consolidated income before income taxes for the 12-month period ending each September 30, exclusive of certain nonrecurring transactions or accounting changes. Amounts expensed for Management Incentive Awards were $651, $735, and $588 million during 2001, 2000, and 1999, respectively.

Nonqualified and Incentive Stock Options

We maintain fixed stock option plans under which options are granted to purchase shares of UPS Class A common stock. Prior to adoption of the Incentive Compensation Plan, these options were granted at the current price of UPS shares as determined by the Board of Directors on the date of option grant. Stock options granted in connection with the Incentive Compensation Plan must have an exercise price at least equal to the NYSE closing price of UPS class B common stock on the date the option was granted. We apply the measurement provisions of APB Opinion 25 and related Interpretations in accounting for these plans. Accordingly, no compensation expense has been recorded for the grant of stock options during 2001, 2000 or 1999. Pro forma information regarding net income and earnings per share has been determined as if we accounted for our employee stock options under the fair value method of FAS 123. For purposes of pro forma disclosures, the estimated fair value of the options granted is amortized to expense over the vesting period of the options.

The pro forma information is as follows (in millions except per share amounts):

		2001	2000	1999
Net income	As reported	$2,399	$2,934	$ 883
	Pro forma	$2,348	$2,907	$ 870
Basic earnings per share	As reported	$ 2.13	$ 2.54	$0.79
	Pro forma	$ 2.08	$ 2.52	$0.78
Diluted earnings per share	As reported	$ 2.10	$ 2.50	$0.77
	Pro forma	$ 2.05	$ 2.47	$0.76

The assumptions used, by year, and the calculated weighted average fair value of options granted, are as follows:

	2001(1)	2000(1)	1999(1)	1999
Semi-annual dividend per share	n/a	n/a	n/a	$0.30
Expected yield	1.10%	1.00%	1.00%	n/a
Risk-free interest rate	4.64%	6.26%	5.88%	5.14%
Expected life in years	5	5	5	5
Expected volatility	32.4%	40.0%	40.0%	n/a
Weighted average fair value of options granted	$25.49	$32.67	$20.29	$2.08

(1) Pro forma information for options granted subsequent to, or in connection with, the IPO was calculated using the Black-Scholes option pricing model. Pro forma information for the options granted prior to the IPO was calculated using the minimum value method for nonpublic entities.

Persons earning the right to receive stock options are determined each year by the Compensation Committee and the UPS Board of Directors. Except in the case of death, disability or retirement, options granted prior to the adoption of our Incentive Compensation Plan are exercisable only during a limited period after the expiration of five years from the date of grant, while options granted under the Incentive Compensation Plan are generally exercisable after three years from the date of grant and before the expiration of the option ten years after the date of grant. All options granted are subject to earlier cancellation or exercise under certain conditions.

The following is an analysis of options to purchase shares of Class A common stock issued and outstanding:

	Weighted Average Exercise Price	Number of Shares (in thousands)
Outstanding at January 1, 1999	$ 13.37	35,971
Exercised	10.63	(7,571)
Granted	30.37	11,139
Canceled	14.61	(1,059)
Outstanding at December 31, 1999	18.76	38,480
Exercised	11.88	(7,277)
Granted	59.38	194
Canceled	18.77	(2,085)
Outstanding at December 31, 2000	20.57	29,312
Exercised	13.50	(5,918)
Granted	56.90	5,522
Assumed in acquisitions	58.41	727
Canceled	19.94	(419)
Outstanding at December 31, 2001	$ 29.64	29,224

Options were granted to eligible employees under the 1996 Stock Option Plan in March 1999, but options will no longer be granted under that plan. Beginning in November 1999, options were granted under the Incentive Compensation Plan, and a limited option grant to certain employees under this plan occurred in

2000. Beginning in 2001 and in future years, options to eligible employees will generally be granted annually during the first half of each year at the discretion of the Board of Directors.

During 2001, we assumed employee stock options in connection with our acquisitions of Fritz Companies, Inc. and First International Bancorp, Inc. (see Note 12), which were converted into options to purchase UPS Class A common shares. Existing stock option plans at Fritz Companies, Inc. were assumed by UPS; however, options will no longer be granted under these plans. Existing stock option plans at First International Bancorp, Inc. were terminated upon the completion of the acquisition.

No options were exercisable at December 31, 2000 or 1999. The following table summarizes information about stock options outstanding and exercisable at December 31, 2001:

	Outstanding			Exercisable	
Exercise Price Range	Shares (in thousands)	Average Life (in years)	Average Exercise Price	Shares (in thousands)	Average Exercise Price
$12.80 — $ 14.88	5,791	0.33	$ 14.88	6	$ 13.54
$16.00 — $ 19.93	7,154	1.34	16.01	20	19.08
$21.50 — $ 49.69	6,959	2.43	21.96	162	40.20
$50.00 — $ 56.25	3,438	7.83	50.03	126	50.94
$56.90 — $143.13	5,882	8.99	57.92	281	76.60
	29,224	3.70	$ 29.64	595	$ 58.69

In connection with retention agreements for certain personnel, restricted stock awards for approximately 38,000 Class A shares had been granted, but not vested, as of December 31, 2001. These awards vest over remaining terms of up to three years. No restricted stock awards were granted in 2000 or 1999.

Note 7. ***Income Taxes***

The income tax expense (benefit) for the years ended December 31 consists of the following (in millions):

	2001	2000	1999
Current:			
Federal	$1,103	$1,709	$ 834
State	151	215	99
Total Current	1,254	1,924	933
Deferred:			
Federal	225	(21)	236
State	33	(3)	36
Total Deferred	258	(24)	272
Total	$1,512	$1,900	$1,205

Income before income taxes includes income of foreign subsidiaries of $8, $9 and $7 million in 2001, 2000 and 1999, respectively.

A reconciliation of the statutory federal income tax rate to the effective income tax rate for the years ended December 31 consists of the following:

	2001	2000	1999
Statutory federal income tax rate	35.0%	35.0%	35.0%
Tax assessment	—	—	17.7
State income taxes (net of federal benefit)	3.1	2.9	4.2
Other	0.3	1.4	0.8
Effective income tax rate	38.4%	39.3%	57.7%

Deferred tax liabilities and assets are comprised of the following at December 31 (in millions):

	2001	2000
Excess of tax over book depreciation	$2,231	$2,079
Pension plans	718	631
Prepaid health and welfare	146	136
Other	826	612
Gross deferred tax liabilities	3,921	3,458
Other postretirement benefits	507	456
Loss carryforwards (foreign)	287	304
Insurance reserves	190	147
Vacation pay accrual	177	176
Other	428	334
Gross deferred tax assets	1,589	1,417
Deferred tax assets valuation allowance	(287)	(304)
Net deferred tax assets	1,302	1,113
Net deferred tax liability	2,619	2,345
Current deferred tax (asset) liability	(92)	10
Long-term portion — see Note 8	$2,711	$2,335

The valuation allowance decreased by $17, increased by $21 and decreased by $25 million during the years ended December 31, 2001, 2000 and 1999, respectively.

We have foreign loss carryforwards of approximately $726 million as of December 31, 2001. Of this amount, $255 million expires in varying amounts through 2011. The remaining $471 million may be carried forward indefinitely. These foreign loss carryforwards have been fully reserved in the deferred tax assets valuation allowance due to the uncertainty resulting from a lack of previous foreign taxable income within certain foreign tax jurisdictions. In addition, a portion of these losses has been deducted on the U.S. tax return, which could affect the amount of any future benefit.

Note 8. ***Deferred Taxes, Credits and Other Liabilities***

Deferred taxes, credits and other liabilities as of December 31 consist of the following (in millions):

	2001	2000
Deferred federal and state income taxes	$2,711	$2,335
Insurance reserves	944	798
Other credits and noncurrent liabilities	326	263
	$3,981	$3,396

Note 9. ***Other Operating Expenses***

The major components of other operating expenses for the years ended December 31 are as follows (in millions):

	2001	2000	1999
Repairs and maintenance	$1,050	$ 958	$ 945
Depreciation and amortization	1,396	1,173	1,139
Purchased transportation	1,977	1,952	1,679
Fuel	1,000	954	681
Other occupancy	524	412	373
Other expenses	3,340	3,264	3,045
	$9,287	$8,713	$7,862

Note 10. ***Segment and Geographic Information***

We report our operations in three segments: U.S. domestic package operations, international package operations and non-package operations. Package operations represent our core business and are broken down into regional operations around the world. Regional operations managers are responsible for both domestic and export operations within their geographic area. International package operations include shipments wholly outside the U.S. as well as shipments with either origin or distribution outside the U.S. Non-package operations, which include the UPS Logistics Group and the Forwarding and Brokerage Services unit, are distinct from package operations and are thus managed and reported separately. Based on the requirements of FAS 131 “Disclosures about Segments of an Enterprise and Related Information”, reportable segments include U.S. domestic package operations, international package operations and non-package operations.

In evaluating financial performance, we focus on operating profit as a segment’s measure of profit or loss. Operating profit is before investment income, interest expense, and income taxes. The accounting policies of the reportable segments are the same as those described in the summary of accounting policies (see Note 1), with certain expenses allocated between the segments using activity-based costing methods.

Segment information as of, and for the years ended December 31 is as follows (in millions):

	2001	2000	1999
Revenue:			
U.S. domestic package	$23,997	$24,002	$22,313
International package	4,245	4,078	3,718
Non-package	2,404	1,691	1,021
Consolidated	$30,646	$29,771	$27,052
Operating Profit:			
U.S. domestic package	$ 3,620	$ 3,929	$ 3,506
International package	125	277	230
Non-package	217	306	169
Consolidated	$ 3,962	$ 4,512	$ 3,905
Assets:			
U.S. domestic package	$16,180	$15,032	$11,839
International package	2,969	2,756	2,856
Non-package	4,846	2,430	2,064
Unallocated	641	1,444	6,269
Consolidated	$24,636	$21,662	$23,028

Non-package operating profit included $113, $101, and $108 million for 2001, 2000 and 1999, respectively, of intersegment profit, with a corresponding amount of operating expense, which reduces operating profit, included in the U.S. domestic package segment.

Revenue by product type for the years ended December 31 is as follows (in millions):

	2001	2000	1999
Letters, packages, and cargo	$28,242	$28,080	$26,031
Other	2,404	1,691	1,021
	$30,646	$29,771	$27,052

Geographic information as of, and for the years ended, December 31 is as follows (in millions):

	2001	2000	1999
U.S.:			
Revenue	$26,441	$26,413	$24,105
Long-lived assets	$13,717	$12,477	$10,725
International:			
Revenue	$ 4,205	$ 3,358	$ 2,947
Long-lived assets	$ 3,050	$ 2,061	$ 2,111
Consolidated:			
Revenue	$30,646	$29,771	$27,052
Long-lived assets	$16,767	$14,538	$12,836

Revenue, for geographic disclosure, is based on the location in which service originates. Long-lived assets include property, plant and equipment, prepaid pension costs, long-term investments and goodwill.

Note 11. ***Marketable Securities and Short-Term Investments***

The following is a summary of marketable securities and short-term investments at December 31, 2001 and 2000 (in millions):

2001	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government & agency securities	$ 75	$ 1	$ 1	$ 75
U.S. mortgage & asset-backed securities	149	2	—	151
U.S. corporate securities	160	1	2	159
Other debt securities	32	—	—	32
Total debt securities	416	4	3	417
Equity securities	377	9	45	341
	$793	$ 13	$ 48	$ 758

2000	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government & agency securities	$ 262	$ 1	$ —	$ 263
U.S. mortgage & asset-backed securities	210	4	—	214
U.S. corporate securities	194	2	1	195
Other debt securities	18	1	—	19
Total debt securities	684	8	1	691
Equity securities	396	18	32	382
	$1,080	$ 26	$ 33	$ 1,073

Included in other debt securities in 2001 are $19 million of retained interests in loan securitizations, associated with our purchase of First International Bancorp, Inc. (see Note 12). The gross realized gains on sales of marketable securities totaled $34, $69, and $6 million in 2001, 2000, and 1999, respectively. The gross realized losses totaled $7, $35, and $12 million in 2001, 2000, and 1999, respectively. The adjustment to unrealized holding losses on marketable securities, net of tax, included in OCI totaled $17, $1, and $3 million in 2001, 2000, and 1999, respectively.

The amortized cost and estimated fair value of marketable securities and short-term investments at December 31, 2001, by contractual maturity, are shown below (in millions). Actual maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

	Cost	Estimated Fair Value
Due in one year or less	$ 79	$ 79
Due after one year through three years	71	72
Due after three years through five years	19	19
Due after five years	247	247
	416	417
Equity securities	377	341
	$793	$ 758

Note 12. ***Business Combinations***

We regularly explore opportunities to make acquisitions that would enhance our core package delivery business and our various non-package businesses. Our acquisitions include both domestic and international transactions. During the three years ended December 31, 2001, we completed 27 acquisitions that were accounted for under the purchase method of accounting. In connection with the foregoing transactions, we paid cash (net of cash acquired) in the aggregate amount of $466, $245, and $63 million in 2001, 2000, and 1999, respectively, and issued aggregate UPS Class B common shares of 8.4 million in 2001 and none in 2000 and 1999. Pro forma results of operations have not been presented for any of the acquisitions because the effects of these transactions did not meet materiality thresholds on either an individual or aggregate basis. The results of operations of each acquired company are included in our consolidated statement of income from the date of acquisition. The purchase price allocations of acquired companies can be modified up to one year after the date of acquisition, however we expect such adjustments to the purchase price allocations to be immaterial.

The fair value of the assets and liabilities recorded each year as a result of these transactions is as follows (in millions):

	2001	2000	1999
Cash and marketable securities	$ 182	$ 3	$ –
Accounts receivable, net	415	60	28
Finance receivables (current and noncurrent), net	259	–	–
Other current assets	97	5	–
Property, plant and equipment	202	37	21
Goodwill	764	284	66
Other assets	224	1	2
Accounts payable	(538)	(62)	(18)
Other liabilities	(279)	(26)	(15)
Long-term debt	(347)	(54)	(21)
Consideration paid	$ 979	$248	$ 63
Cash consideration paid	$ 469	$248	$ 63
Stock consideration paid	$ 510	$ –	$ –

In April 2001, we completed our acquisition of substantially all of the assets of Mail Boxes Etc. (“MBE”) in a transaction in which we paid cash of approximately $185 million. MBE is the world’s largest franchisor of independently owned and operated business, communication, and shipping centers worldwide. The acquisition was accounted for as a purchase and results of operations are included in our non-package segment.

In May 2001, we completed our acquisition of Fritz Companies, Inc. in a transaction in which we issued 7.3 million UPS class B common shares valued at $456 million. Fritz is a freight forwarding, customs brokerage and logistics concern. The acquisition was accounted for as a purchase. The results of operations of Fritz are included in the Forwarding and Brokerage Services unit of our non-package segment.

In August 2001, we completed our acquisition of First International Bancorp, Inc. in a transaction in which we issued 1.1 million UPS class B common shares valued at $54 million. First International offers a variety of structured trade finance, commercial and government-backed lending products. First International was integrated with UPS Capital Corporation, the finance subsidiary of UPS, upon the closing of the transaction. The acquisition was accounted for as a purchase and results of operations are included in our non-package segment.

Note 13. ***Derivative Instruments and Risk Management***

We are exposed to market risk, primarily related to foreign exchange, commodity prices, equity prices and interest rates. These exposures are actively monitored by management. To manage the volatility relating to these exposures, we enter into a variety of derivative financial instruments. Our objective is to reduce, where it is deemed appropriate to do so, fluctuations in earnings and cash flows associated with changes in foreign currency rates, commodity prices, equity prices, and interest rates. It is our policy and practice to use derivative financial instruments only to the extent necessary to manage exposures. As we use price sensitive instruments to hedge a certain portion of our existing and anticipated transactions, we expect that any loss in value for those instruments generally would be offset by increases in the value of those hedged transactions. We do not hold or issue derivative financial instruments for trading or speculative purposes.

Commodity Price Risk Management

We are exposed to an increase in the prices of refined fuels, principally jet-A, diesel, and unleaded gasoline. Additionally, we are exposed to an increase in the prices of other energy products, principally natural gas and electricity. We use a combination of options, swaps, and futures contracts to provide some protection from rising fuel and energy prices. These derivative instruments generally cover forecasted energy consumption for periods up to one year. The net fair value of such contracts subject to price risk, excluding the underlying exposures, as of December 31, 2001 and 2000 was a liability of approximately $(27) and $(5) million, respectively. We have designated and account for these contracts as cash flow hedges, and therefore the resulting gains and losses from these hedges are recognized as a component of fuel expense or occupancy expense when the underlying fuel or energy product being hedged is consumed.

Foreign Currency Exchange Risk Management

We have foreign currency risks related to our revenue, operating expenses, and financing transactions in currencies other than the local currencies in which we operate. We are exposed to currency risk from the potential changes in functional currency values of our foreign currency denominated assets, liabilities, and cash flows. Our most significant foreign currency exposures relate to the Euro and the British Pound Sterling. We use a combination of purchased and written options and forward contracts to hedge cash flow currency exposures. As of December 31, 2001 and 2000, the net fair value of the hedging instruments described above was an asset (liability) of approximately $4 and $(9) million, respectively. We have designated and account for these contracts as cash flow hedges of anticipated foreign currency denominated revenue and, therefore, the resulting gains and losses from these hedges are recognized as a component of international revenue when the underlying sales occur.

Interest Rate Risk Management

Our indebtedness under our various financing arrangements creates interest rate risk. We use a combination of derivative instruments, including interest rate swaps and cross-currency interest rate swaps, as part of our program to manage the fixed and floating interest rate mix of our total debt portfolio and related overall cost of borrowing. These swaps are entered into concurrently with the issuance of the debt that they are intended to modify, and the notional amount, interest payment, and maturity dates of the swaps match the terms of the associated debt. Interest rate swaps allow us to maintain a target range of floating rate debt. We have designated and account for these contracts as either hedges of the fair value of the associated debt instruments, or as hedges of the variability in expected future interest payments. Any periodic settlement payments are accrued monthly, as either a charge or credit to interest expense, and are not material to net income. The net fair value of our interest rate swaps at December 31, 2001 and 2000 was an asset (liability) of approximately $(74) and $3 million, respectively.

Equity Price Risk Management

We hold investments in various available-for-sale equity securities which are subject to price risk. We use combinations of options to hedge the price risk exposure inherent in these securities. The fair value of such options contracts designated as hedges, as of December 31, 2001 and 2000, was an asset of approximately $214 and $148 million, respectively, which is classified in marketable securities and short-term investments.

Credit Risk

The forward contracts, swaps, and options previously discussed contain an element of risk that the counterparties may be unable to meet the terms of the agreements. However, we minimize such risk exposures for these instruments by limiting the counterparties to large banks and financial institutions that meet established credit guidelines. We do not expect to incur any losses as a result of counterparty default.

Additional disclosures required by FAS 133, as amended, are provided in the following paragraphs.

Hedges of Anticipated Cash Flows

A reconciliation of current period changes, net of applicable income taxes, in OCI relating to unrealized gains (losses) on cash flow hedges is as follows (in millions):

Transition adjustment as of January 1, 2001.	$ 23
Current period declines in fair value, net of income tax effect	(39)
Reclassification to earnings, net of income tax effect	(33)
Balance at December 31, 2001.	$(49)

The ineffective portion of changes in fair values of hedge positions, reported in income, was a $2 million loss, before income taxes, in 2001. Amounts excluded from the measure of effectiveness, also reported in income, was a $5 million gain, before income taxes, in 2001. The effective portion of gains and losses on cash flow hedges are reported in the income statement category related to the hedged exposure. The amounts recorded in the income statement related to ineffectiveness are reported in the same income statement captions as the effective portion of hedging gains and losses.

Of the $49 million in net deferred losses recorded in OCI at December 31, 2001, $27 million in losses, before income taxes, are expected to be reclassified to income over the 12 month period ending December 31, 2002. The actual amounts that will be reclassified to income over the next 12 months will vary from this amount as a result of changes in market conditions. No amounts were reclassified to income during 2001 in connection with forecasted transactions that were no longer considered probable of occurring.

At December 31, 2001, the maximum term of derivative instruments that hedge forecasted transactions, except those related to cross-currency interest rate swaps on existing financial instruments, was two years. We maintain cross-currency interest rate swaps that extend through 2009.

Hedges of Recognized Assets, Liabilities, and Firm Commitments

The ineffective portion of changes in fair values of hedge positions, reported in income, was a $2 million loss, before income taxes, in 2001. Amounts excluded from the measure of effectiveness, also reported in income, was a $2 million gain, before income taxes, in 2001. The effective portion of gains and losses on fair value hedges are reported in the income statement category related to the hedged exposure. The amounts recorded in the income statement related to ineffectiveness are reported in the same income statement captions as the effective portion of hedging gains and losses.

Derivatives Not Designated as Hedges

Derivatives not designated as hedges primarily consist of interest rate swaps that are used to hedge a portfolio of small debt instruments. Although these instruments are effective as hedges from an economic perspective, they do not qualify for hedge accounting under FAS 133, as amended. The impact from these interest rate swaps on our results was immaterial. Additionally, we have a small portfolio of stock warrants in public and private companies that are held for investment purposes. These warrants are recorded at fair value, and the income statement impact of these warrants on our results was immaterial.

Fair Value of Financial Instruments

At December 31, 2001 and 2000, our financial instruments included cash and cash equivalents, marketable securities and short-term investments, accounts receivable, finance receivables, accounts payable, short-term and long-term borrowings, and commodity, interest rate, foreign currency, and equity options, forwards, and swaps. The fair values of cash and cash equivalents, accounts receivable, and accounts payable approximate carrying values because of the short-term nature of these instruments. The fair value of our debt instruments is disclosed in Note 2, marketable securities and short-term investments in Note 11, and finance receivables in Note 14.

Note 14. ***Finance Receivables***

The following is a summary of finance receivables at December 31, 2001 and 2000 (in millions):

	2001	2000
Commercial term loans	$372	$ —
Investment in finance leases	66	—
Asset-based lending	353	36
Receivable factoring	189	26
Gross finance receivables	980	62
Less: allowance for credit losses	(30)	—
Balance at December 31.	$950	$ 62

Outstanding receivable balances at December 31, 2001 and 2000 are net of unearned income of $11 million and none, respectively. UPS equipment leased to others totaled $16 million and none at December 31, 2001 and 2000, respectively.

Non-earning finance receivables were $24 million and none at December 31, 2001 and 2000, respectively. The activity in the allowance for credit losses on finance receivables was immaterial during 2000. The following is a rollforward of the allowance for credit losses on finance receivables in 2001 (in millions):

	2001
Balance at January 1	$ —
Provision charged to operations	7
Net transfers related to acquisitions	27
Charge-offs, net of recoveries	(4)
Balance at December 31	$ 30

The carrying value of finance receivables at December 31, 2001, by contractual maturity, is shown below (in millions). Actual maturities may differ from contractual maturities because some borrowers have the right to prepay these receivables without prepayment penalties.

	Carrying Value
Due in one year or less	$ 708
Due after one year through three years	31
Due after three years through five years	25
Due after five years	216
	$ 980

Based on interest rates for financial instruments with similar terms and maturities, the fair value of finance receivables is approximately $982 and $62 million as of December 31, 2001 and 2000, respectively. At December 31, 2001, we had unfunded loan commitments totaling $664 million, consisting of letters of credit of $52 million and other unfunded lending commitments of $612 million.

Note 15. ***Other Assets***

Other assets as of December 31 consist of the following (in millions):

	2001	2000
Goodwill, net of accumulated amortization	$1,112	$288
Intangible assets, net of accumulated amortization	107	106
Non-current finance receivables, net of allowance for credit losses	242	—
Other noncurrent assets	295	222
	$1,756	$616

Note 16. ***Property, Plant and Equipment***

Property, plant and equipment as of December 31 consists of the following (in millions):

	2001	2000
Vehicles	$ 3,485	$ 3,244
Aircraft (including aircraft under capitalized leases)	9,699	8,663
Land	670	649
Buildings	1,772	1,612
Leasehold improvements	2,069	2,006
Plant equipment	5,602	4,902
Construction-in-progress	761	918
	24,058	21,994
Less: Accumulated depreciation and amortization	(10,620)	(9,665)
	$ 13,438	$12,329

Note 17. ***Accumulated Other Comprehensive Income (Loss)***

Accumulated Other Comprehensive Income (Loss) as of December 31 consists of the following (in millions):

	2001	2000	1999
Foreign currency translation adjustments	$(269)	$(223)	$(167)
Unrealized gain (loss) on marketable securities, net of tax effect	(21)	(4)	(3)
Unrealized gain (loss) on cash flow hedges, net of tax effect	(49)	—	—
	$(339)	$(227)	$(170)

Note 18. ***September 11, 2001 Events***

In response to the September 11, 2001 terrorist attacks, the FAA issued a federal ground stop order prohibiting all flights to, from, and within the United States. Due to this order, all domestic UPS aircraft were grounded, and international flights into the United States were diverted, on September 11th and 12th. We were able to transport many of our express shipments through our extensive ground network until the FAA order was lifted and our air operations resumed on the evening of September 13th. Due to the economic disruption caused by these events, we sustained significant declines in our U.S. origin package volume during the weeks following the attacks.

On September 22, 2001, President Bush signed into law the Air Transportation Safety and System Stabilization Act (the "Act"), a $15 billion emergency economic assistance package to mitigate the dramatic financial losses experienced by the nation's air carriers. The Act, among other things, provides for the following: (1) $5 billion in compensation for direct losses incurred as a result of the federal ground stop order, and for incremental losses incurred through December 31 as a result of the attacks, (2) $10 billion in federal loan guarantees and credits, (3) expanded war risk insurance coverage for air carriers, and (4) government assistance for short-term increases in insurance premiums. We submitted a claim for compensation to the Department of Transportation and recognized a pre-tax amount of $74 million related to this reimbursement as a credit to the other expenses line item of other operating expenses (see Note 9) in 2001 under the provisions of EITF 01-10 "Accounting for the Impact of Terrorist Attacks of September 11, 2001". We cannot be assured of the timing or amount of any additional payments we may be entitled to receive under the Act.

Note 19. ***Quarterly Information (Unaudited)***

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2001	2000	2001	2000	2001	2000	2001	2000
	(in millions except per share amounts)							
Revenue:								
U.S. domestic package	$5,976	$5,841	$5,981	$5,890	$5,806	$5,928	$6,234	$6,343
International package	1,074	990	1,050	1,008	1,012	1,005	1,109	1,075
Non-package	460	389	535	386	663	434	746	482
Total revenue	7,510	7,220	7,566	7,284	7,481	7,367	8,089	7,900
Operating profit (loss):								
U.S. domestic package	845	883	966	1,024	895	1,031	914	991
International package	39	58	24	74	(4)	52	66	93
Non-package	60	126	51	63	52	58	54	59
Total operating profit	944	1,067	1,041	1,161	943	1,141	1,034	1,143
Net income	$ 556	$ 813	$ 630	$ 695	$ 568	$ 702	$ 645	$ 724
Earnings per share:								
Basic	$ 0.49	$ 0.68	$ 0.56	$ 0.61	$ 0.50	$ 0.62	$ 0.57	$ 0.64
Diluted	$ 0.48	$ 0.67	$ 0.55	$ 0.60	$ 0.50	$ 0.60	$ 0.57	$ 0.63

EXHIBIT INDEX

Exhibit No.		Description
2.1	—	Agreement and Plan of Merger, dated as of September 22, 1999, among United Parcel Service of America, Inc., United Parcel Service, Inc. and UPS Merger Subsidiary, Inc. (incorporated by reference to the registration statement on Form S-4 (No. 333-83349), filed on July 21, 1999, as amended).
2.2	—	Agreement and Plan of Merger, dated as of January 10, 2001, by and among United Parcel Service, Inc., VND Merger Sub, Inc. and Fritz Companies, Inc. (incorporated by reference to Annex A to the registration statement on Form S-4 (No. 333-58268), filed on April 4, 2001, as amended).
2.3	—	Agreement and Plan of Merger, dated as of January 15, 2001, by and among United Parcel Service, Inc., First International Bancorp, Inc. and Stag Merger Company, Inc. (incorporated by reference to Appendix A to the registration statement on Form S-4 (No. 333-58660), filed on April 11, 2001, as amended).
3.1	—	Form of Restated Certificate of Incorporation of United Parcel Service, Inc. (incorporated by reference to the registration statement on Form S-4 (No. 333-83349), filed on July 21, 1999, as amended, and by reference to Exhibit 3 to Form 10-Q for the Quarter Ended June 30, 2000).
3.2	—	Form of Bylaws of United Parcel Service, Inc. (incorporated by reference to Exhibit 3.2 to the registration statement on Form S-4 (No. 333-83349), filed on July 21, 1999, as amended).
4.1	—	Form of Class A Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the registration statement on Form S-4 (No. 333-83349), filed on July 21, 1999, as amended).
4.2	—	Form of Class B Common Stock Certificate (incorporated by reference to Exhibit 4.2 to the registration statement on Form S-4 (No. 333-83349), filed on July 21, 1999).
4.3	—	Specimen Certificate of 8 3/8% Debentures due April 1, 2020 (incorporated by reference to Exhibit 4(c) to Registration Statement No. 33-32481, filed December 7, 1989).
4.4	—	Indenture relating to 8 3/8% Debentures due April 1, 2020 (incorporated by reference to Exhibit 4(c) to Registration Statement No. 33-32481, filed December 7, 1989).
4.5	—	Specimen Certificate of 8 3/8% Debentures due April 1, 2030 (incorporated by reference to Exhibit T-3C to Form T-3 filed December 18, 1997).
4.6	—	Indenture relating to Exchange Offer Notes Due 2030 (incorporated by reference to Exhibit T-3C to Form T-3 filed December 18, 1997).
4.7	—	Indenture relating to $2,000,000,000 of debt securities (incorporated by reference to Exhibit 4.1 to Pre-Effective Amendment No. 1 to Registration Statement on Form S-3 (No. 333-08369), filed on January 26, 1999).
4.8	—	Form of Supplemental Indenture relating to $2,000,000,000 of debt securities (incorporated by reference to Exhibit 4.2 to Post-Effective Amendment No. 1 to Registration Statement on Form S-3 (No. 333-08369-01), filed on March 15, 2000).
4.9	—	Underwriting Agreement relating to 1.75% Cash-Settled Convertible Senior Notes due September 27, 2007 (incorporated by reference to Exhibit 1 to Form 10-Q for the Quarter Ended September 30, 2000).

Exhibit No.		Description
4.10	—	Selling Agent Agreement relating to UPS Notes with maturities of 9 months or more from date of issue (incorporated by reference to Exhibit 1.1 to Form 8-K filed December 20, 2001) and Form of Note (incorporated by reference to Exhibit 4.1 to Form 8-K filed December 20, 2001).
4.11	—	Form of Second Supplemental Indenture relating to $2,000,000,000 of debt securities (incorporated by reference to Exhibit 4 to Form 10-Q for the Quarter Ended September 30, 2001).
†10.1	—	UPS Thrift Plan, as Amended and Restated, including Amendment Nos. 1 through 24.
10.2	—	UPS Retirement Plan (including Amendment Nos. 1-4) (incorporated by reference to Exhibit 9 to 1979 Annual Report on Form 10-K).
		(1) Amendment No. 5 to the UPS Retirement Plan (incorporated by reference to Exhibit 20(a) to 1980 Annual Report on Form 10-K).
		(2) Amendment No. 6 to the UPS Retirement Plan (incorporated by reference to Exhibit 19(a) to 1983 Annual Report on Form 10-K).
		(3) Amendment No. 7 to the UPS Retirement Plan (incorporated by reference to Exhibit 10(b)(3) to 1984 Annual Report on Form 10-K).
		(4) Amendment No. 8 to the UPS Retirement Plan (incorporated by reference to Exhibit 10(b)(4) to 1985 Annual Report on Form 10-K).
		(5) Amendment No. 9 to the UPS Retirement Plan (incorporated by reference to Exhibit 10(b)(5) to 1985 Annual Report on Form 10-K).
		(6) Amendment No. 10 to the UPS Retirement Plan (incorporated by reference to Exhibit 19(a) to 1988 Annual Report on Form 10-K).
		(7) Amendment No. 11 to the UPS Retirement Plan (incorporated by reference to Exhibit 19(b) to 1988 Annual Report on Form 10-K).
		(8) Amendment No. 12 to the UPS Retirement Plan (incorporated by reference to Exhibit 10(b)(8) to 1989 Annual Report on Form 10-K).
		(9) Amendment No. 13 to the UPS Retirement Plan (incorporated by Reference to Exhibit 10(b)(9) to 1989 Annual Report on Form 10-K).
		(10) Amendment No. 14 to the UPS Retirement Plan (incorporated by reference to Exhibit 10(b)(10) to 1990 Annual Report on Form 10-K).
		(11) Amendment No. 15 to the UPS Retirement Plan (incorporated by reference to Exhibit 10(b)(11) to 1992 Annual Report on Form 10-K).
		(12) Amendment No. 16 to the UPS Retirement Plan (incorporated by reference to Exhibit 10(b)(12) to 1994 Annual Report on Form 10-K).
		(13) Amendment No. 17 to the UPS Retirement Plan (incorporated by reference to Exhibit 10(b)(13) to 1994 Annual Report on Form 10-K).
		(14) Amendment No. 18 to the UPS Retirement Plan (incorporated by reference to Exhibit 10(b)(14) to 1995 Annual Report on Form 10-K).
		(15) Amendment No. 19 to the UPS Retirement Plan (incorporated by reference to Exhibit 10(b)(15) to 1995 Annual Report on Form 10-K).
		(16) Amendment No. 20 to the UPS Retirement Plan (incorporated by reference to Exhibit 10(b)(16) to 1995 Annual Report on Form 10-K).
		(17) Amendment No. 21 to the UPS Retirement Plan (incorporated by reference to Exhibit 10(b)(17) to 1996 Annual Report on Form 10-K).
		(18) Amendment No. 22 to the UPS Retirement Plan (incorporated by reference to Exhibit 10(b)(18) to 1997 Annual Report on Form 10-K).

Exhibit No.		Description
		(19) Amendment No. 23 to the UPS Retirement Plan (incorporated by reference to Exhibit 10(b)(19) to 1998 Annual Report on Form 10-K).
		(20) Amendment No. 24 to the UPS Retirement Plan (incorporated by reference to Exhibit 10(b)(20) to 2000 Annual Report on Form 10-K).
		(21) Amendment No. 25 to the UPS Retirement Plan (incorporated by reference to Exhibit 10(b)(20) to 2000 Annual Report on Form 10-K).
		†(22) Amendment No. 26 to the UPS Retirement Plan.
†10.3	—	UPS Savings Plan, as Amended and Restated, including Restatement Amendment Nos. 1 through 8.
10.4	—	Credit Agreement (364-Day Facility), as amended and restated, dated April 26, 2001 among United Parcel Service, Inc., the initial lenders named therein, Salomon Smith Barney Inc., as Arranger, and ABN AMRO Bank N.V., Bank of America, N.A., Bank One, NA and Chase Manhattan Bank, as Co-Documentation Agents, and Citibank, N.A., as Administrative and Syndication Agent (incorporated by reference to Exhibit 10(a) to Quarterly Report on Form 10-Q for the Quarter Ended March 31, 2001).
10.5	—	Credit Agreement (Five-Year Facility), as amended and restated, dated April 26, 2001 among United Parcel Service, Inc., the initial lenders named therein, Salomon Smith Barney Inc., as Co-Arranger, Bank of America Securities, LLC, as Co-Arranger, Bank of America N.A., as Documentation Agent, and Citibank, N.A., as Administrative and Syndication Agent (incorporated by reference to Exhibit 10(b) to Quarterly Report on Form 10-Q for the Quarter Ended March 31, 2001).
10.6	—	UPS Excess Coordinating Benefit Plan (incorporated by reference to Exhibit 10(s) to 1997 Annual Report on Form 10-K).
10.7	—	UPS 1996 Stock Option Plan, as amended and restated (incorporated by reference to Exhibit 10(a) to Quarterly Report on Form 10-Q for the Quarter ended September 30, 1997).
10.8	—	UPS Qualified Stock Ownership Plan and Trust Agreement (incorporated by reference to Exhibit 4.1 to Registration Statement No. 333-67479, filed November 18, 1998).
		(1) Amendment No. 1 to the UPS Qualified Stock Ownership Plan and Trust Agreement (incorporated by reference to Exhibit 10.19(1) to 1999 Annual Report on Form 10-K).
		(2) Amendment No. 2 to the UPS Qualified Stock Ownership Plan and Trust Agreement (incorporated by reference to Exhibit 10.19(2) to 1999 Annual Report on Form 10-K).
		(3) Amendment No. 3 to the UPS Qualified Stock Ownership Plan and Trust Agreement (incorporated by reference to Exhibit 10.19(3) to 1999 Annual Report on Form 10-K).
		(4) Amendment No. 4 to the UPS Qualified Stock Ownership Plan and Trust Agreement (incorporated by reference to Exhibit 10.19(4) to 2000 Annual Report on Form 10-K).
		†(5) Amendment No. 5 to the UPS Qualified Stock Ownership Plan and Trust Agreement.
		†(6) Amendment No. 6 to the UPS Qualified Stock Ownership Plan and Trust Agreement.
10.9	—	Form of United Parcel Service, Inc. Incentive Compensation Plan (incorporated by reference to the registration statement on Form S-4 (No. 333-83349), filed on July 21, 1999, as amended).
10.10	—	UPS Deferred Compensation Plan (incorporated by reference to Exhibit 10.10 to 2000 Annual Report on Form 10-K).
10.11	—	United Parcel Service, Inc. Nonqualified Employee Stock Purchase Plan (incorporated by reference to the registration statement on Form S-8 (No. 333-34054), filed on April 5, 2000.
†21	—	Subsidiaries of the Registrant.
†23	—	Consent of Deloitte & Touche LLP.

† Filed herewith.

EXHIBIT 10.1

UPS THRIFT PLAN

(Restated to incorporate Amendment Nos. 1-24)

UPS THRIFT PLAN

TABLE OF CONTENTS

<TABLE>
<CAPTION>

</TABLE>

<TABLE>

UPS THRIFT PLAN

WHEREAS, United Parcel Service of America, Inc. and its affiliated corporations have heretofore established the UPS Thrift Plan for the benefit of their eligible employees, in order to provide benefits to those employees upon their retirement, death or other separation from service, effective as of July 14, 1960;

WHEREAS, following the enactment of the Employee Retirement Income Security Act of 1974, the Plan was amended and restated in its entirety, replacing all of the provisions of the Plan then in effect, being effective as of January 1, 1976; and

WHEREAS, the Plan has subsequently been amended on a number of occasions; and

WHEREAS, the Board of Directors adopted a resolution to terminate the Plan effective July 25, 2001:

NOW, THEREFORE, the UPS Thrift Plan is hereby restated to incorporate all amendments made to date for ease of administration and for purposes of obtaining a final determination letter.

ARTICLE I

DEFINITIONS

The words and phrases used in the Plan shall have the meanings set forth in this Article unless a different meaning is required by the context.

Section 1.1 Definitions.

(a) "Plan" means the United Parcel Service Thrift Plan, also called the UPS Thrift Plan, as set forth herein, and as the same may be amended from time to time by the Board of Directors.

(b) "Trust Agreement" means the Agreement or agreement of trust establishing the UPS Thrift Plan Trust, as restated effective as of January 1, 1976, including any future amendments and modifications, which form a part of the Plan.

(c) "Trust" or "Trust Fund" means the UPS Thrift Plan Trust Fund, the Trust Fund created by the Trust Agreement or Trust Agreements, and shall generally mean the money and other property held by the Trustees for purposes of the Plan.

(d) "Employer" means United Parcel Service of America, Inc., and any domestic subsidiary or domestic affiliate that adopts the Plan with the approval of the Board of Directors.

(e) "Company" means all of the following corporations collectively:

(1) United Parcel Service of America, Inc.;

(2) Any domestic corporation at least 90% of whose voting stock is owned by or for the benefit of the stockholders of United Parcel Service of America, Inc.;

(3) Any domestic corporation at least 90% of whose voting stock is owned by any corporation described in (1) or (2) above; and

(4) Any domestic corporation at least 90% of whose voting stock is owned by any corporation described in (3) above

(f) "Board of Directors" means the Board of

Directors and/or the Executive Committee of United Parcel Service of America, Inc.

(g) "Committee" means the Administrative Committee, the establishment and responsibilities of which are set forth in Article XII, each member of which is a named fiduciary with respect to this Plan. The Committee shall be and is the Plan Administrator and the agent for service of process on or with respect to the Plan.

(h) "Trustee" means the corporations or individuals so designated by the Board of Directors to hold assets of the Plan for the purposes of the Plan.

(i) "Employee" means a person who is in the Regular Employment of an Employer. For purposes of this Plan, a citizen of the United States who is transferred from Regular Employment with a domestic Employer to employment with a foreign corporation at least 90% of whose voting stock is owned by, or for the benefit of the stockholders of United Parcel Service of America, Inc., and as to which foreign corporation a domestic Employer Corporation has entered into an agreement pursuant to Section 3121(1) of the Internal Revenue Code of 1954, as amended, shall be deemed an employee of United Parcel Service of America, Inc., during such time as he remains in the Regular Employment of the foreign corporation and the foreign corporation remains covered under such agreement. The term "Employee" shall not include an individual employed as a leased employee as that term is defined in Code Section 414(n)(2).

(j) "Regular Employment" means, with respect to any Employee, his customary employment (including any leave of absence, with or without compensation, approved by the Committee) with an Employer, excluding employment as a casual, occasional, temporary or special employee, as determined in accordance with applicable rules and practices in effect at the time the determination is made, applied in a uniform nondiscriminatory manner to all employees similarly situated. A transfer from one Employer to another Employer shall not constitute a termination of regular employment.

Notwithstanding the foregoing, any Employee, including a casual, occasional, temporary, or special employee, who completes 1,000 Hours of Service in the twelve-month period following his date of employment or in any Plan Year thereafter, shall be deemed to be in Regular Employment. For purposes of this definition, an Hour of Service means (i)each hour for which an Employee is paid, or entitled to payment, for the performance of duties for the Employer during the applicable computation period; (ii) each hour for which an Employee is paid, or entitled to payment, by the Employer on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), lay-off, jury duty, military duty or leave of absence; and (iii)each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Employer. In no event, however, no more than 501 Hours of Service will be counted or credited under (ii) above on account of any single continuous period during which the Employee performs no duties (whether or not such period occurs in a single computation period), and no Hour of Service shall be counted or credited under (ii) above if such payment is made or due under a Plan maintained solely for the purpose of complying with applicable workman's compensation

or unemployment compensation or disability insurance laws; and no Hour of Service shall be counted or credited for payment which solely reimburses an Employee for medical or medically related expenses incurred by the Employee. A payment shall be deemed to be made by or due from the Employer whether made by or due from the Employer directly or indirectly through a trust fund, insurer, or other entity to which the Employer contributes or pays premiums, regardless of whether contributions are for the benefit of particular employees or are on behalf of a group of employees in the aggregate. Hours of Service shall be credited under the terms of Department of Labor Regulations, Sections 2530.200b-2(b) and (c). Notwithstanding any Plan provision to the contrary, effective for reemployments initiated on or after December 12, 1994, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with IRC section 414(u).

(k) "Year of Service" means a twelve month

period commencing on a Participant's date of employment and any Plan Year thereafter.

(l) "Participant" means an Employee or former Employee who became eligible for coverage under this Plan upon meeting the eligibility requirements of Article II hereof, and as to whom the Committee has not authorized, in accordance with the provisions of Article X, a distribution of all funds standing to his credit under this Plan. (m) "Participation" means the period commencing on the date as of which the Employee or former Employee met the eligibility requirements of Article II hereof, and became covered under this Plan, and ending on the date on which the Committee authorizes, in accordance with Article X, a distribution of all funds standing to his credit under the Plan.

(n) "Beneficiary" means the person or persons designated to receive benefits under this Plan by a Participant pursuant to Section 10.3 hereof.

(o) "Plan Year" means a calendar year except that the first Plan Year shall commence on the date when the Plan is declared to be operative by the Board and shall terminate on December 31 of the same year.

(p) "ERISA" means P.L. 93-406, the Employee Retirement Income Security Act of 1974, as amended from time to time.

(q) "Effective Date" means July 14, 1960.

(r) "Effective Date of Amendment" means January 1, 1976.

(s) "Related Employer" means (1) any other corporation on and after the date that it, together with the Employer, is a member of a controlled group of corporations as described in Section 414(b) of the Code; (2) any other trade or business (whether or not incorporated) on and after the

date that it and the Employer are under common control as described in Section 414(c) of the Code; and (3) any organization (whether or not incorporated) on and after the date that it, together with the Employer, is a member of an affiliated group of employers as described in Section 414(m) of the Code.

Section 1.2 Construction.
Wherever required, words used in the masculine gender shall include the feminine gender. Words used in the singular or plural shall be construed as if plural or singular, respectively, where the context requires.

ARTICLE II

ELIGIBILITY FOR PARTICIPATION

Section 2.1 One Year of Service. Any Employee who has completed a Year of Service in Regular Employment with one or more Employers shall be eligible to become a Participant in this Plan.

Section 2.2 Application for Participation. An eligible Employee shall become a Participant in the Plan after all of the following steps have been complied with:

(a) The eligible Employee has executed an application containing such information as the Committee shall prescribe;

(b) Said Employee has executed a written order directing and authorizing his Employer to make payroll deductions from his salary or wages and to remit the amounts so deducted to the Trustee;

(c) The Employer has verified the information on the application and has forwarded the verified application and payroll order to the Committee; and

(d) The Committee has approved the application and payroll order and has returned the payroll order to the Employer. Participation shall commence as of the date on which the Committee approved the application, but in no event later than six months after a Year of Service in Regular Employment has been completed or the beginning of the next Plan Year, whichever is earlier.

Section 2.3 Reemployment. Any Participant who ceases to be a Participant in the Plan by reason of termination of employment or otherwise, shall upon re-employment become eligible to be a Participant after the steps

listed in Section 2.2 have been complied with. Upon the Committee's approval of the Employee's application and payroll order, participation of the Participant in the Plan shall recommence, as soon thereafter as is administratively feasible. If the Participant wishes his participation to recommence at an earlier date (but not before his date of re-employment, or the first day of the calendar year in which his readmission is approved by the Committee, whichever is later), the Participant may, upon the Committee's approval of his re-application for participation, make a lump sum contribution in an amount equal to the contributions that would have been deducted from his salary or wages between the earlier date and the date payroll deductions recommence.

ARTICLE III

SAVINGS BY PARTICIPANTS

Effective September 30, 1995, no further Participant savings contributions to the Plan by means of payroll deductions or otherwise shall be allowed or accepted by the Plan.

Section 3.1 Amount of Savings. Each Participant may authorize savings by means of payroll deductions to be paid into the Plan of three dollars, four dollars, five dollars or six dollars a week.

Section 3.2S Savings Through Payroll Deductions. Such savings may be paid into the Plan only by means of a payroll deduction which each Participant shall authorize through a written payroll deduction order. Cash payments will not be accepted from Employees in lieu of payroll deductions, except as provided in Section 2.3 and as follows:

(a) Upon re-employment prior to the end of the twelve (12) month period commencing on his or her date of termination of employment, a Participant shall be permitted under the provisions of Section 10.1(e) herein to restore all, but not less than all, of the amount of distributions previously made to him or her under Article X, provided the amount of such repayment is at least $1,000.

(b) Weekly cash payments in the amount of three, four, five or six dollars per week will be accepted from Participants who are no longer in Regular Employment due to disability. In addition, a lump-sum cash payment up to a maximum of six dollars per week for each week of disability may be made upon returning to work following the end of the period of disability.

(c) Weekly cash payments in the amount of three, four, five or six dollars per week will be accepted from Participants who have been granted a leave of absence due to disability or other health or medical problem, or who are absent from work for any period beginning on or after January 1, 1985 as a result of:

(1) the pregnancy of such Participant;

(2) the birth of a child of the Participant;

(3) the placement of a child with the Participant in connection with the adoption of a child by the Participant; or

(4) caring for a child of the Participant immediately following its birth or placement. Cash payments will be accepted under such circumstances only if the Participant indicates that he or she expects to return to work within eighteen (18) months from the date the leave of absence began.

If the Participant does not return to work prior to the end of this eighteen (18) month period, the Participant shall no longer be permitted under this provision to make any further cash payments in lieu of payroll deductions unless he or she establishes to the satisfaction of the Administrative Committee that he or she will return to work within a reasonable period of time. In lieu of weekly cash payments, a Participant may upon return to work make a lump-sum cash payment of up to six dollars for each week of absence described in this subsection 3.2(c).

Section 3.3 Payroll Deductions. Payroll deductions shall begin no later than the first payday of the first month which begins at least ten days after the receipt by the Employer of the approved payroll order from the Committee.

Section 3.4 Alteration of Payroll Deduction Order. A payroll deduction order shall remain in force until (a) a Participant files another written order directing his Employer to increase, decrease or terminate his

payroll deductions under the Plan and such other order has been approved by the Committee and returned to the Employer, or (b) until a Participant's employment with an Employer is terminated.

Section 3.5 Suspension of Payroll Deductions. The Committee may provide for a suspension of payroll deductions for any pay period for any appropriate reason. Such suspension will not be effective in the case of any Participant who notifies the Committee that he does not wish his payroll deductions to be so suspended.

Section 3.6 Adjustment of Savings Amounts. The amounts shown as weekly savings in Section 3.1 may be suitably adjusted in accordance with schedules established by the Committee for pay periods other than weekly pay periods.

ARTICLE IV

EMPLOYER CONTRIBUTIONS

Section 4.1 Determination of Tentative Aggregate Contribution.

(a) On or before December 31 of each calendar year, the Board of Directors may, but shall not be obligated to, provide, from the consolidated earnings and profits of the Company, an ascertainable amount with respect to such calendar year, which shall be known as the "Tentative Aggregate Contribution" of all the Employers for such calendar year.

(b) The Tentative Aggregate Contribution, if so provided, shall consist of:

(1) A basic aggregate Employer contribution, which shall be apportioned among all the Employers in accordance with Section 4.2, reduced in accordance with Section 4.3 and allocated to the accounts of Participants in accordance with Section 5.6; plus

(c) That portion of the Tentative Aggregate Contribution described in Section 4.1(b)(1) shall, unless this limitation shall be specifically waived by the Board of Directors, not be greater than the:

(1) the consolidated profits of the Company for such year, determined in accordance with generally accepted accounting principles but without regard to gains or losses on the sale or exchange of real property or of stock in any corporation described in Section 1.1(e).

In determining the consolidated profits of the Company for purposes of this Section 4.1(c), all expenses recorded on the books of the Company as of the close of the year, including but not limited to all taxes but not including contributions to this Plan, shall be deducted. The Federal income taxes, for purposes of this Section 4.1(c), shall be determined without regard to gains or losses on the sale or exchange or real property or of stock in any corporation described in Section 1.1(e).

(d) The portion of the Tentative Aggregate Contribution described in Section 4.1(b)(1) for any calendar year shall, unless this limitation shall be specifically waived by the Board of Directors, not exceed $30,000,000.

Section 4.2 Apportionment of Tentative Aggregate Contribution Among Employers.

(a) The portion of the Tentative Aggregate Contribution described in Section 4.1(b)(1) shall be apportioned among all the Employers in accordance with the ratios which the

aggregate average monthly balances for such year of all the accounts in the General Fund, as of December 31, of all the Participants in the Plan of each Employer, whether or not in Regular Employment on such date, bears to the aggregate average monthly balances for such year of all the accounts in the General Fund, as of December 31, of all Participants in the Plan. The portion of the Tentative Aggregate Contribution so apportioned pursuant to this paragraph to each Employer shall be referred to as the "Tentative Basic Contribution" with respect to such Employer.

Section 4.3 Reduction of Employer's Tentative Contribution The Tentative Basic Contribution with respect to each Employer shall be reduced to the extent that such Tentative Basic Contribution may not be allocated to the Participants in the Plan employed by such Employer because of the limitations provided in Sections 5.6(b)(3), 6.1 and 6.2 of the Plan. The Tentative Basic

Contribution of each Employer so reduced, which shall be referred to as the "Basic Contribution" (or the "Contribution") of such Employer, shall be contributed to the Plan by such Employer out of its current or accumulated earnings and profits within the time limit prescribed in Section 4.5. The Contribution of each Employer, however, shall not exceed the amount allowable under the Internal Revenue Code to such Employer or to a foreign subsidiary of such Employer as a deduction for contributions paid to this Plan.

Section 4.4 Contributions on Behalf of Employee of Another Employer. If any Employer is prevented from making its contribution as determined under Section 4.3 hereof because it has no current or accumulated earnings or profits or because such earnings or profits are insufficient for it to make its contribution in full, then so much of the contribution which such Employer is prevented from making may be made for the benefit of the Participants in the Plan employed by such Employer by the other Employers to the extent and in the amounts permitted by Section 404(a)(3)(B) of the Internal Revenue Code. Any such contribution made for an Employer by one or more other Employers shall be considered for all provisions of the Plan, unless otherwise provided in the Internal Revenue Code, to have been made by the Employer for whose benefit it was made, and shall be considered as a loan to said Employer.

Section 4.5 Time for Payment of Contributions. The amount of each Employer's Contribution to the Plan for each calendar year shall be paid to the Trustee, either in a single payment or in installments, not later than the date prescribed by law, including extensions thereof, for the filing of such Employer's Federal Income tax return for such calendar year.

Section 4.6 Permissible Contributions and Irrevocability. Any amount contributed by an Employer pursuant to this Article IV is conditioned on its deductibility under the Internal Revenue Code, and may be contributed in cash or other property including Qualifying Employer Securities as defined in ERISA. No such contribution, or any part thereof, shall revert to or be recoverable by the Employer, unless

(a) the contribution is made by reason of a mistake of fact, (b) the contribution is conditioned on qualification of the Plan under the Internal Revenue Code and the Plan does not so qualify, or (c) the contribution is determined to not be deductible under the Internal Revenue Code. Any such reversion or recovery must be made within one year of the mistaken payment of the contribution, the date of denial of qualification, or disallowance of the deduction, as the case may be.

ARTICLE V

ACCOUNTS AND ALLOCATIONS

Section 5.1 Funds and Accounts Established

(a) The assets of the Plan shall be held in Trust in a single fund, the General Fund. All Participant accounts in the Distribution Fund as of July 31, 1996 shall be transferred to, and become a part of, the General Fund.

(b) The Committee shall maintain individual accounts for each Participant in the General Fund as follows: a Participant Savings Account; an Employer Contributions Account; and a Participant Investment Income Account.

(c) The Committee shall also maintain a Special Gift Account and a Fund Investment Income Account in the General Fund.

Section 5.2 Accounting Period of Trust. The accounting period for the Trust shall be a calendar year unless the Committee shall determine a shorter period.

Section 5.3 Payments into General Fund; Charge for Withdrawals.

(a) All amounts deducted from a Participant's salary or wages in accordance with Article III shall be paid over to the Trustee and credited to the individual Participant Savings Accounts maintained for Participants in the General Fund not later than the close of the month immediately following the month in which the payroll deductions are made.

(b) Contributions made by the Employers shall be credited to the individual Employer Contributions Accounts maintained for Participants in the General Fund. Such credits shall be made as of the close of the calendar year for which an Employer contribution is made, but shall not be taken into account in determining the monthly balances of Participants for such calendar year.

(c) No charges shall be made to either individual Participant Savings Accounts or Employer Contributions Accounts in the General Fund except for withdrawals or distributions on termination of regular employment or for appropriate charges because of deficits in the Participant Investment Income Accounts in the General Fund.

Section 5.4 Annual Appraisal. As of December 31st in each year, or as of the end of any shorter accounting period that the Committee shall select, all of the assets in the Trust shall be appraised by or under the supervision of the Committee so that such assets will be stated at market value for the

applicable date. Such appraisal shall be made in accordance with market quotations when available and on the basis of such other facts as the Committee deems appropriate in the circumstances.

Section 5.5 Fund Investment Income Account.

(a) The Fund Investment Income Account of the Fund shall be credited during each accounting period with the following:

(1) interest, dividends, rents and other income received by the Trustee;

(2) increase in the value of Fund assets based on the appraisal of such assets made pursuant to Section 5.4 as of the last day of such accounting period;

(b) The Fund Investment Income Account of the Fund shall be charged during each accounting period with the following:

(1) cost of producing income, such as real estate taxes, insurance and repairs;

(2) an allocated portion of the trust expenses to the extent not paid by the Employer;

(3) decrease in the value of Fund assets based upon the appraisal of such assets made pursuant to Section 5.4 as of the last day of such accounting period.

Section 5.6 Allocation of Income and Contributions to Accounts. After the end of each accounting period the Committee shall make the following allocations:

(a) As of the end of each accounting period the Committee shall credit or charge the Participant Investment Income Accounts of each Participant in the Fund with an account balance at the end of such accounting period, with that part of the income or loss shown in the Fund Investment Income Account for such period, as bears the same ratio to such income or loss of the Fund as the balance of such Participant's combined Participant Savings Account, Employer Contributions Account and Participant Investment Income Accounts in the Fund at the end of the prior accounting period bears to the balances of such combined three accounts of all Participants in the Fund at the end of the prior accounting period.

(b) (1) As of the end of each calendar year the Committee shall, subject to paragraph (3) below, credit each eligible Participant's Employer Contributions Account in the General Fund with that part of the Employer's Basic Contribution for the year as bears the same ratio _____ to such contribution as the balance of the Participant's combined Participant Savings Account, Employer Contributions Account and Participant Investment Income Account at the end of the prior accounting period bears to the balances of all Participants in the three accounts of the General Fund at the end of the prior accounting period.

(2) A Participant shall be eligible to share the allocation of the Employer Basic Contribution for the Plan Year only if (A) the Participant has an Employer Contribution Account in the General Fund on January 1 of the Plan Year following the Plan Year for which the Employer's Basic Contribution is made and (B) the Participant in fact made one or more voluntary savings contributions pursuant to Article III (including weekly cash payments in lieu of payroll deductions pursuant to the subsections 3.2(b) and (c)) which were allocated to his or her Participant Savings Account for the Plan Year for which the Employer Basic Contribution is being made.

(3) Notwithstanding the foregoing, no amount in excess of four thousand dollars ($4,000) shall be allocated to a Participant as an Employer Basic Contribution with respect to any calendar year,

and if the Participant ceased participation during a calendar year the four thousand dollar limit shall be reduced to an amount which shall be determined by multiplying the four thousand dollar limit by a fraction, the numerator of which is the number of wholly or partially completed calendar months of participation during said calendar year, and the denominator of which is 12. Any amount in excess of the dollar limitations determined under the preceding sentences shall reduce the Employer's Tentative Basic Contribution to arrive at the Employer's Basic Contribution to be made under the Plan.

(4) Effective for the Employer Basic Contribution for the 1994 and subsequent Plan Years, that portion of the Employer Benefit Contribution allocated to the account of a Participant who is a Highly Compensated Employee, which, when combined with the Participant's voluntary savings contributions pursuant to Article III, exceeds the contribution limitations for Highly Compensated Employees pursuant to Section 6.2 shall be distributed to such Participant in accordance with the provisions of that Section.

Section 5.7 Reserved.

ARTICLE VI

LIMITATION ON ALLOCATION OF EMPLOYER CONTRIBUTIONS

Section 6.1 Limitation On Contributions on Behalf of Individual Employees.

(a) General Limitation. For limitation years commencing after December 31, 1982, and before January 1, 1998, the annual addition in any limitation year to the account of a Participant, when added to any annual additions on behalf of the Participant under any other defined contribution pension plans maintained by the Employer, may not exceed the lesser of: (1) $30,000 or (2) 25% of that Participant's total compensation received from the Employer for the limitation year with respect to which the annual addition is made. For purposes of the foregoing sentence, "total compensation" means the Participant's taxable compensation from the Employer reported on Form W-2 for the Plan Year or, as determined by the Committee in a uniform manner with respect to all Employees for the Plan Year, such other nondiscriminatory definition of compensation that satisfies the requirements Treas. Reg. 1.415-2 (d).

(b) Limitation for Post-1997 Years. For limitation years commencing after December 31, 1997, the annual addition in any limitation year to the account of a Participant, when added to any annual additions on behalf of the Participant under any other defined contribution pension plans maintained by the Employer, may not exceed the lesser of: (1) $30,000 or (2) 25% of that Participant's total compensation received from the Employer for the limitation year with respect to which the annual addition is made. For Purposes of the foregoing sentence, "total compensation" means the Participant's taxable compensation from the Employer reported on Form W-2 for the Plan Year, increased by the amount of any contributions made on a pre-tax basis to any other qualified benefit plan or plan described in IRC section 125 of the employer.

(c) Annual Addition. For purposes of this Section, the term "annual addition" means the sum of the following credited to a Participant's account for any limitation year:

(1) the Employer's contributions;

(2) the Employee's contributions; and

(3) forfeitures.

(d) Limitation--Two Types of Plans. In any case in which a Participant has at any time participated in this Plan and a defined benefit plan maintained by the Employer, the sum of

the defined contribution fraction and the defined benefit fraction for any limitation year commencing before January 1, 1983, may not exceed 1.4; and for any limitation year commencing after December 31, 1982, may not exceed 1.0. For limitation years commencing after December 31, 1999, the provisions of this Article VI Section 1 (d)-(k) shall not apply.

(1) The defined benefit fraction applicable to a Participant for any limitation year is a fraction, (A) the numerator of which is the projected annual benefit of the Participant, determined as of the close of the limitation year, under all defined benefit plans maintained by the Employer;

and (B) the denominator of which is:

(i) for limitation years commencing before January 1, 1983, the projected annual benefit of the Participant under such defined benefit plans as of the close of the limitation year if such plans provide such Participant the maximum benefit allowable by law, or

(ii) for limitation years commencing after December 31, 1982, the lesser of (I) of product of 1.25 multiplied by the dollar limitation in effect under Section 415(b)(1)(A) of the Code for such year (including any adjustment required or permitted by Section 235(g)(4) of the Tax Equity and Fiscal Responsibility Act of 1982) or, (ii) the product of 1.4 multiplied by an amount equal to 100% of the Participant's average compensation for three consecutive calendar years during which he or she participated in the Plan and in which he or she had the greatest aggregate compensation from the Employer.

(2) The defined contribution fraction applicable to a Participant for any limitation year is a fraction, (A) the numerator of which is the sum of the annual additions to the Participant's accounts, determined as of the close of the limitation year, under all defined contribution plans maintained by the Employer; and (B) the denominator of which is:

(i) for limitation years commencing before January 1, 1983, the maximum amount of annual additions allowable by law to the Participant's accounts for the limitation year and for each prior limitation year of the Participants' service with the Employer (regardless of whether a Plan was in existence during those years); or

(ii) for limitation years commencing after December 31, 1982, the sum of the lesser of the following amounts determined for the present limitation year and each prior limitation year of the Participant's service with the Employer:

(I) 1.25 multiplied by the dollar limitation in effect under Section 415(c)(1)(A) of the Code for such limitation year; or

(II) 1.4 multiplied by 25% of the Participant's compensation for such limitation year.

(e) Elective Limitation. At the election of the Plan Administrator, the denominator of the defined contribution fraction for any limitation year ending after December 31, 1982, with respect to each Participant for all limitation years ending before January 1, 1983, shall be an amount equal to:

(1) The amount determined in Section 6.2(c)(2)(B)(i) for the limitation year ending in 1982;

(2) Multiplied by a fraction:

(A) the numerator of which is the lesser of (i) $51,875 or (ii) 1.4 multiplied by 25% of the Participant's compensation for the limitation year ending in 1981, and

(B) the denominator of which is the lesser of (i) $41,500 or (ii) 25% of the compensation of the Participant for the limitation year ending in 1981.

(f) Limitation Adjustment. The rate of annual additions to a Participant's account will be frozen or reduced to a level necessary to prevent the limitations of this Section (other than the limitations set forth in subsection (c) of this Section) from being exceeded with respect to any Participant. The excess shall be reallocated among the accounts of the remaining Participants in the same manner that Employer contributions are allocated as set forth in Section 5.6 hereof, subject to the limitations imposed by this Section. In the event that the Employer maintains another defined contribution plan, and the limitations of this Section will be exceeded with respect to any Participant upon considering the two defined contribution plans as one plan, the annual additions to this Plan shall be frozen or reduced to prevent any such excess.

(g) Single Plan Rule. For purposes of this Section, all defined contribution plans (whether or not terminated) of the Employer are to be treated as one defined contribution plan.

(h) Automatic Adjustment. The limitations imposed by this Section shall be adjusted automatically when permitted or as required by law.

(i) Limitation Year. For purposes of this Section, the limitation year is the calendar year.

(j) Employer. For purposes of this Section, "Employer" means the Employer and all Related Employers.

(k) Transitional Rule. The numerator of the defined contribution fraction shall, if necessary, be adjusted as permitted by Treasury Regulations so that the sum of the defined benefit fraction and the defined contribution fraction does not exceed 1.0 for the last limitation year beginning before January 1, 1983.

(l) Incorporation by Reference. Notwithstanding anything to the contrary in this Section 6.2, the maximum limitations on contributions on behalf of individual Participants shall be in accordance with Code Section 415 and the regulations thereunder, which are incorporated into this Plan by reference.

Section 6.2 Contribution Limitations Under Section 401(m) of the Code.

(a) Average Contribution Percentage Test. The "Average Contribution Percentage", as determined under subsection (b), for the group of Employees who are Highly Compensated Employees shall not exceed for any Plan Year after 1993 the greater of

(1) The Average Contribution Percentage for the group of Non-Highly Compensated Employees times 1.25; or

(2) The Average Contribution Percentage for the group of Non-Highly Compensated Employees times 2.0; provided, however, that the Average Contribution Percentage for the group of Highly Compensated Employees does not exceed the Average Contribution Percentage for the group of Non-Highly Compensated Employees by more than two percentage points.

For purposes of the foregoing tests and subsection (b), an "Employee" includes any Employee eligible to make voluntary savings contributions pursuant to Article III at any time during the Plan Year, even if he or she in fact declined to make such contributions. In addition, to the extent prohibited by Treasury regulations, paragraph (2) of this subsection (a) may not be applied to satisfy both the Average Contribution Percentage described above and the average deferral percentage test with respect to a cash or deferred arrangement under Code Section 401(k) maintained by an Employer or Related Employer.

(b) Excess Contributions. The Average Contribution Percentage for a specified group of Employees for a Plan Year shall be the average of the ratios (calculated separately for each Employee in such group) of:

(1) The sum of (i) the Employee's voluntary savings contributions (pursuant to Article III) and (ii) the Employee's share of Employer Basic Contribution or Imputed Employer Contribution, as the case may be, actually paid to the Trustee on behalf of such Employee for such Plan Year (together, "Aggregate Contributions"), to

(2) his or her Compensation for the Plan Year.

For the purpose of determining the above-described ratio ("Contribution Percentage") with respect to a Highly Compensated Employee, for years beginning prior to January 1,

1997, the Aggregate Contributions and Compensation of such Highly Compensated Employee shall include the Aggregate Contributions and Compensation of said Employee's family members (as described in Code Section 414(q)(6)(B)), and such affected family members shall be disregarded in determining the Average Contribution Percentage for the group of a Non-Highly Compensated Employees. There will be no such aggregation for years beginning after December 31, 1996.

(c) If more than one plan providing for matching contributions or employee contributions (within the meaning of Section 401(m) of the Code) is maintained by the Employer or a Related Employer (other than a plan which is not permitted to be aggregated with this Plan under Treas. Reg. ss.1.401(m)-1(b)(3)(ii)), the individual ratio of any Highly Compensated Employee who participates in more than one such plan shall, for purposes of determining the individual's Contribution Percentage, be determined as if all such plans were a single plan with respect to the Plan Years ending with or within the same calendar year. Notwithstanding the foregoing, for any plan year beginning January 1, 1997 or after, the Plan will use the actual contribution percentage for participants who are Highly Compensated Employees for the current plan year, and the prior year's actual contribution percentage for participants who were Non-Highly Compensated Employees for the preceding plan

year in performing the nondiscrimination testing required under IRC section 401(m)(2) for the current plan year. Furthermore, the provisions of IRC section 401(m)(2) as amended by the Small Business Job Protection Act and the regulations thereunder, as well as any subsequent Internal Revenue Service guidance issued under the provisions of this section, are incorporated herein by reference. The testing method used for purposes of the ACP test shall be the prior year testing method.

(d) The Committee shall have the responsibility of determining the extent, if any, to which either of the tests described in subsection (a) may not be met with respect to Employees' Average Contribution Percentages. If, in the discretion of the Committee, it is determined that Aggregate Contributions made on behalf of Highly Compensated Employees do not satisfy one of the tests in subsection (a), then Aggregate Contributions with respect to Highly Compensated Employees shall be refunded in uniform percentage increments, commencing with the Aggregate Contributions of the group of Highly Compensated Employees with the highest percentages of Aggregate Contributions, and then the Aggregate Contributions of the group of Highly Compensated Employees with the next highest of such percentages, and so on, until it is determined by the Committee that the Plan will satisfy one of the Average Contribution Percentage tests set forth in subsection (a). Each reduction at a stated percentage level will apply to all Highly Compensated Employees at that level regardless of whether their Contribution Percentages have been reduced from higher levels. The Committee shall accomplish the reductions as

described above by distributing to each affected Highly Compensated Employee that portion of his or her Aggregate Contribution (plus any income and minus any loss allocable thereto in a manner consistent with Treasury regulations, if any) necessary to meet the requirements of one of the Average Contribution Percentage tests in subsection (a) on or before March 15 of the following Plan Year. If such distribution is not made, it must in all events be made no later than the close of said following Plan Year. Notwithstanding the foregoing, for Plan years beginning on or after January 1, 1997, the Excess Aggregate Contributions will be calculated and distributed according to the following procedures: (1) The ratio leveling method described in section (d) will be used to determine the total dollar amount of excess aggregate contributions, (2) the amount determined in step 1 is reduced beginning with the HCE with the highest dollar amount of contributions to equal the dollar amount of the HCE with the next highest dollar amount of contributions and continuing in succeeding order of the HCE's until all excess aggregate contributions are accounted for as determined in step 1. If these distributions are made, the ACP is treated as meeting the nondiscrimination test of IRC section 401(m)(2) regardless of whether the ACP, if recalculated after distributions would satisfy IRC section 401(m)(2). For purposes of IRC section 401(m)(9), if a corrective distribution of excess aggregate contributions has been made, the ACP for HCE's is deemed to be the largest amount under IRC 401(m)(2).

(e) Definitions. For purposes of this Section 6.2, the following terms shall have the meanings set forth below:

(1) "Compensation" shall mean any of the following, as determined by the Committee in a uniform manner with respect to all Employees for the Plan Year:

(A) The Compensation or wages paid to an Employee for the Plan Year by reason of his or her employment by the Employer including overtime pay and commissions, before any payroll deductions, including elective deferrals contributions and/or salary reduction contributions, if any, to a plan or plans described in Section 125 or 401(k) of the Code, but excluding bonuses, expense reimbursements and contributions (other than elective deferral contributions to a cash or deferred arrangement described in Section 401(k) of the Code) made by the Employer to any employee benefit plan other than this Plan.

(B) The Employee's taxable compensation from the Employer reported on Form W-2 for the Plan Year, or

(C) Such other nondiscriminatory definition of compensation which satisfies the requirements of Code Section 414(s) and the regulations hereunder.

Notwithstanding the foregoing, in no event shall the Compensation of any Employee as determined for purposes of this Section 6.2 and taken into account for any Plan Year exceed $150,000, increased by the applicable cost-of-living adjustment, if any, for the calendar year sanctioned by Code Section 401 (a)(17). In determining the Compensation of an Employee for Plan Years beginning before January 1, 1997, any Compensation paid by the

Employer to the spouse or lineal descendant (who has not attained age 19 before the close of the Plan Year) of an Employee who is (i) a 5% owner as defined in Section 416 (i) of the Code or (ii) one of the 10 employees of the Employer paid the greatest Compensation during the Plan Year shall be treated as Compensation paid to such Employee. If, as the result of the application of the foregoing sentence the applicable dollar limitation is exceeded, then such limitation shall be prorated among the affected individuals in proportion to each such individual's Compensation as determined for purposes of this Plan prior to the application of the dollar limitation. For Plan Years that begin after December 31, 1996, the Compensation aggregation rules discussed previously in this paragraph do not apply.

(2) "Highly Compensated Employee" means, for Plan Years beginning before January 1, 1997, with respect to a particular Plan Year, an Employee who is not represented for purposes of collective bargaining by a labor union and who (i) during the Plan Year or other "determination year" as described in the regulations to Code Section 414(l) is among the 100 employees receiving the most compensation from the Employer and is a highly compensated employee as defined by Code Section 414(q) and the regulations thereunder or (ii) during the 12-month period preceding the applicable determination year (the "look-back year") is a highly compensated employee as defined in Code Section 414(q) and the regulations thereunder. The Committee may, in its discretion and consistent with regulations under Code Section 414(q) or other guidance issued by the Secretary of the Treasury, elect to make a look-back year calculation for a determination year on the basis of the calendar year ending with or within the applicable determination year. For Plan Years beginning after December 31, 1996, "Highly Compensated Employee" means, with respect to any Plan Year, active employees who (1) was a 5-percent owner (as defined in IRC section 416(i)(1)) of the employer at any time during the determination year or the look-back year (the preceding 12 month period) , or (2) for the look-back year had compensation from the employer in excess of $80,000 (as adjusted by the Secretary pursuant to IRC section 415(d), except that the base period shall be the calendar quarter ending September 30, 1995).

(3) "Non-Highly Compensated Employee" means an Employee who is not represented for purposes of collective bargaining by a labor union, and who is not a Highly Compensated Employee as defined in (2) above.

(4) "Aggregate Limit" shall mean the sum of (i) 125 percent of the greater of the Average Deferral Percentage of the Non-highly Compensated Employees for the Plan Year or the Average Contribution Percentage of Non-highly Compensated Employees under the plan subject to Code section 401(m), for the Plan Year beginning with or within the Plan Year of the CODA and (ii) the lessor of 200% or two plus the lesser of such Average Deferral Percentage or Average Contribution Percentage. `Lesser' is substituted for `greater' in `(i)', above, and `greater' is substituted for `lesser' after `two plus the' in `(ii)' if it would result in a larger Aggregate Limit.

(f) If one or more Highly Compensated Employees participate in this Plan and a plan maintained by the Employer or a Related Employer that contain a qualified cash or deferred arrangement (a "CODA"), as defined in Code Section 401(k)(2), and the sum of the Average Deferral Percentage and Average Contribution Percentage of those Highly Compensated Employees subject to either or both tests exceeds the Aggregate Limit, then the Average Contribution Percentage of those Highly Compensated Employees who also participate in a CODA will be reduced (beginning with such Highly Compensated Employee whose Average Contribution Percentage is the highest) so that the limit is not exceeded. The amount by which each Highly Compensated Employee's Contribution Percentage Amount is reduced shall be treated as an Excess Contribution. The Average Deferral Percentage and Average Contribution Percentage of the Highly Compensated Employees are determined after any corrections required to meet the Average Deferral Percentage under any CODA maintained by the employer and Average Contribution Percentage test under the Plan have been made. Multiple use does not occur if either the Average Deferral Percentage or Average Contribution Percentage of the Highly Compensated Employees does not exceed 1.25 multiplied by the Average Deferral Percentage and Average Contribution Percentage of the Non-highly Compensated Employees.

ARTICLE VII

RESERVED

ARTICLE VIII

VESTING

Section 8.1 Nonforfeitability of Participant's Accounts. Participants' accounts in both Funds shall be fully vested and nonforfeitable at all times.

Any Participant in the Plan on the date of adoption of any amendment to the vesting schedule may, within an election period which begins on the date of adoption of such amendment to the vesting schedule and ends on the sixtieth day after the latest of: (i) the date the amendment is adopted; (ii) the date the amendment becomes effective; or (iii) the date the Participant is given written notice of the amendment by the Committee, elect to have his or her vested percentage determined under the vesting schedule as in effect immediately prior to the effective date of amendment provided he or she has completed three Years of Service prior to the end of the election period. Any election made will be irrevocable. Further, no Participant shall have his or her vested percentage decreased by any change in the vesting schedule.

ARTICLE IX

WITHDRAWALS

Section 9.1 Withdrawal of Participant Savings Account. Amounts credited to the Participant Savings Account of a Participant, may be withdrawn at any time during his lifetime upon application of the Participant to the Committee. The amount which may be withdrawn, however, may not exceed the excess of the sum of the amounts credited to the Participant Savings Account of the Participant in the Fund over the allocable portion of the net deficit, if any, in the Participant Investment Income Accounts of such Participant in such Funds. The allocable portion of such net deficit will be determined in accordance with the ratio which the amount credited to the Participant Savings Account of the Participant bears to the total of the amounts credited to the Participant Savings Account and the Employer Contributions Account of such Participant in the Fund.

Section 9.2 Emergency Withdrawals. If a Participant establishes to the satisfaction of the Committee that he is faced with a financial emergency or necessity due to sickness or injury to himself or to one or more of his dependents the Committee may approve withdrawals from accounts other than a Participant Savings Account. The Committee, in its discretion, may grant the application in whole or in part, and may provide for payment in a lump sum or in installments. Payments shall be made under this Section only after all funds from the Participant Savings Account of the Participant have been distributed pursuant to Section 9.1.

Section 9.3 Further Withdrawals. Amounts in a Participant's Accounts, other than in his Participant Savings Account, may also be withdrawn without the consent of the Committee, provided that such amounts have been credited to the Participant's account for two years or more. Notwithstanding the foregoing, Plan Participants with at least 60 months of Plan participation may elect to withdraw all amounts credited to his or her Employer Contribution Account and Participant Investment Account.

Section 9.4 Payment of Withdrawn Amounts. Amounts withdrawn pursuant to this Article IX shall be paid in cash. Notwithstanding the foregoing, Participants electing a withdrawal pursuant to Section 9.3 may choose to receive a portion of the withdrawal in UPS stock, subject to the following:

(a) the amount of stock available for withdrawal pursuant to this Section, 9.4, shall be limited to the lesser of the following amounts:

(i) the ratio of the value UPS Stock held by the Plan to the total value of all Plan assets, computed as of the end of the month preceding the month in which the distribution is processed, multiplied by the amount of Participant's withdrawal election; or

(ii) the sum of the balances in the Participant's Employer Contribution Account and Participant Investment Account.

(b) the value of the stock allocated to a Participant's withdrawal pursuant to paragraph (a) above shall be distributed in-kind:

(i) in whole shares; and

(ii) provided the value of the in-kind distribution is at least $500.

Section 9.5 Timing of Payment. Subject to the provisions of Section 9.6, payment of amounts applied for under this Article IX will be made within fifteen (15) days after the end of the month following the month in which the application is received by the Committee, except that amounts attributable to Fund earnings or to Employer contributions which cannot be readily determined at the end of an accounting period shall be paid within thirty (30) days after such amounts have been determined.

Section 9.6 Waiting Period. The Committee, notwithstanding any other provisions of this Article IX, may provide by uniform rules for a waiting period of up to six months for the payment of any withdrawals.

Section 9.7 Applications for Withdrawal. All applications for withdrawal under this Article IX shall be in writing, shall state the amount sought to be withdrawn and shall set forth such other information as the Committee shall prescribe.

ARTICLE X

DISTRIBUTION ON TERMINATION OF REGULAR EMPLOYMENT

Section 10.1 Distribution of Account Balances - If a Participant retires, dies or otherwise terminates Regular Employment (unless he is eligible to make weekly cash payments and elects to do so in accordance with Section 3.2), all amounts standing to his credit under the Plan shall be distributed to him or his designated beneficiary in accordance with the following terms and conditions:

(a) General Rule. All amounts standing to the credit of a Participant in the General Fund shall be distributed, in a single lump sum, to the Participant or his beneficiary as soon as practicable after the January 1 following the calendar year in which the participant retires, dies, or otherwise terminates Regular Employment (without having elected to make cash payments in accordance with Section 3.2). Any such distribution to a Participant shall require the Participant's written consent if made prior to his attaining normal retirement age, which for purposes of the Plan shall be age 62. Failure to consent shall be deemed to be an election to defer distribution of the Participant's benefit, and all amounts standing to the Participant's credit shall remain in the General Fund until a subsequent consent to distribution is filed with the Committee, or the Participant attains 62 years of age. Notwithstanding the foregoing, if the value of the Participant's accounts in the General Fund does not exceed $3,500 ($5,000 for Plan Years beginning after December 31, 1997), said amounts shall be distributed to the Participant or his beneficiary without such individual's consent.

(b) Immediate Distribution Option. Following a Participant's retirement, death or other termination of Regular Employment (unless he is eligible to make weekly cash payments and elects to do so in accordance with Section 3.2), the Participant or his beneficiary shall be permitted to elect, in accordance with procedures established by the Committee, the immediate distribution, in a single lump sum, of all amounts standing to the Participant's credit in the General Fund. If such election is made, there shall be distributed to the Participant or beneficiaries, as soon as practicable following the Committee's receipt of the Participant's or beneficiary's completed election, an amount equal to the balance standing to the credit of the Participant in the General Fund.

(c) Repayment of Prior Distribution in Event of Re-employment. If a former Participant, after receiving distribution of his accounts pursuant to this Article X, returns to Regular Employment with the Employer before the end of the 12-month period commencing on the date he

terminated Regular Employment, he shall be permitted to restore all, but not less than all, of the amounts previously distributed to him, provided such restoration is made in a lump sum within six (6) months after his date of re-employment, and provided that such repayment is at least $1,000. Upon repayment, the moneys previously distributed shall be credited to a newly established Participant's Savings Account in the General Fund.

(d) Repayment of Prior Distribution in Event of Return to Work following Disability or Leave or Absence Due to Health Reasons. If a former Participant, after receiving distribution of his accounts pursuant to this Article X, returns to Regular Employment with the Employer after a period of disability or a leave of absence due to pregnancy, disability, or other health or medical problems, he shall be permitted to restore all, but not less

than all, of the amounts, previously distributed to him, provided such restoration is made in a lump sum within six (6) months after his date of returning to Regular Employment, and provided that such repayment is at least $1,000. Upon repayment, the moneys previously distributed shall be credited to a newly established Participant's Savings Account in the General Fund.

Section 10.2 Methods of Distribution; Limitations Regarding Time of Payment of Benefits.

(a) General Limitation. Distribution of amounts under this Article X shall be made at the time or times provided in Section 10.1 in a lump sum payment in cash, in kind, or both, in the sole discretion of the Committee, and in no event shall distribution be made later than the 60th day after the close of the Plan Year in which the latest of the following events occurs:

(1) the date on which the Participant attains age 65;

(2) the 10th anniversary of the year in which the Participant commenced participation in the Plan; or

(3) the Participant terminates his or her service with the Employer. A Participant will not be considered to have terminated his or her service if he or she is eligible and elects to make weekly cash payments in accordance with Section 3.2

(b) Mandatory Limitation.

(1) Commencement of Payments.

(A) Notwithstanding subsection (a), the entire interest of a Participant shall be distributed no later than April 1 of the calendar year following the calendar year in which he attains age 70 1/2; provided however, that the interest of a Participant (other than an individual who is or was a 5% owner, as defined in Code Section 416(i)(1)(B)(i) in any Plan Year ending in the year the individual attained age 66 1/2 or any succeeding Plan Year) who attained age 70 1/2 before January 1, 1988

shall not be required to begin to be distributed prior to April 1 of the calendar year in which he retires or otherwise terminates employment.

(B) In the case of an Employee who is a five percent owner of the Employer in the calendar year in which such Employee attains age 70 1/2, his entire interest shall be distributed not later than the April 1 following such calendar year.

(2) Transitional Rule. Any designation by a Participant of a method of distribution permitted by this Plan which does not meet the requirements of this subsection (b) will be honored, if such designation had been submitted to the Plan Administrator prior to January 1, 1984.

(c) No distribution to Five Percent Owner Before Age 59 1/2. Notwithstanding any other provision of this Plan, no distribution shall be made to an Employee who is or has been a five percent owner, before such Employee attains age 59 1/2, of any amount attributable to a contribution made on behalf of such Employee which he was a Five Percent Owner, except in the case of his death or disability.

(d) Five Percent Owner. For purposes of this Section, the term "Five Percent Owner" means a person who owns more than five percent of the outstanding stock of the Employer or stock possessing more than five percent of the total combined voting power of all stock of the Employer. For purposes of determining ownership in the Employer (i) the constructive ownership rules of Section 318 of the code, as modified by substituting "five percent" for "fifty percent" in subsection (a)(2)(C) thereof, shall apply, but (ii) the rules of subsections (b), (c) and (m) of Section 414 of the code shall not apply.

Section 10.3 Payment to Beneficiary in Event of Death.

(a) General Rule. In the event of the death of a Participant who on or after August 23, 1984 has at least one Hour of Service under the Plan or one hour of paid leave, his or her vested benefits under the Plan shall be payable in full to his surviving spouse unless:

(1) there is no surviving spouse; or

(2) the Participant has elected not to have such benefits payable to his or her surviving spouse and the surviving spouse has consented to the Waiver Election in the manner required by subsection (b).

(b) "Waiver Election" means an election to waive any benefits for a spouse under the Plan, but only if the spouse of the Participant consents to the election and such consent: (i) is in writing, (ii) acknowledges the effect of the election, including the identity of the alternate survivor beneficiary, and (iii) is witnessed by a notary public. If a married Participant, following a Waiver Election, changes the identity of the alternate survivor beneficiary, the spouse must consent to such change in the

foregoing manner, unless the spouse's original consent specifically authorized the Participant to make subsequent beneficiary changes without spousal consent.

(c) Non-Spousal Beneficiary. Each Participant or former Participant shall be entitled to designate a contingent beneficiary or beneficiaries who are to receive the distributions provided under the Plan in the event that the Participant's spouse does not survive him or the Participant has executed a Waiver election in accordance with subsection (b) with spousal consent. A Participant may change the designation of the contingent beneficiary from time to time. No such designation or change therein shall be effective until received by the Committee and unless it is received by the Committee prior to the Participant's death and unless made on forms prescribed by the Committee. In the event that a Participant fails to designate a contingent beneficiary or if a designated beneficiary does not survive the Participant, payment will be made to the spouse of the deceased Participant, if any, but if none survives the Participant, to his surviving children. If no children survive the Participant, payment will be made to the Participant's estate. If a beneficiary who has begun to receive payments pursuant to this Article X dies before all payments are made, and no successor beneficiary was named by the Participant, the balance shall be paid in a lump sum to the person entitled by law to receive the property of the deceased beneficiary.

Section 10.4 Reserved.

Section 10.5 Direct Rollover.

(a) With respect to any distribution described in this Plan which constitutes an eligible rollover distribution within the meaning of Code Section 401(a)(31)(C), the distributee thereof shall, in accordance with procedures established by the Committee, be afforded the opportunity to direct that such distribution be transferred directly to the trustee of an eligible retirement plan (a "direct rollover"). For purposes of the foregoing sentence, an "eligible retirement plan" is (1) a qualified trust within the meaning of Code Section 402 which is a defined contribution plan the terms of which permit the acceptance of rollover distributions, (2) an individual retirement account or annuity within the meaning of Code Section 408 (other than an endowment contract), or (3) an annuity plan within the meaning of Code Section 403(a), which is specified by the distributee in such form and at such time as the Committee may prescribe.

(b) Notwithstanding the foregoing, if the distributee elects to have his or her eligible rollover distribution paid in part to him or her and paid in part as a direct rollover:

(A) The direct rollover must be in an amount of $200 or more.

(B) A direct rollover to two or more eligible retirement plans shall not be permitted. Notwithstanding the foregoing, and subject to the limitation in subparagraph (A) above, a

Participant receiving an in-kind distribution or withdrawal may elect to rollover the in-kind and cash portions of the distribution or withdrawal to separate eligible retirement plans, provided that, the number of eligible retirement plans selected does not exceed two.

(c) The Committee shall, within a reasonable period of time prior to making an eligible rollover distribution from this Plan, provide a written explanation to the distributee of the direct rollover option described above, as well as the provisions under which such distribution will not be subject to tax if transferred to an eligible retirement plan within 60 days after the date on which the distributee received the distribution.

ARTICLE XI

Effective September 30, 1995, no further loans shall be made by the Committee.

Section 11.1 Committee May Make Loans. If a Participant, upon written application to the Committee, establishes to the satisfaction of the Committee that the Participant is faced with a financial emergency or necessity due to personal sickness or injury (including but not limited to funeral expenses and expenses associated with long term custodial care in a nursing home or similar institution) to himself or that of one or more of his spouse, or other dependents, his or her spouse's parents, his lineal descendants, or the spouse of such lineal descendants, the Committee may approve and make a loan to such Participant subject to the following terms and conditions:

(a) The aggregate amount of all loans to a Participant under this Plan and any other plans of the Employer or a Related Employer ("Aggregate Loans"), may not exceed the lesser of (i) $50,000, reduced by the excess (if any) of the highest outstanding balance of Aggregate Loans during the one-year period ending on the day before the date on which the loan is made over the outstanding balance of Aggregate Loans on the date the loan was made; or (ii) one-half of the value of the Participant's Accounts under the Plan as of the date of the loan.

(b) The maximum term of any loan, including extensions, shall not exceed three (3) years.

(c) Each loan shall be evidenced by a promissory note in a form approved by the Committee, which shall provide for repayments no less frequently than quarterly which represent the substantially level amortization of the loan over its term. The promissory note may provide for reasonable penalty charges if a repayment is more than 10 days late. The Committee shall, to the extent practicable, require the repayment of a loan by means of payroll deductions.

(d) Each loan shall bear interest at a rate equal to the highest prime rate, plus one percentage point, published in The Wall Street Journal on the date of the loan.

(e) Each loan to a Participant shall be secured by the balances in each of the Participant's Accounts under the Plan.

(f) Effective for reemployments commencing on or after December 12, 1994, loan repayments for any loan granted by the committee under this Article XI will be suspended

under this plan for periods of qualified military service as permitted under IRC section 414(u)(4), the provisions of which are hereby incorporated by reference.

Section 11.2 Administration of Loan Program. The determination whether a Participant satisfies the criteria for a loan shall be made by the Committee, which shall administer the loan program. All requests for loans hereunder shall be directed in writing to the Committee, which may prescribe an application form for this purpose. The Committee may request such information and documentation as it deems necessary to ascertain the qualification of a Participant for a loan in accordance with this Article XI. The Committee shall normally determine whether a Participant qualifies for a loan within 30 days of its receipt of a completed loan application, unless it advises the Participant in writing that additional time or information is needed. Loans shall be made available on a reasonably equivalent basis to all Participants and beneficiaries who satisfy the criteria for a loan described in Section 11.1, although the Committee may decline to make a loan to any individual who is not a party in interest, as described in Section 3(14) of ERISA.

Section 11.3 Default; Payment upon Termination of Employment. In the event that a Participant's schedule loan payment is more than 60 days late, the Committee may declare the loan to be in default. The Committee shall take such reasonable steps as it deems necessary to secure repayment of the remaining loan principal, accrued interest (including reasonable interest, as determined by the Committee, on interest which is not timely paid), and penalty charges, including but not limited to the reduction, consistent with the restrictions on in-service withdrawals described in Sections 9.1 and 9.3 of the Participant's Account balance or legal action to garnish the Participant's salary or wages. If the Participant has separated from service with the Employer and is entitled to a distribution (even if he does not consent to the immediate payment thereof), any outstanding loan in default shall be considered immediately due and payable, and the amount of such Participant's Account balances shall be reduced prior to distribution by the entire amount of outstanding loan principal, accrued interest and penalty charges, if any.

ARTICLE XII

ADMINISTRATIVE COMMITTEE

Section 12.1 Administrative Committee. The Plan shall be administered by an Administrative Committee consisting of not less than three members, each of whom is and shall be the "named fiduciary" with respect to the Plan, who shall be appointed by the Board of Directors. The Committee shall be the "Plan Administrator" of the Plan as that term is used in ERISA, and the agent of a service of process on or with respect to the Plan.

Section 12.2 Vacancies on Committee. Committee members shall serve at the pleasure of the Board of Directors, and all vacancies shall be filled by the Board of Directors. Committee members may resign at any time, such resignation to be effective when accepted by the Board of Directors.

Section 12.3 Authority of Committee. The Committee shall establish rules for the administration of the Plan, and shall decide all questions arising in the administration of the Plan, including but not limited to making determinations on the following subjects: (a) eligibility for Participation; (b) the length of employment of Participants; (c) appraisal of assets; (d) the length of an accounting period; (e) withdrawals for financial necessity; (f) loans and the rate of interest thereon; (g) general investment guidelines established consistent with Section 13.1; and (h) all other matters affecting the administration and operation of the Plan not specifically delegated or reserved to the Board of Directors, to an Employer, or to the Trustee. Subject to the provisions of Section 12.5, all determinations by the Committee shall be final and binding on all persons. In all such actions, the Committee shall act by rules uniformly applied to all persons.

Section 12.4 Action by Majority of Committee. The Committee shall act by a majority of the Committee members at the time in office. Such action may be taken either by a vote at a meeting or in writing without a meeting. The Committee may appoint subcommittees and also may authorize any one or more of the Committee members or any agent to execute any document or documents or to take any other action on behalf of the Committee, except that no member of the Committee shall have the right to take any such action on any matter relating solely to himself or to any of his rights or benefits under the Plan.

Section 12.5 Claims Procedure.

(a) All claims for benefits hereunder shall be directed to the Committee or to a member of the Committee designated for that purpose. Within ninety (90) days following receipt of a claim for benefits, the Committee shall determine whether the claimant is entitled to benefits under the Plan, unless additional time is required for processing the claim. In this event, the Committee shall, within the

initial ninety-day period, notify the claimant that additional time is needed, explain the reason for the extension, and indicate when a decision on the claim will be made, which must be within 180 days of the date the claim is filed.

(b) A denial by the Committee of a claim for benefits shall be stated in writing and delivered or mailed to the claimant. Such notice shall set forth the specific reasons for the denial, written in a manner calculated to be understood by the claimant without benefit of legal or actuarial counsel. The notice shall include specific reference to the Plan provisions on which the denial is based and a description of any additional material or information necessary to perfect the claim, an explanation of why this material or information is necessary, and the steps to be taken if the claimant wishes to submit his claim for review.

(c) The Committee shall afford a reasonable opportunity to any claimant whose request for benefits has been denied for a review of the decision denying the claim. The review must be requested by written application to the Committee within sixty days following receipt by the claimant of written notification of denial of his claim. Pursuant to this review, the claimant or his duly authorized representative may review any documents which are pertinent to the denied claim and submit issues and comments in writing.

(d) A decision on the claimant's appeal of the denial of benefits shall ordinarily be made by the Committee within sixty (60) days of the receipt of the request for review, unless additional time is required for a decision on review, in which event the decision shall be reviewed not later than 120 days after receipt of request for ruling. Notice in writing of the extended time required shall be given to the claimant within sixty days of his

request for review.

The decision on review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, and specific reference to the Plan provisions on which the decision is based.

Section 12.6 Liability of the Committee. The Committee and the members thereof, to the extent of the exercise of their authority, shall discharge their duties with respect to the Plan solely in the interests of the Plan's Participants and their beneficiaries, and for the exclusive purpose of providing benefits thereto in accordance with the terms of the Plan and to defray the reasonable administration expenses thereof. In all such action or omissions the Committee and each member thereof shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims; provided, however, that no member shall be responsible for the actions or omissions of a member

of any other party that is a fiduciary with respect to this Plan, other than himself, which are not in conformity hereto, unless (1) such member knowingly participates in or knowingly conceals such conduct which he knows to be in breach of this standard, (2) his own conduct has enabled the other member or other fiduciary to be in breach of this standard, or (3) he has knowledge of such breach by another member or other fiduciary and fails to make reasonable efforts under the circumstances to remedy such breach.

Section 12.7 Authority to Appoint Officers and Advisors. The Committee may appoint such officers as it may deem advisable and may adopt by-laws covering the transaction of its business. The Committee may appoint and employ an investment manager, an actuary, counsel (who is not an employee of the Employer), agents and such other clerical, medical, accounting and advisory services as it may require in carrying out the provisions of the Plan, and shall be fully protected in relying upon any action taken in reliance upon advice given by such persons.

Section 12.8 Committee Meeting. The Committee shall hold meetings upon such notice, at such place or places, and at such time or times as it may determine from time to time, but not less frequently than once each calendar quarter. Notice of a meeting may be waived in writing.

Section 12.9 Compensation and Expenses of Committee. The members of the Committee may receive reasonable compensation for their services as the Board of Directors from time to time may determine. Such compensation and all other expense of the Committee, including the compensation of officers, actuaries or counsel, agents or others that the Committee may employ, shall be paid out of the assets of the Trust to the extent not paid by the Employer. Notwithstanding the foregoing, any Committee member who is employed on a full-time basis by an Employer shall receive no compensation, but may be reimbursed for expenses incurred.

Section 12.10 Records. The Committee shall keep or cause to be kept accurate and complete books and records.

Section 12.11 Forfeiture in Case of Unlocatable Participant. If the Committee is unable to pay any benefits under the Plan to any Participant or to a beneficiary of any Participant who is entitled to benefits hereunder because the location of such person cannot be ascertained, the Committee shall proceed as follows:

(a) Within ninety (90) days of the date any such benefits are payable, the Committee shall send an appropriate notice to such individual, at the last address for such individual listed in the Committee's records.

(b) If this notice is returned as unclaimed or the individual cannot be located during the next 90 days, the Committee will attempt to locate such individual through a commercial locator service

(c) If the individual has not been located by December 31 of the calendar year following the calendar year in which the benefits became payable, all amounts held for his or her benefit shall be forfeited and all liability for payment thereof shall thereupon terminate, unless some other procedure is permitted or required by law. In any such case, the funds released as a result of such forfeiture shall be treated as additional investment income. However, if an individual subsequently makes what the Committee determines to be a valid and proper claim to the Committee for such amounts,

the account or accounts shall be restored and will be distributed in accordance with the terms of this Plan.

Section 12.12 Fiduciary Responsibility Insurance, Bonding. If the Employer has not done so, the Committee may purchase appropriate insurance on behalf of the Plan and the Plan's fiduciaries, including the members of the Committee, to cover liability or losses occurring by reason of the acts or omissions of a fiduciary; provided, however, that such insurance to the extent purchased by the Plan must permit recourse by the insurer against the fiduciary in the case of a breach of a fiduciary duty or obligation by such fiduciary. The cost of such insurance shall be borne by the Fund, unless the insurance is provided and paid for by the Employer Company. The Committee shall also, if the Employer has not done so, obtain a bond covering all of the Plan's fiduciaries, to be paid from the assets of the Trust Fund.

Section 12.13 Delegation of Specific Responsibilities. The members of the Committee may agree in writing signed by each member to allocate to any one of their number or to other persons (including corporations) any of the responsibilities with which they are charged pursuant hereto, including the appointment of an investment manager to manage the Trust Fund, provided the responsibilities and duties so delegated are definitively set forth so that the person to whom the delegation is made is clearly aware of such duties and responsibilities. If such delegation is made to a person not a member of the Committee, that person or, in the case of a corporation, its responsible officer, shall acknowledge the acceptance and understanding of such duties and responsibilities.

Section 12.14 Allocation of Responsibility Among Fiduciaries for Plan and Trust Administration. The fiduciaries hereunder, including the Trustee, the Employers, the Board of Directors and the Committee, shall have only those specific powers, duties, responsibilities and obligations as are specifically given them under this Plan or the Trust Agreement. In general, the Employers shall make the contributions provided for under Article IV of the Plan and shall have the right to terminate the Plan, and the Board of Directors shall have the sole authority to appoint and remove the Trustee, members of the Committee and

any Investment Manager which may be provided for under the Trust, and to amend this Plan or the Trust, except as otherwise provided. The Committee shall have the sole responsibility for the administration of this Plan, which responsibility is specifically described in this Plan and the Trust. Subject to any direction from the Committee, the Trustee shall have responsibility for the administration of the Trust and the management of the assets held under the Trust, all as specifically provided in the Trust. Each fiduciary warrants that any directions given, information furnished, or action taken by it shall be in accordance with the provisions of the Plan or the Trust, as the case may be, authorizing or providing for such direction, information or action. Furthermore, each fiduciary may rely upon any such direction, information or action of another fiduciary as being proper under this Plan or the Trust, and is not required under this Plan or the Trust to inquire into the propriety of any such direction, information or action. It is intended under this Plan and the Trust that each fiduciary shall be responsible for the proper exercise of its own powers, duties, responsibilities and obligations under this Plan and the Trust and shall not be responsible for any act or failure to act of another fiduciary. No fiduciary guarantees the Trust Fund in any manner against investment loss or depreciation in asset value.

ARTICLE XIII

INVESTMENTS

Section 13.1 Committee to Direct Investments. The Committee except to the extent it has expressly delegated such authority to the Trustees or to an investment manager, shall have full and exclusive power and authority to direct the Trustee as to the investment of the assets of the Trust, and the Trustee shall invest, reinvest, buy, sell, hypothecate or otherwise deal with the assets of the Trust in accordance with the Committee's directions. Such directions shall be certified in writing by two members of the Committee. Investments shall not be restricted to investments now or hereafter legal for trust funds under the laws of the states of Connecticut, New York or New Jersey or any other jurisdiction. The Committee, in directing the investment and reinvestment of the assets of the Trust shall, subject to and in accordance with the provisions of Section 13.4, direct investments as provided in Sections 13.2, 13.3 and 13.5 to the extent permitted by law.

Section 13.2 Investment of the General Fund. The General Fund, subject to the provisions of Section 13.4(b) shall be invested in the following:

(a) Qualifying employer securities, as defined in Section 407(d)(5) of ERISA;

(b) Qualifying employer real property, as defined in Section 407(d)(4) of ERISA; and

(c) Other securities and other investments as directed by the Committee,

including but not limited to common trust funds and collective employee benefit trusts of the Trustee and contributions to the capital of any corporation all of whose stock is owned by the Trustee.

Section 13.3 Reserved.

Section 13.4 Seventy-Five Percent Limitation.

(a) In directing the investment of the assets of the Trust, the Committee may direct the investment of up to seventy-five percent (75%) of the total assets of the Trust in the investments described in Section 13.2(a) and/or (b); except that such investments may constitute less than such percentage of the total assets of the Trust;

(1) To the extent required in order that contributions by the Employers to the Plan will be deductible under the Internal Revenue Code, or to qualify or maintain the qualification of the Plan under the Code or to establish or maintain the exempt status of the Trust under the Code; or

(2) To the extent required to maintain and preserve liquidity to permit distributions in accordance with the terms of Plan, or to provide suitable temporary investments for the assets of the Trust; or

(3) To the extent otherwise directed by the Board of Directors.

(b) In no event shall the total amount invested at any time in any investments described in Section 13.2(a) exceed the excess of the aggregate of all the individual Employer Contributions Accounts in the General Fund over the allocable portion of the net deficit, if any, in the aggregate of all the individual Participant Investment Income Accounts in the General Fund at such time. The allocable portion of such net deficit will be determined in accordance with the ratio which the sum of the amounts credited to all the individual Employer Contribution Accounts in the General Fund bears to the total of the amounts credited to all the individual Participant Savings Accounts and all the Individual Employer Contribution Accounts in the General Fund at such time.

ARTICLE XIV

CERTAIN RIGHTS AND OBLIGATIONS OF THE EMPLOYER COMPANIES

Section 14.1 No Liability of Employers for Payments Under Plan. It is the intention of the Employers to continue the Plan either in its present or amended form and to make contributions to the Plan each year. Under no circumstances shall any liability attach to any Employer for payment of any benefits or claims hereunder and every Participant, beneficiary, or person claiming under them shall have recourse only to the Trust for payment of any benefits hereunder, and the rights of such Participants, beneficiaries, or persons claiming under them are hereby expressly limited accordingly.

Section 14.2 Right to Terminate Plan. Nothing contained in the Plan or the Trust Agreement shall prevent the termination of the Plan at any time by any one or more of the Employers, with respect to the Participants employed by such Employers.

Section 14.3 Notice of Termination. Notice of termination of the Plan, in whole or in part, shall be deemed adequately given if an Employer or the Committee mails written notice of the same, postage prepaid, to the latest address on file of each Participant who is affected by such termination; or by such other means as may be permitted or prescribed by ERISA or regulations or rulings implementing the provisions of ERISA.

Section 14.4 No Right to Employment. The establishment of this Plan shall not be construed as conferring any legal or other rights upon any Employee or any person for a continuation of employment, nor shall it interfere

with the rights of an Employer to discharge any Employee or otherwise act with relation to him.

Section 14.5 Receipt for Final Payment. Any final payment or distribution to any Participant, a legal representative or beneficiary of a Participant, or anyone claiming under them, in accordance with this Plan shall be in full satisfaction of all claims against the Trust, the Trustee, the Committee, any Employer, and all representatives, officers, employees and agents thereof. The person receiving the payment or distribution may be required to execute a receipt and release of all claims under the Plan upon a final payment or distribution or a receipt and release to the extent of any partial payment or distribution. The form and content of such receipt or release shall be determined by the Committee.

ARTICLE XV

NONALIENATION OF BENEFITS

Section 15.1 Nonalienation of Benefits. No benefit or payment under the Plan, except in connection with loans provided for in Article XI, shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, levy or charge, and any attempt so to anticipate, alienate, sell, transfer, assign, pledge, encumber, levy upon or charge the same shall be void.

The restrictions of this Section will not be violated by either (a) the creation of a right to payments from this Plan by reason of a Qualified Domestic Relations Order or (b) the making of such payments.

For purposes of this Section, the term "Qualified Domestic Relations Order" means any judgment, decree, or order (including approval of a property settlement agreement), made pursuant to a State domestic relations law (including a community property law), which relates to the provision of child support, alimony payments, or marital property rights to a spouse, former spouse, child, or other dependent of a Participant (an "Alternate Payee") and which:

(a) creates or recognizes the right of an Alternate Payee to, or assigns to any alternate Payee the right to, receive all or a portion of the benefits payable with respect to a Participant under this Plan;

(b) clearly specifies (i) the name and last known mailing address (if any) of the Participant and the name and mailing address of each alternate Payee covered by the order, (ii) the amount or percentage of the Participant's benefits to be paid by the Plan to each Alternate Payee, or the manner in which such amount or percentage is to be determined, (iii) the number of payments or period to which such order applies, and (iv) that the order applies to this Plan;

(c) does not require this Plan to provide any type or form of benefit, or any option, not otherwise provided under this Plan, except that, any interest in a Participant's Accounts, including his Employer Contribution Account and Investment Income Account in the Fund, awarded to an Alternate Payee, may be distributed to or on behalf of the Alternate Payee as soon as practicable following the Committee's approval of the Qualified Domestic Relations Order;

(d) does not require this Plan to provide increased benefits (determined on the basis of actuarial equivalence); and

(e) does not require the payment of benefits to an Alternate Payee which are required to be paid to another Alternate payee under another order previously determined to be a Qualified Domestic Relations Order.

The Committee shall develop and implement procedures (a) for determining whether an order received by the Plan is a "Qualified Domestic Relations order" within the meaning of this Section, (b) for administering distributions under such orders, and (c) for holding amounts which would be payable under such orders pending the determination described in clause (a) of this paragraph.

ARTICLE XVI

AMENDMENTS; MERGER

Section 16.1 Right to Amend. The Board of Directors may modify or amend in whole or in part any or all of the provisions of the Plan. Such amendments or modifications may be made retroactive if necessary or appropriate to qualify or maintain the qualification of the Plan under the requirements of Section 401 of the Code, to secure and maintain the tax exemption of the Trust under Section 501 of the Code, and in order that the contributions to the Plan be deductible under Section 404(a) of the Code or under any other applicable provisions of the Code, as now in effect or hereafter amended, and the regulations issued thereunder.

Section 16.2 Non-diversion of Assets. No part of the assets of the Plan and Trust, by reason of any amendment or otherwise, shall be used for, or diverted to, purposes other than for the exclusive benefit of Participants or their beneficiaries under the Plan and for the payment of administrative expenses under the Plan, or as will cause to permit the assets of the Trust to revert to or become the property of any Employer at any time, except as provided in Section 4.7 of the Plan. Notwithstanding the foregoing, the restrictions of this Section will not be violated by either (a) the creation of a right to payments from this Plan by reason of a Qualified Domestic Relations Order or (b) the making of such payments.

Section 16.3 Notice of Amendment. Notice of any amendment of the Plan shall be deemed adequately given if the Employer or the Committee mails written notice of the same, postage prepaid, to the latest address on file of each Participant who is affected by such amendment or by any other method deemed adequate under ERISA or ERISA regulations.

Section 16.4 Participation by Related Corporations. Any corporation which elects to participate in or withdraw from the Plan shall make such election by action of its board of directors, subject to the approval of the Board of Directors of United Parcel Service of America, Inc. No amendment of the Plan and no further action by any other corporation accepting or ratifying such election will be required.

Section 16.5 Merger or Consolidation of Plan; Transfer of Plan Assets. In the case of any merger or consolidation with, or transfer of assets and liabilities to, any other plan, provisions shall be made so that each Participant in the Plan on the date thereof, if the Plan then terminated, would receive a benefit immediately after the merger, consolidation or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately prior to the merger, consolidation or transfer if the Plan had then terminated.

ARTICLE XVII

TERMINATION

Section 17.1 Application of Assets Upon Termination. In the event the Plan is terminated or partially terminated, the Committee shall direct the Trustee to distribute all assets remaining in the Trust, after payment of any expenses properly chargeable against the Trust, to the Participants, or their beneficiaries or estates in accordance with the value of the accounts of such persons as adjusted to the date of such termination of the Plan, in such form as the Committee shall determine, in its sole discretion. If the Plan is terminated, the Committee in office at the time of such termination shall continue to act with its full powers hereunder until the completion of the distribution of such assets; and a majority of the members of the Committee then in office shall have the power to fill any vacancies occurring in the Committee after such termination by resignation, death or otherwise. In the event the Committee within a reasonable time after such termination shall not have given the Trustee the directions provided for in this section, the Board of Directors shall succeed to all powers and duties of the Committee and shall direct the Trustee to distribute the assets of the Trust to the Participants, or their beneficiaries or estates as herein provided.

ARTICLE XVIII

MISCELLANEOUS

Section 18.1 Governing Law. The provisions of the Plan shall be construed, regulated and administered according to the laws of the State of Connecticut, except to the extent preempted by Federal Law.

Section 18.2 Facility of Payment. If any Participant of beneficiary is, in the judgment of the Committee, legally, physically or mentally incapable

of personally receiving any payment due hereunder, payment may be made to the guardian or other legal representative of such Participant or beneficiary or to such other person or institution who or which, in the opinion of the Committee, is then maintaining or has custody of such Participant or beneficiary. Such payments shall constitute a full discharge with respect to the Participant's right to payments under this Plan.

Section 18.3 No Access to Records. Nothing herein or in the Trust Agreement shall give any Participant, beneficiary or any other person the right or privilege to examine or have access to the books or records of any corporation described in Section 1.1(d) or of the Committee or the Trustee; nor shall any such person have any right, legal or equitable, against any corporation described in Section 1.1(d) or against any director, officer, employee, agent or representative thereof or against the Trustee or the Committee, except as herein expressly provided and as permitted by applicable law.

Section 18.4 Annual Accounting. The Committee shall mail to each Participant and beneficiary, as soon as practicable after the end of each calendar year, a written statement of his account as of the close of such calendar year.

Section 18.5 Obligation of Employers to Pay Amounts Withheld. Notwithstanding anything herein provided, each Employer shall be liable for all amounts it has deducted from the salaries or wages of Participants employed by it and shall continue to be liable for the same until the same are paid over to the Trustee.

Section 18.6 Annual Examination of Books and Records.

(a) As soon as practicable after the close of each calendar year, the Committee shall cause the books and records, insofar as they relate to the Plan, of the Committee, each Employer and the Trustee to be examined by independent certified public accountants. Such accountants shall prepare a report of their examination which shall include the following:

(1) A statement of the assets and liabilities of the Trust at the close of such calendar year;

(2) A statement of the income and expenses of the Trust for such calendar year; and

(3) A certification showing, with respect to such calendar year, the amount payable under the Plan by each Employer and the amount paid under the Plan by each Employer to the Trustee. The reports of such certified public accountants shall be retained by the Committee and made available for inspection by any Participant, or beneficiary.

(b) The independent certified public accountants preparing the report provided for above may, for purposes of the certification provided for in subsection (a)(iii) above, rely on examinations made by other independent certified public accountants, but in such case the report shall state that such examinations were made by such other accountants.

Section 18.7 Gifts to Trust.

(a) The Trustee, with the direction and consent of the Committee, may accept and receive money or property by way of gift from any individual who is or has been an employee of any corporation described in Section 1.1(d) or of any predecessor corporation, partnership or other organization or from the spouse or surviving spouse of such individual or under the will of or from a trust created by such individual or such spouse or surviving spouse.

(b) Any money or property accepted and received by the Trustee under subsection (a) above may be retained in the form received or, in the discretion of the Committee, may be converted into any investment described in Section 13.2.

(c) The Special Gift Account in the General Fund shall be credited during each calendar year with any money or property received by the Trustee under subsection (a) above. At the end of each calendar year the Committee shall allocate to and credit each Participant's Company Contributions Account in the General Fund that part of the Special Gift Account as of the close of such year which bears the same ratio to such account as the average monthly balance during such year of such Participant's combined Participant Savings Account, Employer Contributions Account and Participant Investment Income Account in the General Fund bears to the aggregate average monthly balances during such year of such combined accounts of all Participants in the General Fund.

(d) The credits to Participants accounts provided for in subsection (c) above shall not be taken into account in determining average monthly balances of Participants until the end of the first month following the calendar year from which such credits are derived.

Section 18.8 Titles. Titles of Articles and Sections are inserted for convenience only and shall not affect the meaning or construction of the Plan.

Section 18.9 Counterparts. This Plan may be executed by the Employer in various counterparts to this document, each of which shall be deemed to be an original but all of which shall be deemed to be one document.

Section 18.10 Prohibition Against Attachment.

(a) None of the benefits payable hereunder shall be subject to the claims of any creditor of any Participant or beneficiary other than this Plan nor shall the same be subject to attachment, garnishment or other legal or equitable process by any creditor of the Participant or beneficiary other than this Plan, nor shall any Participant or beneficiary have any right to alienate, anticipate, commute, pledge, encumber, or assign any of such benefits.

(b) If any Participant or beneficiary under the Plan becomes bankrupt or attempts to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any benefit under the Plan, the interest of such person in such benefit shall, in the discretion of the Committee, cease and terminate, and in that event the Committee may direct the Trustee to hold or apply the same or any part thereof to or for the benefit of such Participant or beneficiary, his spouse, children, or other dependents, or any of them, in such manner and in such proportion as the Committee may deem proper.

(c) the restrictions of subsections (a) and (b) of this Section will not be violated by either (1) the creation of a right to payments from this Plan by reason of a Qualified Domestic Relations Order or (2) the making of such payments.

Section 18.11 Payment to Minor Beneficiary. If the beneficiary of any Participant shall be a minor and no guardian shall have been appointed for him, the Committee may direct the Trustee to retain any payment due under the Plan for his benefit until he attains majority. Such amount, as authorized by the Committee may be held in cash, deposited in bank accounts, or invested and reinvested in direct obligations of the United States, and the income thereon may be accumulated and invested, or the income and principal may be expended and applied directly for the maintenance, education and support of such minor without the intervention of any guardian and without application to any court.

Section 18.12 Plan Provisions in Effect. The benefit to which a Participant under this Plan is entitled shall be determined by the provisions of the Plan which were in effect on the date of the Participant's retirement, death, or other termination of service, whichever is the earliest. No amendment made to the Plan after such date shall effect the entitlement of a Participant to any benefit hereunder.

Section 18.13 Withholding of Income Tax.

(a) Notification of Withholding of Federal Income Tax. All Participants and beneficiaries entitled to receive benefits under the Plan shall be notified of the Plan's obligation to withhold federal income tax from any benefits payable pursuant to the terms of the Plan. Such notice shall be in writing, be given at the times set forth in subsection (b) and contain the information set forth in subsection (c) of this Section.

(b) Time of Notice. The notice described in subsection (a) shall be provided not earlier than six months before such payment is to be made and not later than the time the Participant or beneficiary is furnished with his or her claim for benefits application.

(c) Content of the Notice. The notice required by subsection (a) shall, at a minimum:

(1) with respect to any distribution which is an eligible rollover distribution within the meaning of Code Section 3405(c)(3) (other than an eligible rollover distribution of less that $200 which is exempt from withholding under regulations prescribed by the Secretary of the Treasury), advise the payee that there shall be withheld from such distribution an amount equal to 20 percent thereof (or such other amount as may from time to time be prescribed by the Code, or the Secretary of the Treasury or his delegate), unless the payee directs the Committee to transfer such distribution

as a direct rollover to an eligible retirement plan, within the meaning of Section 10.5(a) hereof, in accordance with such procedures as the Committee may prescribe (a "transfer direction"),

(2) with respect to any distribution which is not an eligible rollover distribution within the meaning of code Section 3405(c)(3):

(A) advise the payee of his or her right to elect not to have withholding apply to any payment or distribution and explain the manner in which such election may be made, and include or indicate the source of any forms necessary to make the election;

(B) advise the payee that penalties may be incurred under the estimated tax payment rules if the payee's payments of estimated tax are not adequate and sufficient tax is not withheld from payments under this Plan; and

(C) advise the payee that the election not to have federal income tax withheld from benefits is prospective only and that any election made after a payment or distribution to the payee is not an election with respect to such payment or distribution.

(d) Effective Date of Elections. Any transfer direction, election or revocation of any election by a payee shall become effective immediately upon receipt by the Committee of

the transfer direction, election or revocation. Thereafter, the Committee shall, unless otherwise provided by applicable law, regulation or other guidance by the Secretary of the Treasury or his delegate, withhold federal income tax in accordance or consistent with the instructions filed by the payee.

(e) Failure to Make Election.

(1) In the case of an eligible rollover distribution, if the payee fails to provide the Committee with a transfer direction, the Committee shall withhold an amount equal to 20% of the amount of the distribution (or such other amount as may be from time to time prescribed by the Code, or the Secretary of the Treasurer or his delegate).

(2) In the case of a distribution which is not an eligible rollover distribution, if the payee fails to provide the Committee with a withholding certificate, the Committee shall withhold an amount equal to 10% of the amount of the distribution.

(f) Coordination with Internal Revenue Code and Regulations. Notwithstanding the foregoing, the Committee shall discharge its withholding and notice obligations in accordance with the Code and regulations and such other guidance with respect thereto as may be promulgated from time to time by the Secretary of the Treasury or his delegate.

ARTICLE XIX

TOP-HEAVY PROVISIONS

Section 19.1 Effective Date of This Article. This Article shall be effective for all Plan Years beginning after December 31, 1983.

Section 19.2 Definitions. The following definitions apply to this Article:

(a) "Top-Heavy Plan" -- The Plan is a Top-Heavy Plan in any Plan Year in which:

(1) the Plan is a member of a Top-Heavy Group, if the Plan is described in Section 19.2(c)(1) or (2), below; or

(2) the Plan is not a member of an Aggregation Group as described in Section 19.2(c)(1) or (2), below, and, as of the Determination Date, the Account Aggregate of the Plan for Key Employees exceeds sixty percent of the Account Aggregate of the Plan for all Participants.

(b) "Key Employee" means an Employee (or former Employee) who at any time during the Plan Year or any of the four preceding Plan Years is:

(1) an officer of the Employer having an annual compensation from the Employer of more than $45,000 (provided, however, that no

more than the lesser of (A) 50 Employees or (B) the greater of three Employees or ten percent of the Employees shall be treated as officers under this paragraph).

(2) one of the ten Employees having an annual compensation from the Employer of more than $30,000 and owning the largest interests in the Employer -- provided, however, that no Employee shall be counted under this Paragraph unless his interest in the Employer exceeds 0.5% of the value of all ownership interests in the Employer.

(3) an owner of five percent of the outstanding stock of the Employer or stock possessing more than five percent of the total combined voting power of all stock of the Employer, or

(4) an owner of one percent of the outstanding stock of the Employer or stock possessing more than one percent of the total combined voting power of all stock of the Employer, who has an annual compensation from the Employer of more than $150,000.

For purposes of paragraph (2) hereof, if two Employees have the same interest in the Employer, the Employee with the greater annual compensation shall be treated as having a larger

interest. For purposes of determining ownership in the Employer (i) the constructive ownership rules of Section 318 of the Code, as modified by substituting "five percent" for "fifty percent" in subsection (a)(2)(C) thereof, shall apply, but (ii) the rules of subsections (b), (c) and (m) of Section 414 of the Code shall not apply. Each Beneficiary of a Key Employee designated under this Plan is a Key Employee.

(c) "Aggregation Group" means a group of plans consisting of more than one plan and including:

(1) each plan of the Employer in which a Key Employee is a Participant;

(2) each other plan of the Employer which enables any plan described in (1) to meet the requirements of Section 401(a)(4) or Section 410 of the Code; and

(3) any plan not described in (1) or (2) which the Employer elects to include, provided that such inclusion does not prevent the group from meeting the requirements of Section 401(a)(4) and Section 410 of the Code.

(d) "Top-Heavy Group" is an Aggregation Group for which, as of the Determination Date, the Total Benefit for Key Employees exceeds sixty percent of the Total Benefit for all Participants.

(e) "Determination Date" is the last day of the preceding Plan Year.

(f) "Account Aggregate" is, with respect to a defined contribution plan, the sum of employee accounts plus the sum of all distributions made from such accounts during the five-year period ending on the Determination Date, provided that (1) rollover contributions and similar transfers initiated by an Employee and made after 1983, (2) the account of any Employee who was a Key Employee in a prior Plan year but is no longer a Key Employee, (3) any accrued benefits attributable to deductible employee contributions, and (4) effective for Plan Years beginning after December 31, 1984, the account of any individual who has not received any compensation from the Employer (other than benefits under any plan maintained by the Employer) during the five-year period ending on the Determination Date, shall not be taken into account. A transfer from one plan of the Employer to any other such plan shall be considered neither a "distribution" nor a "rollover contribution" for purposes of this subsection, but a distribution from a terminated plan shall be considered a "distribution" for purposes of this subsection if such terminated plan, had it not been terminated, would have been described in Section 19.2(c)(1) or (2).

(g) "Cumulative Accrued Benefit" is, with respect to a defined benefit plan, the sum of the present values of all accrued benefits plan, the sum of distributions made with respect to such benefits during the five-year period ending on the Determination Date, provided that (1) rollover contribu

tions and similar transfers initiated by an Employee and made after 1983, (2)

the accrued benefit of any Employee who was a Key Employee in a prior Plan Year but is no longer a key Employee, (3) any accrued benefits attributable to deductible employee contributions, and (4) effective for Plan years beginning after December 31, 1984, the accrued benefit of any individual who has not received any compensation from the Employer (other than benefits under any plan maintained by the Employer) during the five-year period ending on the Determination Date, shall not be taken into account. A transfer from one plan of the Employer to any other such plan shall be considered neither a "distribution" nor a "rollover contribution" for purposes of this subsection, but a distribution from a terminated plan shall be considered a "distribution" for purposes of this subsection if such terminated plan, had it not been terminated, would have been described in Section 19.2(c)(1) or (2).

(h) "Total Benefit" is the sum of the Account Aggregate of all plans within an Aggregation Group which are defined contribution plans, and the Cumulative Accrued Benefit of all plans within an Aggregation Group which are defined benefit plans.

(i) "Total Compensation" is the Participant's compensation as defined in Section 415(c)(3) of the Code, but shall not be greater than the applicable annual dollar limitation prescribed in Code Section 401(a)(17).

(j) "Minimum Percentage" is the greater of:

(1) the percentage of the Participant's Total Compensation which would be allocated to the Participant's account for the Plan Year if Section 19.4 were disregarded, or

(2) the lesser of (A) three percent or (B) the highest percentage at which contributions are made or required to be made for any Key Employee, which percentage shall be determined by dividing the contributions made or required to be made for such Key Employee by his or her Total Compensation; provided that for purposes of computing such percentage all defined contribution plans included in an Aggregation Group will be treated as one plan, but provided further that if the Plan is included in such Aggregation Group in order to allow a defined benefit plan within the group to meet the requirements of Section 401(a)(4) or Section 410 of the Code, then such percentage shall be deemed to be three percent.

For purposes of this subsection (j) and effective only for the Plan year which ends on December 31, 1984, any employee contribution attributable to a salary reduction or similar arrangement shall not be taken in account.

(k) "Employer" means, for purposes of this Article, the Employer and all Related Employers.

Section 19.3 Top-Heavy Vesting Schedule. For each Plan Year for which the Plan is a Top-Heavy Plan, the vesting schedule provided in this Section 19.3 (the "Top-Heavy Vesting Schedule") shall apply if such schedule provides a greater nonforfeitable percentage than the vesting schedule provided in Section 8.1 (the "Regular Vesting Schedule"), and for each Plan Year thereafter for which the Plan is not a Top-Heavy Plan, the Regular Vesting Schedule provided in Section 8.1 shall apply; provided, however, that any change in a vesting schedule shall, with respect to each Participant, be subject to Section 8.1. The Top-Heavy Vesting Schedule is as follows:

<TABLE>
<CAPTION>

YEARS OF SERVICE	NONFORFEITABLE PERCENTAGE
<S>	<C>
Less than 2	0
2 but less than 3	20
3 but less than 4	40
4 but less than 5	60
5 but less than 6	80
6 or more	100

</TABLE>

Section 19.4 Top-Heavy Minimum Benefit. For each Plan Year for which the Plan is a Top-Heavy Plan, the Employer shall contribute to the account of each Participant who is not a Key Employee an amount which, when added to any forfeitures allocated to such Participant's account, is not less than the Minimum Percentage of the Participant's Total Compensation for the year.

Solely for the purpose of determining if the Plan, or any other plan included in a required aggregation group of which this Plan is a

part, is Top-Heavy, the accrued benefit of an Employee other than a Key Employee shall be determined under (a) the method, if any, that uniformly applies for accrual purposes under all plans maintained by the Employer, or (b) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional accrual rate of Section 411(b)(1)(C) of the Code.

Section 19.5 Reserved.

Section 19.6 Reserved.

Section 19.7 Top-Heavy Adjustment to Section 415 Limitations. For each Plan Year for which the Plan is a Top-Heavy Plan, the limit imposed by Section 6.2(c) shall be applied by substituting "1.0" for "1.25" in each place where it appears, unless the Employer elects to make, and does make, additional contributions sufficient to meet the requirements specified in subsection (b) hereof. Such election shall only be effective for those Plan Years in which:

(a) the Plan would not be a Top-Heavy Plan as defined in Section 19.2(a), above, if "ninety percent" were substituted for "sixty percent" in Section 19.2(a)(2) and Section 19.2(d), and

(b) with respect to each plan described in Section 19.2(c)(1) or (2): (1)the minimum benefit described in Section 416(c)(2) of the Code (as modified by Section 416(h)(2) (A)(ii)(II)) is provided by each such plan which is a defined contribution plan, and (2) the minimum benefit described in Section 416(c)(1) of the Code (as modified by Section 416(h)(2)(A)(ii)(I)) is provided by each such plan which is a defined benefit plan.

Section 19.8 Certain Benefits Disregarded. The requirements of Section 19.3 and Section 19.4, above, must be met without taking into account contributions or benefits under Chapters 2 or 21 of the Code, Title II of the Social Security Act, or any other federal or state law.

IN WITNESS WHEREOF, the Employer, as evidence of adoption of the foregoing as a restatement of the Plan incorporating all amendments made to date, has caused the same to be executed by its duly authorized officers and its corporate seal to be affixed this ____ day of _____, 2001.

ATTEST UNITED PARCEL SERVICE OF AMERICA, INC.

- ---------- ----------

Secretary Chairman

[SEAL]

AMENDMENT NO. 26

TO THE

UPS RETIREMENT PLAN

WHEREAS, United Parcel Service of America, Inc. ("UPS") and its affiliated corporations established the UPS Retirement Plan ("Plan") for the benefit of their eligible employees, in order to provide benefits to those employees upon their retirement, disability, or death, effective as of September 1, 1961;

WHEREAS, the Plan, as adopted and amended from time to time, was amended and restated in its entirety, effective as of January 1, 1976, to comply with the Employee Retirement Income Security Act of 1974;

WHEREAS, the Plan has been amended on a number of occasions since January 1, 1976, the most recent being Amendment No. 25; and

WHEREAS, it is desired to amend the Plan further to conform the Plan to any additional changes required by the General Agreement on Tariffs and Trade, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Small Business Job Protection Act of 1996, the Taxpayer Relief Act of 1997, the Internal Revenue Service Restructuring and Reform Act of 1998, and the Community Renewal Tax Relief Act of 2000 (collectively, "GUST"), and to make certain other changes.

NOW THEREFORE, pursuant to the authority vested in the Board of Directors by Section 7.1 of the Plan, the UPS Retirement Plan is hereby amended as follows:

1. Section 1.1(j) is hereby amended effective as of July 1, 1988 to substitute "except the Thrift Plan and any other cash or deferred plan described in Section 401(k) of the Code or the UPS Qualified Stock Ownership Plan" where "except the UPS Thrift Plan" appears in the text.

2. Section 1.1(j) is hereby amended effective as of January 1, 1994 to read as follows:

(j) "Employee" means (1) an individual who is employed by a domestic Employer Company described in Section 1.1(o)(1), or (2) a United States citizen transferred from employment with a domestic Employer Company to employment with a foreign Employer Company described in Section 1.1(o) hereof, neither of whose terms and conditions of employment are governed by a collective bargaining agreement to which the Employer Company is a party, unless the collective bargaining agreement expressly provides for coverage under this Plan (for periods after January 1, 1992, changes to the Plan's benefit formula shall not apply to employees subject to a collective bargaining agreement and participating in this

Plan except to the extent so provided in the applicable collective bargaining agreement), and neither of whom is an active participant on whose behalf contributions are being made by the Employer Company under any other qualified pension or retirement plan, except the Thrift Plan and any other cash or deferred plan described in Section 401(k) of the Code or the UPS Qualified Stock Ownership Plan.

Notwithstanding the foregoing, any individual who becomes an Employee for the first time as a result of employment with an Employer Company which first elected to participate in this Plan as of January 1, 1985, or later, shall not be considered an Employee until such individual has completed one Year of Service during or after the first Plan Year for which the Employer has agreed to participate.

The term "Employee" shall not include an individual employed as a leased employee as that term is defined in Code Section 414 (n) (2).

Under no circumstances will an individual who performs services for a Employer Company, but who is not classified on the payroll as an employee of the Employer Company, for example, an individual performing services for a Employer

Company under a leasing arrangement, be treated as an Eligible Employee even if such individual is treated as an "employee" of a Employer Company as a result of common law principals or the leased employee rules under Section 414(n) of the Code. Further, if an individual performing services for a Employer Company is retroactively reclassified as an employee of a Employer Company for any reason, such reclassified individual shall not be treated as an Eligible Employee for any period prior to the actual date (and not the effective date) of such reclassification unless the Employer Company determines that retroactive reclassification is necessary to correct a payroll classification error.

3. Section 1.1(l) is hereby amended effective as of January 1, 2001 to read as follows:

(l) "Benefit Service" under the Plan means, subject to the special rules described below, the number of a Participant's years (including fractions of a year) of (i) employment as an Employee, within the meaning of Section 1.1(j), with one or more Employer Companies, and (ii) employment with one or more Employer Companies, but not as an Employee, provided that such employment precedes the Participant's period of employment as an Employee. No Benefit Service credit will be given with respect to service with an Employer Company which follows a Participant's period of employment as an Employee, unless the Participant subsequently becomes an Employee and earns at least one month of Benefit Service in such capacity.

(1) Years and months of Benefit Service shall be determined based on Hours of Service earned by a Participant in the capacities described above in accordance with the following charts:

(A) For any Participant without at least one Hour of Service as an Employee on or after January 1, 1992:

<TABLE>
<CAPTION>

Hours of Service in Each Calendar Year	Months of Benefit Service
<S>	<C>
Less than 1000	0 months
1000 - 1050	6 months
1051 - 1200	7 months
1201 - 1350	8 months
1351 - 1500	9 months
1501 - 1650	10 months
1651 - 1800	11 months
1801 or over	12 months

</TABLE>

(B) For a Participant with at least one Hour of Service as an Employee on or after January 1, 1992:

<TABLE>
<CAPTION>

Hours of Service in Each Calendar Year	Months of Benefit Service
<S>	<C>
Less Than 125	0 months
125 - 249	1 month
250 - 374	2 months
375 - 499	3 months
500 - 624	4 months
625 - 749	5 months
750 - 874	6 months
875 - 999	7 months
1000 - 1124	8 months
1125 - 1249	9 months
1250 - 1374	10 months
1375 - 1499	11 months
1500 - over	12 months

</TABLE>

Participants eligible for Benefit Service credit in accordance with this subparagraph (B) shall receive such credit with respect to Hours of Service both preceding and following January 1, 1992.

(2) If a Participant with no vested interest, as determined under Section 6.1, incurs one or more consecutive Breaks in Service:

(A) Service credit before such Break in Service shall not be taken into account for purposes of calculating years of Benefit Service in accordance with this subsection 1.1(l) until the Participant completes one Year of Service after the Break in Service; and

(B) Service credit prior to the Break in Service shall not be taken into account for purposes of calculating years of Benefit Service in accordance with this subsection 1.1(l) if the number of consecutive Breaks in Service equals or exceeds the greater of (i) the aggregate number of the Participant's Years of Service (excluding Years of Service not required to be taken into account by reason of any prior Breaks in Service), or (ii) five.

(3) Benefit Service with respect to a Participant without at least one Hour of Service (whether or not as an Employee) after December 31, 1992 shall be calculated in accordance with the applicable table at subparagraph (1) above, but there shall be included as Benefit Service for such purpose all years and months of the Participant's Continuous Employment as determined by the Administrative Committee in accordance with this subsection 1.1(l) prior to the adoption of Amendment No. 15 to this Plan.

(4) Benefit Service with respect to a Disabled Participant whose retirement benefits commence after December 31, 2000 shall be calculated in accordance with the applicable table in subparagraph (1) above, but there shall be included as Benefit Service all years and months while the Participant is a Disabled Participant and while the Participant continues to be "totally disabled" for purposes of the UPS Income Protection Plan (or a successor long term disability plan), as amended from time to time, determined as if such Disabled Participant had worked at least 1500 Hours of Service in each calendar year and at least 216 Hours of Service in each month in excess of a calendar year. For the purpose of this paragraph (4), a "Disabled Participant" means a Participant who, as of the time of his or her termination of employment with all Employer Companies, has (A) five Years of Service, (B) is a full-time Employee and (C) is and continues to be

"totally disabled" for purposes of the UPS Income Protection Plan (or a successor long term disability plan), as amended from time to time.

4. Section 1.1(y) is hereby amended effective as of January 1, 1998 to read as follows:

(y) "Compensation" means, generally, remuneration currently earned and actually paid by an Employer Company or a domestic Related Employer to an employee who is a Participant in the Plan, and reported on such employee's Form W-2 for the applicable calendar year, including basic salary or wages (without reducing wages to account for the Participant's elective deferral of a portion of his or her salary or wages, if any, pursuant to a cash or deferred arrangement described in

Section 401(k) of the Code, a plan described in Section 125 of the Code, the UPS Deferred Compensation Plan and /or the UPS Deferred Compensation Plan 2000), overtime pay, incentive and bonus pay, and including the value of awards made pursuant to the UPS Managers' Incentive Plan or management incentive awards under the United Parcel Service, Inc. Incentive Compensation Plan. Compensation shall not include any other payments received by the Participant, including, but not limited to, the following, notwithstanding that such payments may be included in the Participant's Form W-2 for the applicable year:

(1) Payments in the nature of compensation from an insurance carrier, from a state unemployment or worker's compensation fund, or from any health and welfare or other benefit program or plan maintained by an Employer Company or a Related Employer other than the United Parcel Service, Inc. Incentive Compensation Plan for management incentive awards thereunder.

(2) Disability payments from an insurance carrier, a state disability insurance fund, this Plan or any other disability plan maintained by an Employer Company or a Related Employer.

(3) 'Foreign service differentials' or other supplemental payments made by an Employer Company or a Related Employer to a Participant working outside his or her country of citizenship on account of such foreign service.

(4) Payment or reimbursement by an Employer Company or a Related Employer of relocation expenses incurred by a Participant or his or her family.

(5) The value of employee fringe benefits provided by an Employer Company or a Related Employer, including but not limited to the payment of life insurance premiums, whether or not the value of such fringe benefits is includable in an employee's taxable income.

(6) Payments made under deferred compensation plans or programs.

(7) Employer contributions to any pension, profit-sharing or stock bonus plan to which the Employer Company or a Related Employer contributes.

(8) Employer contributions to any welfare benefit plan to which an Employer Company or a Related Employer contributes.

(9) Income attributable to awards under the UPS Stock Option Plan or the United Parcel Service, Inc. Incentive Compensation Plan other than management incentive awards.

In no event shall the Compensation of any participant taken into account under the Plan for any Plan Year exceed the applicable dollar amounts for such Plan Year:

<TABLE>
<CAPTION>

Plan Year	Compensation Limit
<S>	<C>
1989	$200,000
1990	$209,200
1991	$222,220
1992	$228,860
1993	$235,840
1994	$150,000
1995	$150,000
1996	$150,000
1997	$160,000
1998	$160,000
1999	$160,000
2000	$170,000
2001	$170,000
2002	$200,000

</TABLE>

increased by the applicable cost-of-living adjustment, if any, for the calendar year sanctioned by Section 401(a)(17) of the Code.

For Plan Years commencing before January 1, 1997, in determining the Compensation of a Participant, the rules of Section 414(q)(6) of the Code (as in effect immediately prior to January 1, 1997) shall apply, except that in applying such rules, the term "family" shall include only the Participant's spouse and any lineal descendants of the Participants who have not attained age 19 before the close of the Plan Year. If, as a result of the application of such rules the applicable Compensation limitation is exceeded, then such limitation shall be prorated among the affected individuals in proportion to each such individual's Compensation as determined under this subsection 1.1(j) prior to the application of this limitation.

In determining a Participant's Final Average Compensation, the $200,000 Compensation limitation shall apply retroactively with respect to Compensation earned prior to 2002 by a Participant with at least one Hour of Service on or after January 1, 2002. Similarly, the $150,000 Compensation limitation shall apply retroactively with respect to Compensation earned prior to 1994 by a Participant with at least one Hour of Service on or after January 1, 1994 (but without an Hour of Service on or after January 1, 2002) and the $200,000 Compensation limitation in effect for 1989 shall be applied retroactively with respect to Compensation earned prior to 1989 by a Participant with at least one Hour of Service on or after January 1, 1989 (but without any Hours of Service on or after January 1, 1994). However, a Participant's Benefit shall not be less than that which he or she had accrued or earned as of December 31, 2001 (December 31, 1993 in the case of a Participant without at least one Hour of Service on or after January 1, 2002 or December 31, 1988 in the case of a Participant without at least one Hour of Service on or after January 1, 1994), based on his or her Benefit Service and Final Average Compensation determined as of such date.

Solely for the purpose of avoiding a double proration, within the meaning of Department of Labor Regulations, Section 2530.204-2(d), in calculating a Participant's benefit under Section 5.2A; to the extent that a Participant is credited with less than a full year's Benefit Service for a calendar year, then the Participant's Compensation taken into account for such year shall be annualized by dividing such Compensation by the number of months of Benefit Service earned by the Participant for such calendar year and multiplying the result by 12.

5. Section 2.1 is hereby amended effective as of July 1, 1988 to substitute the parenthetical reference "(except the Thrift Plan and any other cash or deferred plan described in Section 401(k) of the Code or the UPS Qualified Stock Ownership Plan)" where the parenthetical reference "(except the UPS Thrift Plan)" appears in the text.

6. Section 5.6 is hereby amended effective as of July 1, 1988 to substitute "except the Thrift Plan and any other cash or deferred plan described in Section 401(k) of the Code or the UPS Qualified Stock Ownership Plan" where "except the UPS Thrift Plan" appears in the text of the first paragraph.

7. Section 5.7(b)(1) is hereby amended effective for limitation years beginning on or after January 1, 1995 to read as follows:

(b) Maximum Benefits.

(1) General Limitation. For limitation years commencing after December 31, 1982, the maximum annual benefit payable under this Plan shall not exceed the lesser of: (i) $90,000 (the "dollar limitation") or (ii) 100% of the Participant's average compensation (as defined in Treasury Regulation Section 1.415-2(d)) and

reduced, if necessary, to reflect the applicable annual compensation limitation set forth in Section 1.1(y) of this Plan paid for the three consecutive calendar years during which he was an active Participant in the Plan, and in which he received the greatest aggregate compensation (as defined above)from the Employer Company, subject to the following:

(A) If the benefit is payable in any form other than a straight life annuity, a Qualified Joint and Survivor (Husband and Wife) Benefit, or a joint and survivor annuity with the spouse as the beneficiary, then the limitations of this subsection (1) shall be applied to the straight life annuity which is the equivalent of such benefit. The actuarially equivalent straight life annuity is equal to the greater of the annuity benefit computed using the interest rate and mortality table (or other tabular factor) specified in the Plan for adjusting benefits in the same form, and the annuity benefit computed using a 5 percent interest rate assumption and the Applicable Mortality Table. In determining the actuarially equivalent straight life annuity for a lump sum benefit, the Applicable Interest Rate will be substituted for 5 percent. No actuarial adjustment is required for the value of a qualified joint and survivor annuity, benefits that are not directly related to retirement benefits and the value of post-retirement cost-of-living increases made in accordance with Section 415(d) of the Code and the regulations thereunder.

(B) If the retirement benefit of the Participant commences before the Participant's Social Security Retirement Age, such dollar limitation shall be adjusted as described below so that it is the actuarial equivalent of an annual benefit of $90,000 beginning at the Social Security Retirement Age, multiplied by the Inflation Factor.

(i) If the retirement benefit commences before the Participant's Social Security Retirement Age, but on or after age 62, the defined benefit dollar limitation shall be determined as follows:

(I) If a Participant's Social Security Retirement Age is 65, the dollar limitation for benefits commencing on or after age 62 is determined by reducing the defined benefit dollar limitation by 5/9 of one percent for each month by which benefits commence before the month in which the Participant attains age 65.

(II) If a Participant's Social Security Retirement Age is greater than 65, the dollar limitation for benefits commencing on or after age 62 is determined by

reducing the defined benefit dollar limitation by 5/9 of one percent for each of the first 36 months and 5/12 of one percent for each of the additional months (up to 24 months) by which benefit commence before the month in which the Participant reaches Social Security Retirement Age.

(ii) If the retirement benefit of a Participant commences prior to age 62, the defined benefit dollar limitation shall be a retirement benefit that is the actuarial equivalent of the defined benefit dollar limitation for age 62, as determined above,

reduced for each month by which benefits commence before the month in which the Participant attains age 62. The retirement benefit beginning prior to age 62 shall be determined as the lesser of the equivalent retirement benefit computed using the interest rate and mortality table (or other tabular factor) equivalence for early retirement benefits specified in the Plan, and the equivalent retirement benefit computed using a 5 percent interest rate and the Applicable Mortality Table. Any decrease in the adjusted defined benefit dollar limitation determined in accordance with this provision (ii) shall not reflect any mortality decrement to the extent that benefits will not be forfeited upon the death of the Participant.

(iii) If the retirement benefit of a Participant commences after the Participant's Social Security Retirement Age, the defined benefit dollar limitation shall be adjusted so that it is the actuarial equivalent of a retirement benefit of such dollar limitation beginning at the Participant's Social Security Retirement Age, multiplied by the Inflation Factor. The equivalent retirement benefit beginning after Social Security Retirement Age shall be determined as the lesser of the equivalent retirement benefit computed using the interest rate and mortality table (or other tabular factor) specified in the Plan for purposes of determining actuarial equivalence for delayed retirement benefits, and the equivalent retirement benefit computed using a 5 percent interest rate assumption and the Applicable Mortality Table.

(iv) For the purpose of this subparagraph (b)(1)(B), the following definitions shall apply:

(I) "Inflation Factor" shall mean the cost of living adjustment factor prescribed by the Secretary of the Treasury under Section 415(d) of the Code for years beginning after December 31, 1987, applied to such items and in such manner as the Secretary shall prescribe.

(II) "Social Security Retirement Age" shall mean the age used as the retirement age for the Participant under Section 216(l) of the Social Security Act, except that such section shall be applied without regard to the age increase factor, and as if the early retirement age under Section 216(l)(2) of such Act were 62.

(C) Subject to limitations imposed elsewhere in this Plan, an annual benefit of $10,000 or less may be paid regardless of the limitations set forth in this subsection (b)(1) if the benefit paid the Participant from all defined benefit plans of the Employer Company does not exceed $10,000 for the Plan Year or any prior Plan Year, and the Employer Company has not at any time maintained a defined contribution plan in which the Participant participated.

(D) If a Participant has less than 10 Years of service with the Employer Company at the time the Participant begins to receive retirement benefits under the Plan, the average compensation limitation, as well as the $10,000 benefit exception described in subparagraph (b)(1)(C) above, shall be reduced by

multiplying such limitation by a fraction, the numerator of which is the number of Years of Service with the Employer Company as of and including the current limitation year, and the denominator of which is 10. In the case of the dollar limitation where the Participant has less than 10 years of participation in the Plan, such limitation shall be reduced by a fraction, the numerator of which is the number of years of participation in the Plan as of and including the current limitation year, and the denominator of which is 10.

8. Section 5.7(b)(8) is hereby amended to read as follows:

(8) Employer Company. Solely for purposes of this Section 5.7(b), "Employer Company" means the Employer Company and each entity who would be determined to be a member of the Employer Company's controlled group under Section 414(b) or (c) of the Code if the standard of "more than fifty percent" was substituted for the standard of "at least eighty percent."

9. Article 10 is hereby amended to add a new Section 10.11 effective as of December 12, 1994 which reads as follows:

Section 10.11 USERRA. Notwithstanding anything in this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service shall be provided in accordance with Section 414(u) of the Code.

10. Section 11.6 is hereby amended effective for limitation years beginning on or after January 1, 2000 to read as follows:

Section 11.6 Top-Heavy Adjustment to Section 415 . For each Plan Year for which the Plan is a Top-Heavy Plan prior to January 1, 2000, the limit imposed by Section 5.8(b)(2) shall be applied by substituting "1.0" for "1.25" in each place where it appears, unless the Employer Company elects to make, and does make, additional contributions sufficient to meet the requirements specified in subsection (b) hereof. Such election shall only be effective for those Plan Years in which:

(a) the Plan would not be a Top-Heavy Plan as defined in Section 11.2(a), above, if "ninety percent" were substituted for "sixty percent" in Section 11.2(a)(2) and Section 11.2(d), and

(b) with respect to each plan described in Section 11.2(c)(1) or (2): (1) the minimum benefit described in Section 416(c)(2) of the Code (as modified by Section 416(h)(2)(A)(ii)(II)) is provided by each such plan which is a defined contribution plan, and (2) the minimum benefit described in Section 416(c)(1) of the Code (as modified by Section 416(h)(2)(A)(ii)(I)) is provided by each such plan which is a defined benefit plan

11. Section 12.2 is hereby amended effective as of January 1, 2001 to add a new paragraph (e) which read as follows:

(e) "Grandfathered Retired Participant" means a Retired Participant within the meaning of Section 12.2(d) who is also a Grandfathered Participant within the meaning of Section 1.1(ii).

12. Section 12.10(c)(2) is hereby amended effective as of January 1, 2001 to read as follows:

(2) A Retired Participant's DDB amount for any Year of Service after December 31, 2000 with an Employer Company will be equal to the DDB amount for the Employer Company for which the Retired Participant performed service during that Plan Year as set forth in Appendix F. If a Retired Participant performs service under more than one schedule in any Plan Year, the Retired Participant shall receive credit for his or her Year of

Service, if any, completed in that Plan Year under the

schedule with the highest DDB amount under which he or she has at least one Hour of Service. The DDB amount for each Year of Service with an Employer Company completed prior January 1, 2001 shall be equal to $250 for Pre-Medicare Eligible Coverage and $42 for Medicare Eligible Coverage. However, no DDB amount shall be earned for Years of Service with an Employer Company that first becomes an Employer Company on or after January 1, 2001 before that Employer Company first began to offer Medical Benefits under this Plan. Except as provided Section 12.10(d)(2), in no event shall the Pre-Medicare Eligible Coverage DDB Balance exceed $7500 or the Medicare Eligible Coverage DDB Balance exceed $1260. Notwithstanding the foregoing, a Grandfathered Retired Participant's DDB amount for any Year of Service (up to a maximum of 30 years) with an Employer Company shall never be less than $250 for Pre-Medicare Eligible Coverage and $42 for Medicare Eligible Coverage.

IN WITNESS WHEREOF, the undersigned certify that United Parcel Service of America, Inc., based upon action by its Board of Directors on _____, 2002, has caused this Amendment No. 26 to be adopted.

ATTEST:	UNITED PARCEL SERVICE OF AMERICA, INC.
- ----------	----------
Joseph R. Moderow	Michael L. Eskew
Secretary	Chairman

EXHIBIT 10.3

UPS

SAVINGS PLAN

AMENDMENT AND RESTATEMENT

EFFECTIVE AS OF

JANUARY 1, 1998

TABLE OF CONTENTS

<TABLE>
<CAPTION>

</TABLE>

<TABLE>

</TABLE>

UPS SAVINGS PLAN
EFFECTIVE AS OF JANUARY 1, 1998

PURPOSE

This UPS Savings Plan ("Plan") was originally established effective as of July 1, 1988 to permit individuals not covered by a collective bargaining agreement who are employed by United Parcel Service of America, Inc. or another Employer Company to put money aside for retirement, on a pre-tax or after-tax basis, to supplement that which they will receive from Social Security and other pension or retirement plans in which they participate.

This amendment and restatement of the Plan ("Amendment and Restatement") is generally effective as of January 1, 1998 except where otherwise provided. This Amendment and Restatement has been undertaken to bring this Plan into compliance with the General Agreement on Tariffs and Trade, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Small Business Job Protection Act of 1996, the Taxpayer Relief Act of 1997, the Internal Revenue Service Restructuring and Reform Act of 1998, and the Community Renewal Tax Relief Act of 2000 (collectively, "GUST"); to add provisions to reflect the interaction between this Plan and the UPS Qualified Stock Ownership Plan; to add certain Employer Companies and to add provisions to reflect the merger of other plans into this Plan.

Article I. DEFINITIONS

The following words and phrases have the following meanings:

Section 1.1 Account - means the aggregate of a Participant's Pre-Tax Contribution Account; After-Tax Contribution Account; Rollover Contribution Account; SavingsPLUS Transfer Account (first effective November 23, 1998); and, Merged Account (first effective July 1, 2001); established, respectively, under Articles III, IV and Appendix 14.3.

Section 1.2 Accounting Period - means the period beginning on the first day of each calendar quarter and ending on the last day of such quarter.

Section 1.3 Actual Contribution Percentage ("ACP") - means, for Plan Years beginning on or after January 1, 1997 for each Participant who is eligible to make Pre-Tax Contributions at any time during the Plan Year, the ratio (expressed as a percentage) of (a) the sum of the After-Tax Contributions within the meaning of Section 5.5(b), if any, credited to his or her Account for such Plan Year to (b) his or her Compensation for the Plan Year.

Section 1.4 ACP Test - means the Code ss. 401(m) nondiscrimination test as described in Section 5.5.

Section 1.5 Actual Deferral Percentage ("ADP") - means, for Plan Years beginning on or after January 1, 1997 for each Participant who is eligible to make Pre-Tax Contributions at any time during the Plan Year, the ratio of (expressed as a percentage) of (a) the Pre-Tax

Contributions with the meaning of Section 5.4(b) credited to a Participant's Account for such Plan Year to (b) his or her Compensation for the Plan Year.

Section 1.6 ADP Test - means the Code ss. 401(k) nondiscrimination test described in Section 5.4.

Section 1.7 Affiliate - means the Employer and any trade or business, whether or not incorporated, that is considered to be a single employer with the Employer under Code ss. 414(b), (c), (m) or (o). However, in applying Code ss. 414 solely for purposes of Section 5.1, the phrase "more than 50%" is substituted for the phrase "at least 80%" each place it appears in Code ss. 1563(a)(1).

Section 1.8 After-Tax Contribution - means a contribution to the Plan at the election of a Participant in accordance with Section 3.2 through payroll deduction that is includible in his or her gross income for federal income tax purposes.

Section 1.9 After-Tax Contribution Account - means the subaccount maintained as a part of a Participant's Account to show his or her interest attributable to the Participant's After-Tax Contributions, amounts transferred by the Participant from his or her after-tax contribution account under the QSOP, and amounts attributable to after-tax contributions under another qualified plan transferred pursuant to a merger or other event described in Section 14.3 to the extent described in Appendix 14.3.

Section 1.10 Beneficiary - means the person or persons so designated in accordance with Section 9.6 by a Participant or by operation of this Plan to receive any Plan benefits payable on account of the death of such Participant.

Section 1.11 Board - means the Board of Directors and/or the Executive Committee of United Parcel Service of America, Inc.

Section 1.12 Break in Service - means

(a) Effective as of May 1, 2000, an Eligibility Computation Period during which an individual does not complete more than 500 Hours of Service.

(b) Effective before May 1, 2000, a Period of Separation of at least 12 consecutive months; provided, for each individual whose Employment Commencement Date or Reemployment Commencement Date is on or after May 1, 2000 and before July 1, 2001, Break in Service means the period of time described in this Section 1.12(a) or (b), whichever is most favorable to the individual.

Section 1.13 Code - means the Internal Revenue Code of 1986, as amended, or any successor statute.

Section 1.14 Collectively Bargained Plan - means any plan (other than a multiemployer plan) that incorporates a cash or deferred arrangement as described in Code ss. 401(k) and is sponsored by the Employer pursuant to a collective bargaining agreement in effect between the Employer and any union, local or lodge of any union or any bargaining agent for any union

which such union, local, lodge or bargaining agent and the Employer have provided that some or all of the employees in the bargaining unit shall be covered by such plan.

Section 1.15 Committee - means the administrative committee described in ARTICLE XIII.

Section 1.16 Compensation - means for each Participant

(a) For all purposes other than as described in Section 1.16(b), the sum of

(1) his or her wages within the meaning of Code ss. 3401(a) and all other compensation paid by the Affiliates to, or on behalf of, such Participant for the Plan Year that is reportable as "wages, tips and other compensation" on Form W-2 or such other form as the Affiliates are required to provide the Participant under Code ss.ss. 3401(a), 6041(d), 6051(a)(3) and 6052; and

(2) his or her Pre-Tax Contributions, any elective deferrals under any other Code ss. 401(k) plan maintained by an Affiliate that are excludible from income under Code ss. 402(e)(3), any contributions made to a cafeteria plan of an Affiliate that are excludible under Code ss. 125 and any other contributions or deferrals excludible under Code ss.ss. 132(f)(4) (for Plan Years beginning on or after January 1, 2001), 402(h), 403(b), 414(h)(2) or 457(b).

(b) For Plan Years beginning before January 1, 1998 for purposes of calculating the Actual Deferral Percentage or Actual Contribution Percentage, such other nondiscriminatory definition of compensation as satisfies the requirements of Code ss. 414(s) and the regulations thereunder.

(c) The annual Compensation of each Participant taken into account under the Plan shall not exceed $150,000 as adjusted for cost-of-living increases in accordance with Code ss. 401(a)(17). The cost-of-living adjustment in effect for a calendar year applies to any Plan Year beginning in such calendar year. If a Plan Year consists of fewer than 12 months, the annual compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the short Plan Year, and the denominator of which is 12. The annual compensation limit does not apply for purposes of Section 5.2.

(d) For the Plan Years beginning January 1, 1997, any reference to the family aggregation rules of former Code ss. 414(q)(6) in the Plan as in effect before January 1, 1998 is deleted.

Section 1.17 Eligible Compensation - means for each Participant who is an Eligible Employee all compensation or wages payable to him or her for the Plan Year by reason of his or her employment by an Employer Company before any payroll deductions, but excluding

(a) bonuses (other than any half-month bonus and, as of July 1, 2001, quarterly bonuses);

(b) amounts allocated or benefits paid under any employee benefit plan or program, whether or not the plan or program is subject to ERISA or the benefit paid thereunder is taxable (other than paid time off or discretionary days, Pre-Tax Contributions and salary reduction contributions made on behalf of an Employee to the UPS Flexible Benefits Plan or other plan described in Code ss. 125 and, for periods on or after April 1, 1999, amounts allocated under the UPS Deferred Compensation Plan, as amended from time to time, and/or the UPS Deferred Compensation Plan 2000);

(c) amounts payable under any incentive compensation plan or program (other than commissions and, as of July 1, 2001, sales incentives);

(d) MIP awards;

(e) stock options;

(f) foreign service differentials;

(g) severance pay;

(h) expense reimbursements;

(i) grievance awards (other than back pay);

(j) fringe benefits; and

(k) all compensation classified as "miscellaneous."

The annual Eligible Compensation of each Participant taken into account under the Plan shall not exceed $150,000 as adjusted for cost-of-living increases in accordance with Code ss. 401(a)(17) (the "annual compensation limit"). The cost-of-living adjustment in effect for a calendar year applies to any Plan Year beginning in such calendar year. If a Plan Year consists of fewer than 12 months, the annual compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the short Plan Year, and the denominator of which is 12. The annual compensation limit does not apply for purposes of Section 5.2.

For any Plan Year beginning on or after January 1, 1997, in determining the Compensation of an Eligible Employee, the family aggregation rules of former

Code ss. 414(q)(6) shall not apply.

Section 1.18 Eligible Employee - means any Employee other than an Employee

(a) whose terms and conditions of employment are governed by a collective bargaining agreement to which the Employer Company is a party, unless the collective bargaining agreement expressly provides for coverage under this Plan;

(b) who is a nonresident alien receiving no earned income from an Employer Company from sources within the United States (as described more fully in Code ss. 410(b)(3)(C)); or

(c) who is eligible to participate in a Collectively Bargained Plan or any other Code ss. 401(k) cash or deferred arrangement maintained by an Employer Company (other than the Plan).

Members of the Board as such shall not be considered as Eligible Employees unless they also qualify as such pursuant to the preceding sentence. Under no circumstances will an individual who performs services for a Employer Company, but who is not classified on the payroll as an employee of the Employer Company, for example, an individual performing services for a Employer Company under a leasing arrangement, be treated as an Eligible Employee even if such individual is treated as an "employee" of a Employer Company as a result of common law principals or the leased employee rules under Code ss. 414(n). Further, if an individual performing services for a Employer Company is retroactively reclassified as an employee of a Employer Company for any reason, such reclassified individual shall not be treated as an Eligible Employee for any period prior to the actual date (and not the effective date) of such reclassification unless the Employer Company determines that retroactive reclassification is necessary to correct a payroll classification error.

Section 1.19 Employee - means a person who is classified on the payroll of an Employer Company as an employee of that Employer Company.

Section 1.20 Employer - means United Parcel Service of America, Inc.

Section 1.21 Employer Company - means the Employer, each corporation listed in Appendix 1.21 and any of the following corporations that adopts the Plan and the accompanying Trust Agreement with the approval of the Board of Directors:

(a) any domestic corporation at least 90% of whose voting stock is owned by UPS; and

(b) any domestic corporation at least 90% of whose voting stock is owned by any corporation described in (a) above.

Section 1.22 Eligibility Computation Period - means the 12 consecutive month period beginning on an individual's Employment Commencement Date or Reemployment Commencement Date (or any anniversary of either such date) and ending on the date immediately preceding the anniversary of such date (or next succeeding anniversary of such date).

Section 1.23 Employment Commencement Date - means

(a) Effective as of May 1, 2000, the date on which an individual first performs an Hour of Service.

(b) Effective prior to May 1, 2000, the date on which an individual first performs an hour of service, within the meaning of Labor Regulation Section 2530.200b-2, with an Employer Company.

Section 1.24 Entry Date - means, effective on or after July 7, 2001, the first Saturday of each calendar month and, before July 7, 2001, the first day of each calendar month.

Section 1.25 ERISA - means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute. Section 1.26 ESOP - means an employee stock ownership plan within the meaning of Code ss. 4975(e).

Section 1.27 Excess Aggregate Contributions - means for any Plan Year the excess of

(a) the After-Tax Contributions within the meaning of Section 5.5(b) actually made by or on behalf of Highly Compensated Employees for a Plan Year and

(b) the maximum permissible amount of such contributions for such Plan Year under Codess. 401(m) as described in Section 5.5(a).

The total dollar amount of Excess Aggregate Contributions is determined by reducing contributions on behalf of Highly Compensated Employees in order of their contribution percentages, beginning with the highest of such percentages and continuing until the ACP test is satisfied.

Section 1.28 Excess Contributions - means for any Plan Year the excess of

(a) the Pre-Tax Contributions actually were made by or on behalf of Highly Compensated Employees for a Plan Year and which were taken into account in computing his or her Actual Deferral Percentage for such Plan Year over

(b) the maximum permissible amount of such contributions permitted for such Plan Year under Codess. 401(k) as described in Section 5.4(a).

The total dollar amount of Excess Contributions is determined by reducing contributions on behalf of Highly Compensated Employees in order of their contribution percentages, beginning with the highest of such percentages and continuing until the ADP test is satisfied.

Section 1.29 Highly Compensated Employee -

(a) General. The term "Highly Compensated Employee" means for each Plan Year beginning on or after January 1, 1997 each Participant who is an Eligible Employee performing services for an Affiliate during the Plan Year and

(1) who at any time during the Plan Year or the preceding Plan Year was a 5% owner of an Affiliate (as defined in Code ss. 416(i)(1)(B)(I)), or

(2) who for the preceding Plan Year received Compensation in excess of $80,000 (indexed in accordance with Codess. 415(d)).

(b) Additional Rules.

(1) The determination of which Eligible Employees are Highly Compensated Employees is subject to Codess. 414(q) and any regulations, rulings, notices or procedures under that section.

(2) Employers aggregated under Codess. 414(b), (c), (m) or (o) will be treated as a single employer for purposes of this Section 1.29.

Notwithstanding the foregoing, only for the purposes of Puerto Rican law and solely to comply therewith, a "Highly Compensated Employee" shall mean any Participant who is an Eligible Employee employed in Puerto Rico who is among the top one-third (1/3) of all Eligible Employees receiving the highest aggregate compensation from an Employer Company.

Effective for Plan Years beginning on or after January 1, 1997, the family aggregation rules of former Code ss. 414(q)(6) shall not apply in determining who is a Highly Compensated Employee.

Section 1.30 Hour of Service -

(a) General. The term "Hour of Service" means each hour for which an individual:

(1) is paid, or entitled to payment, for the performance of duties for an Affiliate;

(2) is paid, or entitled to payment (directly or indirectly) for periods during which no duties are performed due to vacation, holiday, illness, short-term disability or incapacity pursuant to which payments are received in the form of salary continuation or from a short-term disability plan or worker's compensation plan sponsored by an Affiliate or to which an Affiliate contributes, layoff, jury duty, military duty which gives rise to reemployment rights under Federal law, or paid leave of absence (including a period where an employee remains on salary continuation during a period of illness or incapacity);

(3) is paid by an Affiliate for any reason an amount as "back pay," irrespective of mitigation of damages; or

(4) is on an unpaid leave of absence, including (i) by reason of the pregnancy of the individual, (ii) by reason of the birth of a child of the individual, (iii) by reason of the placement of a child with the individual in connection with the adoption of such child by the individual or (iv) for purposes of caring for such child for a period beginning immediately following such birth or placement.

(b) Additional Rules. Notwithstanding the foregoing,

(1) An individual will earn Hours of Service credit without regard to whether such individual is treated as an "employee" of an Affiliate as a result of the application of common law principles or by operation of Code ss. 414(n).

(2) An individual will be credited with 190 Hours of Service for the performance of duties with respect to each regularly-scheduled calendar work month in which such individual would, under the rules described herein, have earned at least one Hour of Service and if an individual has a Period of Separation of less than 12 months, he or she will be credited with 190 Hours of Service for each calendar month during that Period of Separation.

Section 1.31 Investment Options - means the investment alternatives selected by the Committee pursuant to Section 7.1.

Section 1.32 Investment Manager - means a person (a) who is registered as an investment advisor under the Investment Advisers Act of 1940 (the "Act"), a bank, as defined in the Act, or an insurance company that, within the meaning of ERISA ss. 3(38), is qualified to manage, acquire and dispose of the assets of an employee benefit plan under the laws of more than one state, and (b) who is appointed as an investment manager.

Section 1.33 Merged Account - means the subaccount maintained as a part of a Participant's Account to show his or her interest attributable to amounts that have been transferred from another qualified plan pursuant to a merger or other transaction described in Section 14.3 and which are not allocated to his or her Pre-Tax Contribution Account, After-Tax Contribution Account or Rollover Contribution Account.

Section 1.34 Nonhighly Compensated Employee - means for each Plan Year each Participant who is an Eligible Employee performing services for an Affiliate during the Plan Year and who is not a Highly Compensated Employee.

Section 1.35 Participant - means (a) each Eligible Employee who satisfied the requirements for participation set forth in Section 2.1 and (b) each other person (other than an alternate payee as defined in Code ss. 414(p)(8) or a Beneficiary) for whom an Account is maintained as a result of contributions made under this Plan or amounts transferred to this Plan.

Section 1.36 Participation Requirement - means on or after May 1, 2000, a 6-month Period of Service and, before May 1, 2000, a 1-year Period of Service.

(a) A "6-month Period of Service" means,

(1) effective as of May 1, 2000, an Eligibility Computation Period during which an individual completes at least 1000 Hours of Service and an individual will be deemed to have completed a 6-month Period of Service as of the last day of the calendar month in which he or she completes at least 1000 Hours of Service; or

(2) effective before May 1, 2000, a Period of Service of at least 6 months; provided, for each individual whose Employment Commencement Date or Reemployment Commencement Date is on or after May 1, 2000 and before July 1, 2001, a "6-month Period of Service" means the period described in Section 1.36(a)(1) or the period described in this Section 1.35(a)(2), whichever is completed first.

(b) A "1-year Period of Service" means a Period of Service of at least 12 months.

(c) For purposes of satisfying the Participation Requirement under Section 1.36(a) or (b) (as well as the service requirement of Section 9.5(b)),

(1) an individual who first performed services for an Affiliate following a transaction identified in Appendix 1.35 will be given credit for employment with the employer identified in Appendix 1.36 (but not before any date as may be specified in Appendix 1.35) as if such employment had been with an Affiliate; and

(2) an individual who was a participant in a merged plan (described in Appendix 1.36) will be given credit for employment with an employer maintaining the merged plan as if such employment had been with an Affiliate.

Section 1.37 Period of Separation - means for those Employees who first become Participants before July 1, 2001, a continuous period of time during which an individual does not perform an Hour of Service. Such a Period of Separation begins on the date the individual has a Separation from Service.

Section 1.38 Period of Service - means the period of time beginning on an individual's Employment Commencement Date or Reemployment Commencement Date, whichever is applicable, and ending on the date a Break in Service begins. A Period of Service of 12 months is equal to one full year of service.

Section 1.39 Plan - means this UPS Savings Plan and Trust Agreement as set forth in this document and all subsequent amendments to this document.

Section 1.40 Plan Year - means the calendar year.

Section 1.41 Pre-Tax Contribution - means a contribution to the Plan at the election of a Participant pursuant to a salary reduction agreement in accordance with Section 3.1 that is not includible in gross income for federal income tax purposes solely by reason of the application of Code ss. 401(k).

Section 1.42 Pre-Tax Contribution Account - means the subaccount maintained as part of a Participant's Account to show his or her interest attributable to Pre-Tax Contributions, amounts transferred from his or her pre-tax contribution accounts under the QSOP and amounts attributable to pre-tax contributions under another qualified plan transferred pursuant to a merger of other transaction described in Section 14.3 to the extent provided in Appendix 14.3.

Section 1.43 QSOP - means the UPS Qualified Stock Ownership Plan, as amended from time to time.

Section 1.44 Reemployment Commencement Date - means for an individual who has a Break in Service, an adjusted employment commencement date, which is the first date on which that individual performs an Hour of Service following the Break in Service.

Section 1.45 Rollover Contribution - means a contribution described in Section 3.6.

Section 1.46 Rollover Contribution Account - means the subaccount maintained as part of a person's Account to show his or her interest attributable to Rollover Contributions, amounts transferred from his or her rollover account under the QSOP and amounts attributable to rollover contributions under another qualified plan transferred pursuant to a merger or other transaction described in Section 14.3 to the extent provided in Appendix 14.3.

Section 1.47 SavingsPLUS Contribution - means the SavingsPLUS Contribution made under the QSOP in respect of a Participant's Pre-Tax Contributions.

Section 1.48 SavingsPLUS Transfer Account - means the subaccount maintained as a part of a person's Account to show his or her interest attributable to SavingsPLUS Contributions transferred by the Participant from his or her SavingsPLUS contribution account under the QSOP in accordance with Section 4.1.

Section 1.49 Separation from Service - means:

(a)

(1) Effective as of May 1, 2000, the date on which an individual terminates employment with all Affiliates by reason of a voluntarily quit, retirement, death, the end of a period of disability of more than 52 weeks at which time a physician certifies that the individual is currently disabled and unable to return to work for an Affiliate, discharge, failure to return from layoff or authorized leave of absence, or for any other reason (unless a grievance is pending) provided for periods before January 1, 2002, such separation constitutes a "separation from service" within the meaning of Code ss. 401(k) and for periods on or after January 1, 2002, such separation constitutes a "severance from employment" within the meaning of Code ss. 401(k); provided, however, that a "separation from employment" shall not occur with respect to any Participant as a result of a transaction if his or her new employer following the transaction agrees to assume this Plan or agrees to assume assets and liabilities of this Plan attributable to such Participant. A discharge will not be treated as a Separation from Service while a grievance is pending but, if the discharge is upheld, will be treated as a Separation from Service as of the date of the discharge.

(2) Effective before May 1, 2000, the earlier of the date under Section 1.49(a)(1) or the date on which a 12-consecutive month period ends during which the individual did not perform an Hour of Service.

(b) A transfer from one Affiliate to another will not result in a

Separation from Service.

(c) A discharge will not result in a Separation from Service for any purpose while a grievance is pending but, if the discharge is upheld, the Separation from Service will be the date of the discharge.

Notwithstanding the foregoing, and solely for the purpose of determining the length of a Period of Service before May 1, 2000, in the case of an Employee who ceases active employment (i) by reason of the pregnancy of the Employee, (ii) by reason of the birth of a child of the Employee, (iii) by reason of the placement of a child with the Employee in connection with the adoption of such child by the Employee or (iv) for purposes of caring for such child for a period beginning immediately following such birth or placement, "Separation from Service" shall mean the second anniversary of said cessation of active employment.

Section 1.50 Trust Fund - means the assets held by the Trustee under this Plan.

Section 1.51 Trustee - means a bank, trust company or other financial institution with trust powers acting from time to time as trustee for the Trust Fund pursuant to ARTICLE XI.

Section 1.52 VRU - means the automated voice response unit or any other voice or electronic medium maintained for the purpose of effecting participant communications under the Plan.

Section 1.53 Valuation Date - means December 31 of each year and any other date chosen by the Committee and acceptable to the Trustee.

Article II. PARTICIPATION

Section 2.1 General. Each Eligible Employee will become a Participant on the Entry Date coinciding with or immediately following the date he or she has completed the Participation Requirements.

Section 2.2 Application to Participate. Each Participant who is an Eligible Employee may enroll in the Plan by electing to make a Pre-Tax Contribution, After-Tax Contribution or a Rollover Contribution via VRU or in accordance with such other procedures prescribed by the Committee or its designee. The Committee or its designee shall promptly process the Participant's enrollment and confirm the enrollment of such Participant and his or her elections to make contributions.

Section 2.3 Transfers.

(a) Transfer to Position Not Covered by Plan. If a Participant loses his or her status as an Eligible Employee because he or she is transferred to an Affiliate that is not an Employer Company or because he or she is transferred to a position with an Employer Company that is not an Eligible Employee position, he or she shall cease to be eligible to make Pre-Tax Contributions, After-Tax contributions or Rollover Contributions under

this Plan, but his or her Account shall continue to be maintained under this Plan until he or she has a distribution even or such Account is transferred to another qualified plan maintained by an Employer Company or Affiliate.

(b) Transfer of Account from Another Employer Company Plan. This Section 2.3(b) will be effective on and after the date it is activated by the Committee. To the extent provided in Appendix 2.3 (which will be written and amended by or at the direction of the Committee), the Committee may permit the contribution of funds to a Participant's Account which represent the transfer of his or her account from any other ss. 401(k) cash or deferred arrangement maintained by an Employer Company. Such funds shall be transferred in accordance with procedures established by the Committee and shall be held in the appropriate subaccount.

Section 2.4 Correction. If the Committee discovers that an individual it determined to be a Participant is in fact not a Participant, the Committee will as soon as practicable after such discovery make such corrections or refunds. If the Committee discovers that a Participant was not treated as covered under the Plan, the Committee as soon as practicable will take such action as it deems appropriate and proper under the circumstances.

Section 2.5 Reemployment. If an Eligible Employee has a Separation from Service before he or she completes the Participation Requirement and his or her Period of Separation is less than 12 consecutive months, the Eligible Employee's Period of Service will be aggregated with the Period of Separation and the Period of Service completed after the Period of Separation. If the individual had a Break in Service, then his or her prior Period of Service will be disregarded and he or she will not become a Participant until he or she completes the Participation Requirement following his or her Reemployment

Commencement Date.

If a Participant has a Separation from Service after completing the Participation Requirement, then he or she will again become eligible to make Pre-Tax Contributions, After-Tax Contributions, and Rollover Contributions to the extent otherwise permitted under the Plan as soon as practicable after the date he or she next performs an Hour of Service as an Eligible Employee.

Section 2.6 Not a Contract of Employment. This Plan is intended only to encourage Eligible Employees of the Employer Companies to save for their retirement. This Plan is not a contract of employment. Thus, participation in this Plan will not give any person either the right to be retained as an employee of an Employer Company or, upon such person's termination of employment, the right to any interest in the Trust Fund other than his or her interest as expressly set forth in this Plan.

Article III. EMPLOYEE CONTRIBUTIONS, ROLLOVER CONTRIBUTIONS AND TRANSFERS

Section 3.1 Pre-Tax Contributions.

(a) General. Subject to the rules and limitations in this Section 3 and in Section 5, each Participant who is an Eligible Employee (other than an Eligible Employee

employed in Puerto Rico) may make Pre-Tax Contributions through authorizing the pre-tax payroll deduction of

(1) from 1% to 17% (in 1% increments) of his or her Eligible Compensation (excluding those items set forth in Section 3.1(a)(2),(3) and (4) below) for each pay period;

(2) all or a part of his or her half month bonus;

(3) effective as of July 1, 2001, quarterly bonuses; and

(4) all or a part of his or her discretionary days pay off.

(b) Puerto Rico. Subject to the rules and limitations in this Section 3 and in Section 5, each Participant who is an Eligible Employee employed in Puerto Rico may make Pre-Tax Contributions through authorizing the pre-tax payroll deduction of

(1) from 1% to 10% (in 1% increments) of his or her Eligible Compensation (including those items set forth in Section 3.1(b)(2),(3) and (4) below) for each pay period;

(2) all or a part of his or her half month bonus;

(3) effective as of July 1, 2001, quarterly bonuses; and

(4) all or a part of his or her discretionary days pay off.

Notwithstanding the foregoing, a Participant who is an Eligible Employee employed in Puerto Rico may not contribute total Pre-Tax Contributions under this Section 3.1(b) in excess of 10% of his or her Eligible Compensation.

An election under this Section 3.1(a) or (b) must be made via VRU or in accordance with such other procedures prescribed by the Committee or its designee. A Participant may make an election to begin making Pre-Tax Contributions on any business day that coincides with or follows the date he or she becomes a Participant. A Participant's initial payroll deduction contribution election will be effective for the first pay period beginning after his or her election is processed and will continue while the Participant is an Eligible Employee until the Participant changes his or her election in accordance with Section 3.3 or suspends his or her contributions in accordance with Section 3.4.

The Committee has the right at any time unilaterally to reduce prospectively the amount or percentage of Pre-Tax Contributions elected by any Participant who is a Highly Compensated Employee or by all Highly Compensated Employees as a group if it determines that reduction is appropriate in light of the limitations under Section 5.4.

(c) Accounts. The Pre-Tax Contributions elected by a Participant under Sections 3.1(a) and (b) will be credited to such Participant's Pre-Tax Contribution Account.

Section 3.2 After-Tax Contributions.

(a) General. Subject to the rules and limitations in this Section 3 and in Section 5, each Participant who is an Eligible Employee may make After -Tax Contributions through authorizing the after-tax payroll deduction of from 1% to 5% (in 1% increments) of his or her Eligible Compensation for each pay period.

Such election must be made via VRU or in accordance with such other procedures prescribed by the Committee or its designee. A Participant may make an election to begin making After-Tax Contributions on any business day that coincides with or follows the date he or she becomes a Participant. A Participant's initial contribution election will be effective for the first pay period beginning after his or her election is processed and will continue while the Participant is an Eligible Employee until the Participant changes his or her election in accordance with Section 3.3 or suspends his or her contributions in accordance with Section 3.4.

The Committee has the right at any time unilaterally to reduce prospectively the amount or percentage of After-Tax Contributions elected by any Participant who is a Highly Compensated Employee or by all Highly Compensated Employees as a group if it determines that reduction is appropriate in light of the limitations under Section 5.5.

(b) Accounts. The After-Tax Contributions elected by a Participant under Section 3.2(a) will be credited to such Participant's After-Tax Contribution Account.

Section 3.3 Changes. A Participant who is an Eligible Employee may make an election to change the rate of his or her Pre-Tax or After-Tax Contributions or the type of Contributions on any business day via VRU or in accordance with such other procedures prescribed by the Committee or its designee. Such change in the rate or type of Contributions will be effective for the first pay period beginning after his or her election is processed.

Section 3.4 Suspension of Contributions.

(a) Voluntary Suspension. A Participant may suspend his or her Pre-Tax Contribution or After-Tax Contribution at any time via VRU or in accordance with such other procedures prescribed for such purpose by the Committee or its designee. A Participant's suspension will be effective for the first pay period beginning after his or her election is processed. Thereafter, the Participant who is an Eligible Employee may make an election to resume Pre-Tax Contributions and/or After-Tax Contributions in accordance with Section 3.1 or Section 3.2, respectively.

(b) Change in Eligibility Status. A Participant's Pre-Tax Contributions and/or After-Tax Contributions shall automatically stop when he or she ceases to be an Eligible Employee. If a Participant's status thereafter changes to an Eligible Employee (whether by reemployment or otherwise), he or she may make a new election to make Pre-Tax Contributions and/or After-Tax Contributions in accordance with Section 3.1 or Section 3.2, respectively.

(c) Hardship Withdrawal. A Participant will be treated as if he or she had elected to completely suspend Pre-Tax and After-Tax Contributions for the 12-month period following a hardship withdrawal in accordance with Section 9.8(c), and a Participant who was not making Pre-Tax or After-Tax Contributions at the time of the withdrawal will not be allowed to resume making Pre-Tax or After-Tax contributions for the 12-month period following a hardship withdrawal. Following the suspension, Participant may elect to resume making Pre-Tax Contributions and/or After-Tax Contributions in accordance with Section 3.1 or Section 3.2, respectively.

(d) Leave of Absence. A Participant's Pre-Tax and After-Tax Contributions will continue to be deducted during any period of paid leave of absence, provided he or she continues to be classified as an Eligible Employee during the leave. However, a Participant's Pre-Tax and After-Tax Contributions will be suspended during any period of unpaid leave of absence. Payroll deductions automatically will resume as soon as administratively practicable after the Participant's resumption of active employment as an Eligible Employee in accordance with the Participant's Election in effect immediately prior to his or her unpaid leave unless the Participant files an Election (1) to suspend contributions in accordance with Section 3.4(a), or (2) to change his or her rate of contributions in accordance with Section 3.3.

Section 3.5 Payment of Contributions to Trustee. All Pre-Tax and After-Tax Contributions will be paid to the Trustee as soon as practicable after the related payroll deductions are made and, in any event, by the deadlines, if any, established for making those payments under ERISA or the Code.

Section 3.6 Rollovers from Qualified Plans or Conduit IRAs

(a) An Eligible Employee may contribute to the Trust an amount consisting of an "eligible rollover distribution" (as defined below) from

another qualified retirement plan, or "a transfer from a conduit IRA," (as defined below) provided that the contribution shall not jeopardize the qualification of the Plan or the tax-exempt status of the Trust or create adverse tax consequences for the Employer. A Participant who has incurred a Separation from Service may contribute to the Trust in accordance with this Section 3.6(a), provided that the Participant has not otherwise received a distribution of his or her Account pursuant to Section 9.2 and, provided further, that (i) before July 1, 2001, such contribution is made within ninety (90) days of the date he or she has a Separation from Service and (ii) on or after July 1, 2001, only if the Participant's aggregate balance in the Savings Plan and the QSOP exceeds thirty-five hundred dollars ($3,500.00) and the ninety (90) day rule described in (i) shall not apply.

(b) Any such contribution shall at all times be fully vested and nonforfeitable. Such contribution shall be held in a subaccount under the Participant's Account (the "Rollover Contribution Account").

(c) For purposes of this Section 3.6, an "eligible rollover distribution" means:

(1) an eligible rollover distribution, within the meaning of Code ss. 402, which is transferred to this Plan by the participant no later than sixty (60) days following the date on which the Participant received the distribution from another qualified retirement plan or

(2) an eligible rollover distribution, within the meaning of Code ss. 402, which is transferred to this Plan directly by another qualified retirement plan at the Participant's direction pursuant to Code ss. 401(a)(31).

In the case of an eligible rollover distribution described in ss. 3.6(c)(1) above, the Participant may contribute an amount equal to the gross amount of the distribution, notwithstanding that a portion of the distribution may have been subject to mandatory income tax withholding.

(d) For purposes of this Section 3.6, "a transfer from a conduit IRA" means: an amount transferred to this Plan within sixty (60) days of the Participant's receipt of distribution thereof, from an individual retirement account or annuity ("IRA") to which no contributions have been made from any source other than amounts which were previously distributed to the Participant as an eligible rollover distribution from another qualified retirement plan subject to Code ss. 401(a), and which were deposited in such IRA within sixty (60) days of such prior distribution.

(e) After-tax employee contributions distributed from a qualified retirement plan or annuity contract or from an IRA may not be contributed to the Plan under this Section 3.6.

Article IV. TRANSFERS FROM AND TO THE QSOP

Section 4.1 Amounts Transferred from the QSOP. Effective as of November 23, 1998, a Participant may transfer amounts from his or her account under the QSOP to this Plan, subject to any provisions in the QSOP which would govern such a transfer, via the VRU or in accordance with such other procedures as are established from time to time by the administrative committee of the QSOP and accepted by the Committee, and such a request for transfer shall be processed as soon as practicable after the request is made. Any amounts transferred from the QSOP to this Plan which are attributable, in whole or in part, to a Participant's Pre-Tax Contribution Account, After-Tax Contribution Account, Rollover Contribution Account or Merged Account shall be credited respectively to the Participant's Pre-Tax Contributions Account, After-Tax Contribution Account and Rollover Contribution Account or Merged Account. Any amounts transferred from the QSOP to this Plan which are attributable to a Participant's "SavingsPLUS Contributions" as defined in the QSOP shall be credited to the Participant's SavingsPLUS Transfer Account. All amounts transferred from the QSOP to this Plan shall be invested as provided in Section 7.2.

Section 4.2 Transfers to the QSOP. Effective as of November 23, 1998, a Participant may transfer amounts from his or her Account under the Plan to the QSOP, subject to any provisions in the QSOP which would govern such a transfer, via the VRU or in accordance with such other procedures as are established from time to time by the administrative committee of

the QSOP and accepted by the Committee, and such a request for transfer shall be processed as soon as practicable after the request is made. Notwithstanding the foregoing, any amounts attributable to assets of a Merged Plan shall not be eligible for transfer to the QSOP until the assets of such Merged Plan are consolidated for investment purposes with the amounts contributed under this Plan.

Article V. LIMITATIONS ON CONTRIBUTIONS AND ALLOCATIONS

Section 5.1 Order. The allocation of contributions made under this Plan (other than Rollover Contributions) will be subject to the limitations of this Section 5.1, as applied, in the following order:

(a) the Codess.415 limitations under Section 5.2,

(b) the Codess.402(g) limitation under Section 5.3,

(c) the ADP Test limitation for Highly Compensated Employees under Section 5.4,

(d) the ACP Test limitation for Highly Compensated Employees under Section 5.5.

Section 5.2 Codess. 415 Limitations.

(a) General Rule. The term "limitation year" as defined in Code ss. 415 and the corresponding regulations means the calendar year. The total annual additions (as described in Section 5.2(b)) allocated to a Participant's Account for any limitation year when added to the contributions that are treated as made on behalf of such Participant for such limitation year under the coordination rules in Section 5.2(c) will not exceed the lesser of:

(1) 25% of the Participant's Compensation for the limitation year,

(2) for limitation years beginning after December 31, 1994, $30,000 (as adjusted under Codess. 415(d)), or

(3) such lesser amount as the Committee deems necessary or appropriate to satisfy the requirements of Code ss. 415 in light of Section 5.2(c) and the benefits, if any, accrued and the contributions, if any, made for such Participant under any other employee benefit plan maintained by an Affiliate.

If a short limitation year (less than 12 months) is created because of an amendment, the limitation described in (2) above will be prorated.

(b) Annual Additions. The term "annual additions" means, for each Plan Year, the total contributions allocated to a Participant's Account for that Plan Year as Pre-Tax Contributions or After-Tax Contributions. Any corrective allocations made

under this Plan will be treated as annual additions in the limitation year to which such allocations relate.

For the purpose of this Section 5.2, contributions allocated to an "individual medical benefit account" described in Code ss. 415(l) and contributions credited under a welfare benefit fund maintained by an Affiliate for any year to a reserve for post-retirement medical benefits for a Participant who is a "key employee" within the meaning of Code ss. 416(i) will be treated as a contribution made on his or her behalf under this Plan when, and to the extent, required under Code ss. 415 or ss. 419A(d).

(c) Corrections in this Plan. If as the result of the allocation of forfeitures, the failure to estimate a Participant's compensation, the failure to estimate a Participant's Pre-Tax Contributions or pre-tax contributions under other plans of an Affiliate or under such other facts and circumstances which the Commissioner of the Internal Revenue finds so justify, the limitations imposed by Code ss. 415(c) are exceeded for any Participant in a Limitation Year, the Participant's Account shall be reduced to the extent required to comply with such limitations. Such reductions shall be made in the following order:

(1) by refunding After-Tax Contributions for such limitation year (and any investment gain attributable to those refunded contributions);

(2) by refunding unmatched Pre-Tax Contributions for such limitation year (and any investment gain attributable to those refunded contributions); and

(3) by refunding matched Pre-Tax Contributions for such limitation year (and any investment gain attributable to those attributable to those refunded contributions) and transferring the related SavingsPLUS Contributions under the QSOP to a Code ss. 415 suspense account.

(d) Coordination Rules.

(1) For limitation years beginning on or after January 1, 2000. If any adjustment is required under Codess. 415 as a result of a Participant's participation in any other defined contribution plans, the adjustment will be made in the following steps: (1) from unmatched employee contributions in this Plan or any other defined contribution plan with a cash or deferred arrangement

intended to satisfy Codess. 401(k); (2) from unmatched elective deferrals in this Plan or any other defined contribution plan with a cash or deferred arrangement intended to satisfy Code ss. 401(k); (3) from matched employee contributions in this Plan or any other defined contribution plan with a cash or deferred arrangement intended to satisfy Codess. 401(k) and the related SavingsPLUS Contributions under the QSOP or matching contribution under any other defined contribution plan in which the individual is a participant (4) from matched elective deferrals in this Plan or any other defined contribution plan with a cash or deferred arrangement intended to satisfy Codess. 401(k) and the related SavingsPLUS Contributions under the QSOP or matching contribution under any other defined contribution

plan in which the individual is a participant; (5) from other contributions made to the QSOP and (5) from other contributions to any other defined contribution plans in which the individual is a participant.

(2) For limitation years beginning prior to January 1, 2000. If any adjustment is required under Codess. 415 as a result of a Participant's participation in any other defined contribution plans or defined benefit plans established or maintained by an Affiliate, the adjustment will be made in the following steps: (1) in the defined benefit plans; (2) from unmatched Pre-Tax Contributions, After-Tax Contributions, elective deferrals or employee contributions in this Plan, a Collectively Bargained Plan and any other defined contribution plans with a cash or deferred arrangement intended to satisfy Codess. 401(k); (3) from matched Pre-Tax Contributions, elective deferrals or employee contributions in this Plan, a Collectively Bargained Plan or any other defined contribution plan with a cash or deferred arrangement intended to satisfy Codess. 401(k) and the related SavingsPLUS Contributions under the QSOP or matching contribution under any other defined contribution plan in which the individual is a participant; (4) from other contributions made to the QSOP and (5) from other contributions made under any other defined contribution plans in which the individual is a participant.

(e) Coordination with Code ss. 401(k) and Code ss. 402(g). Any Pre-Tax Contributions refunded under this Section 5.2 will be disregarded for the purposes of Code ss. 402(g) limitations under Section 5.3 and the Code ss. 401(k) limitations under Section 5.4.

Section 5.3 Codess.402(g) Limitations.

(a) A Participant's total Pre-Tax Contributions under this Plan and "elective deferrals" within the meaning of Code ss. 402(g) under all other qualified plans, contracts and arrangements maintained by an Affiliate during any calendar year (other than amounts refunded to reduce a Code ss. 415 excess under Section 5.2 or other plans) will not exceed the annual dollar limit under Code ss. 402(g) (or, with respect to Participants in Puerto Rico, such lower limit as may be prescribed under Puerto Rican law). A Participant whose Pre-Tax Contributions together with other elective deferrals under a plan of an Affiliate exceed the applicable limitation, shall be deemed to have made a request for a refund under Section 5.3(b) and the excess will be refunded in accordance with Section 5.3(c).

(b) If a Participant's Pre-Tax Contributions for a calendar year, when added to the "elective deferrals" within the meaning of Codess. 402(g) made for a calendar year on behalf of such Participant under plans, contracts or arrangements of an employer that is not an Affiliate (for example, another unrelated employer's Codess.401(k) plan or tax sheltered annuity) for that calendar year, exceed the Codess.402(g) dollar limit, he or she may request a refund of that excess (or, if less, the Participant's Pre-Tax Contributions deducted during such calendar year under this Plan) by filing an Election no later than March 1 of the following calendar year. A Participant's Election under this Section 5.3(b) will specify the dollar amount of the excess and include a written statement that

absent the refund, the Pre-Tax Contributions made under this Plan plus the other contributions described in Section 5.3(a) will exceed the Codess.402(g) limit for that calendar year.

(1) Any refund timely requested or deemed requested under Section 5.3(b) (adjusted for investment gain or loss) will be made no later than the April 15 that immediately follows the date the refund is requested or deemed requested.

(2) Any Pre-Tax Contributions (other than Pre-Tax Contributions described in the second sentence of this Section 5.3(b)(2)) that exceed the limit set forth in Codess. 402(g) will be taken into account for purposes of the ADP Test under Section 5.4 regardless of whether the Pre-Tax Contributions are refunded to a Participant in accordance with this Section 5.3(b). Notwithstanding the foregoing, excess Pre-Tax Contributions of a Nonhighly

Compensated Employee will not be taken into account for purposes of the ADP Test to the extent the excess arises solely from Pre-Tax Contributions under this Plan and pre-tax contributions under all other qualified plans, contracts and arrangements maintained by the Affiliates to the extent prohibited under Codess. 401(a)(30). Excess Pre-Tax Contributions that are refunded under this Section 5.3(c) will not be taken into account for purposes of the Code ss. 415 limitations under Section 5.2.

(3) Refunds of excess Pre-Tax Contributions will be adjusted for investment gain or loss for the Plan Year for which the deferrals were made in accordance with the regulations under Code ss. 402(g) but will not be adjusted for investment gain or loss for the period between the end of the Plan Year and the date the deferrals are distributed.

Section 5.4 Codess.401(k) Limitations for Highly Compensated Employees.

(a) ADP Test. For each Plan Year beginning on or after January 1, 1997, the average of the Highly Compensated Employees' ADPs for that Plan Year, when compared to the average of the Nonhighly Compensated Employees' ADPs for the preceding Plan Year will satisfy either of the following tests:

(1) the average of the ADPs for all Highly Compensated Employees is not more than 125% of the average of the ADPs for all Nonhighly Compensated Employees, or

(2) the average of the ADPs for all Highly Compensated Employees is not more than two times the average of the ADPs for all Nonhighly Compensated Employees, and the excess of the average of the ADPs for all Highly Compensated Employees over the average of the ADPs for all Nonhighly Compensated Employees is not more than two percentage points.

In performing the ADP Test for a Plan Year, the applicable averages will be calculated taking into account each Participant who was eligible to make Pre-Tax Contributions at any time during that Plan Year.

(b) Aggregation with Other Plans or Arrangements. The ADP for any Highly Compensated Employee will be determined as if all contributions made behalf of such Highly Compensated Employee during the same Plan Year under one, or more than one, other plan described in Code ss. 401(k) maintained by an Affiliate had been made under this Plan or, at the option of the Committee, the Plan may be permissively aggregated with such other plans. If this Plan satisfies the coverage requirements of Code ss. 410(b) only if aggregated with one or more other plans, or if one or more other plans satisfy the coverage requirements of Code ss. 410(b) only if aggregated with this Plan, this Section 5.4 will be applied by determining the ADPs of all Participants as if all those plans were a single plan.

(c) Other Requirements and Elections. The determination and treatment of the Pre-Tax Contributions and ADP of any Participant will satisfy any other requirements prescribed by the Secretary of the Treasury including any subsequent Internal Revenue Service guidance issued under Code ss. 401(k), and, in performing the ADP Test, the Committee may use any alternatives and elections authorized under the applicable regulations, rulings or revenue procedures.

(d) Action to Satisfy ADP Test.

(1) Refund of Excess Contributions. Excess Contributions for a Plan Year beginning on or after January 1, 1997 (adjusted for investment gain or loss) will be refunded no later than the last day of the immediately following Plan Year to Highly Compensated Employees on whose behalf the Excess Contributions were made. Refunds will be made on the basis of the amount of Pre-Tax Contributions for such Plan Year starting with the Highly Compensated Employee with the greatest dollar amount of Pre-Tax Contributions, first from his or her unmatched Pre-Tax Contributions thereafter from his or her Pre-Tax Contributions that are matched under the QSOP. The Excess Contributions that would otherwise be refunded will be reduced (in accordance with the Codess.401(k) regulations) by any refund made to the Highly Compensated Employee under Section 5.3.

(2) Determination of Investment Gain or Loss. Excess Contributions will be adjusted for investment gain or loss for the Plan Year for which the contributions were made in accordance with the regulations under Code ss. 401(k) but will not be adjusted for investment gain or loss for the period between the end of the Plan Year and the date the Excess Contributions are distributed.

Section 5.5 ACP Test Limitation For Highly Compensated Employees.

(a) ACP Test. For each Plan Year beginning on or after January 1, 1997, the average of the Highly Compensated Employees' ACPs for that Plan Year, when compared to the average of the Nonhighly Compensated Employees' ACPs for the preceding Plan Year will satisfy either of the following tests:

(1) the average of the ACPs for all Highly Compensated Employees does not exceed 125% of the average of the ACPs for all Nonhighly Compensated Employees, or

(2) the average of the ACPs for all Highly Compensated Employees is not more than two times the average of the ACPs for all Nonhighly Compensated Employees, and the excess of the average of the ACPs for all Highly Compensated Employees over the average of the ACPs for all Nonhighly Compensated Employees is not more than two percentage points.

In performing the ACP Test for a Plan Year, the applicable averages will be calculated taking into account each Participant who was eligible to make Pre-Tax Contributions at any time during that Plan Year.

(b) Aggregation with Other Plans or Arrangements.

(1) For any Plan Year before the Board activates the ESOP feature on the QSOP, the ACP for each Participant who is an Eligible Employee will be determined by aggregating this Plan with the QSOP. SavingsPLUS Contributions made under the QSOP will be treated as After-Tax Contributions under this Plan. Further, the ACP for any Highly Compensated Employee will be determined as if any "employee contributions" (within the meaning of Codess. 401(m)) and any "matching contributions" (within the meaning of Codess. 401(m)(4)) allocated to his or her account during the same Plan Year under one, or more than one, other plan described in Codess. 401(a) orss.401(k) maintained by an Affiliate had been made under this Plan or, at the option of the Committee, the Plan may be permissively aggregated with such other plans. If this Plan satisfies the coverage requirements of Codess. 410(b) only if aggregated with one or more other plans, or if one or more other plans satisfy the coverage requirements of Code ss. 410(b) only if aggregated with this Plan, then this Section 5.5 will be applied by determining the ACPs of all Participants as if all the plans were a single plan.

(2) For any Plan Year in which the ESOP feature is activated, SavingsPLUS Contributions under the QSOP may not be aggregated with employee contributions or matching contributions under any other plan, including this Plan, to the extent prohibited by the regulations under Code ss. 410(b), as modified by the regulations under Code ss. 401(k).

(c) Multiple Use Limitation. The ACPs of all Highly Compensated Employees will be reduced (beginning with the highest of such percentages) to the extent required under Code ss. 401(m) and the regulations issued under that section to prevent multiple use of the alternative test described in Code ss. 401(k)(3)(A)(ii)(II) and in Code ss. 401(m)(2)(A)(ii) in the same Plan Year. The reduction will be treated as an Excess Aggregate Contribution.

(d) Action to Satisfy ACP Test.

(1) Distribution or Forfeiture of Excess Aggregate Contributions.

Notwithstanding any other provision of this Plan, Excess Aggregate Contributions made for any Plan Year adjusted for investment gains and losses will be distributed from the Accounts of Highly Compensated Employees no later than the last day of the immediately following Plan Year.

For any Plan Year before the Board activates the ESOP feature of the QSOP, the Excess Aggregate Contributions will be distributed on behalf of each Highly Compensated Employee, starting with the Highly Compensated Employee who has the largest sum of those contributions and ending when the Excess Aggregate Contributions are distributed. The Excess Aggregate Contributions will first be reduced by distributing After-Tax Contributions from this Plan, and then by distributing SavingsPLUS Contributions from the QSOP. If a distribution cannot be made from this Plan because After-Tax Contributions have been transferred to the QSOP (without having been transferred back to this Plan), then the distribution will be made from the Highly Compensated Employee's savings plan after-tax contribution account in the QSOP.

For any Plan Year in which the ESOP feature is activated, the distribution of Excess Aggregate Contributions will be made on the basis of the amount of After-Tax Contributions made on behalf of a Highly Compensated Employee, starting with the Highly Compensated Employee with the most After-Tax Contributions and ending when the Excess Aggregate Contributions are distributed.

(2) Determination of Investment Gain or Loss. Excess Aggregate Contributions will be adjusted for investment gain or loss for the Plan Year for which such contributions were made in accordance with the regulations under Code ss. 401(m) but will not be adjusted for investment gain or loss for the period between the end of the Plan Year and the date the Excess Aggregate Contributions

are distributed.

Article VI. VALUATION AND ACCOUNT DEBITS AND CREDITS

Section 6.1 Accounts. The Committee will establish and maintain an Account (composed of such subaccounts as the Committee deems appropriate) in the name of each Participant to which will be credited such sums of cash or other property from time to time contributed or transferred to this Plan together with the earnings, profits and appreciation on those assets and to which will be charged the losses and depreciation on those assets and the Participant's share of the expenses of this Plan and the Trust Fund unless the Employer Companies pay for such expenses.

Section 6.2 Allocation Procedure. As of the last day of each Accounting Period each Account balance will be adjusted to reflect the following credits or debits as soon as practicable after the Committee receives the Employer Companies' payroll data and other relevant records:

(a) His or her Pre-Tax Contributions, After-Tax Contributions and Rollover Contributions (in accordance with ARTICLE III);

(b) Effective as of November 23, 1998, his or her transfers of amounts of, or amounts attributable to, Pre-Tax Contributions, After-Tax Contributions and Rollover Contributions (together with any earnings thereon) to and from the QSOP in accordance with Sections 4.1 and 4.2;

(c) His or her amounts transferred pursuant to a merger or other event described in Section 14.3 and in accordance with provisions set forth in Appendix 14.3;

(d) Effective as of November 23, 1998, his or her transfers of SavingsPLUS Contributions from the QSOP (together with any earnings thereon) in accordance with Section 4.1;

(e) His or her pro rata share of investment earnings, profits, and investment losses;

(f) His or her pro rata share of appreciation and depreciation;

(g) His or her per capita share of the administrative expenses of the Plan and Trust Fund and his or her pro rata share of all other expenses of the Plan and Trust Fund except to the extent that the Employer Companies pay for those administrative or other expenses; and

(h) Distributions, withdrawals or transfers from his or her Account.

The Committee will make these and any additional credits or debits as the Committee deems necessary or appropriate under the circumstances in whatever sequence the Committee deems appropriate under the circumstances.

Section 6.3 Allocation Corrections. If an error or omission is discovered in any Account, an appropriate adjustment will be made to such Account and to such other Accounts as deemed appropriate and proper under the circumstances by or at the direction of the Committee in order to remedy such error or omission.

Article VII. INVESTMENTS

Section 7.1 Investment of Trust Fund.

(a) It is intended that the Plan satisfy the conditions for the participant-directed investment of Plan accounts contained in ERISAss.404(c) and the regulations thereunder (Labor Regulation Section 2550.404c-1), so as to afford to each Participant the opportunity to exercise control over the assets in his or her Account and to choose, from a broad range of investment alternatives, the manner in which said assets are invested. In accordance with Sections 7.2 through 7.4, each Participant shall have the opportunity to choose, in accordance with such procedures as the Committee or its designee may prescribe, among the Investment Options selected by the Committee and communicated to the Participants. Specific provisions which applied to these Investment Options prior to November 23, 1998, are set forth in Appendix 7.1. The initial allocation

of the Participant's Account among Investment Options must be made in ten percent (10%) increments before July 1, 2000, and effective July 1, 2000, one percent (1%) increments.

(b) In order to provide Participants the opportunity to obtain sufficient information to make informed decisions with regard to Investment

Options:

(1) The Committee or its designee shall provide each Participant, by means of the summary plan description or by separate written communication, with the following information:

(i) An explanation that the Plan is intended to constitute a plan described in ERISA ss. 404(c) and the regulations thereunder, and that the fiduciaries of the Plan may be relieved of liability for any losses which are the direct and necessary result of investment instructions by the Participant.

(ii) With respect to each Investment Option, a general description of the investment objectives and risk and return characteristics of such Investment Option, including information relating to the type and diversification of assets comprising the portfolio of the Investment Option.

(iii) Identification of the investment manager, if any, with respect to each Investment Option.

(iv) An explanation of the circumstances under which Participants may give investment instructions and any limitations or restrictions on such instructions, including any restrictions with respect to transfers to or between Investment Options, and, if voting, tender or similar rights with respect to investments held in an Investment Option are passed through to Participants, any restrictions on such rights.

(v) A description of any transaction fees and expenses that affect the Participant's Account balance in connection with the purchase or sale of interests in the several Investment Options (e.g., commissions, sales loads, deferred sales charges, redemption or exchange fees).

(vi) The name, address and telephone number of the Plan fiduciary (or its designee) that is responsible for the provision of information upon request as described in paragraph (2) below.

(vii) Such other information as may be required to be disclosed to Participants, with respect to an Investment Option, in accordance with Labor Regulation Section 2550.404c-1(b)(2)(B)(1).

(2) The Committee or its designee shall provide each Participant with the following information upon request, based on the latest information available to the Plan:

(i) A description of the annual operating expenses of each Investment Option (e.g., investment management or administrative fees, transaction costs) that reduce the Option's rate of return to Participants and beneficiaries, and the aggregate amount of such expenses expressed as a percentage of the average net assets of the Investment Option.

(ii) Copies of prospectuses, financial statements and reports relating to the Investment Options, to the extent such information is provided to the Plan.

(iii) A list of the assets comprising the portfolio of each Investment Option that constitutes plan assets within the meaning of Labor Regulation Section 2510.3-101, the value of each such asset (or the proportion of the Investment Option of the investment which it comprises), and, with respect to each such asset that is a fixed rate investment contract issued by a bank, savings and loan association or insurance company, the name of the issuer of the contract, the term of the contract and the rate of return on the contract.

(iv) Information concerning the value of shares or units in each Investment Option available to Participants and Beneficiaries under the Plan, as well as the past and current investment performance of such Investment Option, determined, net of expenses, on a reasonable and consistent basis.

(v) Such other information as may be required to be disclosed upon request to Participants, with respect to an Investment Option, in accordance with Labor Regulation Section 2550.404c-1(b)(2)(B)(2).

(3) The Committee or its designee shall provide each Participant with confirmation statements, as applicable, to report (i) his or her enrollment; (ii) the Elective Deferral percentage selected by the Participant; (iii) the Voluntary Contribution percentage selected by the Participant; (iv) loans, if any, made to the Participant from the Plan; (v) Rollover Contributions made by the Participant; (vi) withdrawals and distributions from the Participant's Account; and (vii) on or after November 23, 1998, all transfers to and from the QSOP. The Committee or its designee shall provide each Participant with the opportunity to obtain written confirmation of the Participant's investment instructions.

Section 7.2 Investment of Accounts. The Trustee shall invest and

reinvest each Participant's Account among the Investment Options in accordance with the instructions provided by such Participant, which shall remain in force until altered in accordance with Sections 7.3 and 7.4. The same Investment Options designated by the Participant and the same percentage allocations with respect to each Investment Option selected shall apply to all of the Participant's subaccounts. Notwithstanding the foregoing, (a) a Participant shall direct the investment of any sums transferred from the QSOP to this Plan at the time of such transfer via the VRU or in accordance with such other procedures as are prescribed from time to time by the

Committee or its designee, and such investment directions shall be effective as soon as practicable following the receipt thereof; and (b) a Participant may, on a form provided by the Trustee, make a separate written election with respect to the Participant's Rollover Contribution to have his or her Rollover Contribution invested in a manner independent of his or her other subaccounts, so long as such written election is transmitted to the Trustee at the same time as the Rollover Contribution is made to the Plan. Such investment directions must be in increments of ten percent (10%) before July 1, 2000, and effective July 1, 2000, in increments of one percent (1%). Such investment directions must result in the investment of one hundred percent (100%) of the directed amount. Except as set forth in Schedule 7.2 with respect to periods prior to November 23, 1998, authorizations that do not result in an allocation of one hundred percent (100%) or are incorrect in any other respect will not be processed and the prior investment allocation shall continue in effect. Notwithstanding the foregoing, the Trustee may refuse to follow any investment instructions that the Trustee or the Committee reasonably believes could result in a transaction prohibited under ERISA ss. 406 or Code ss. 4975 and for which there is no exemption, could generate income that would be taxable to the Plan, would not be in accordance with the Plan or with ERISA, could cause the Trustee to maintain indicia of ownership of Plan assets outside of the United States, could jeopardize the Plan's tax exempt status or could result in a loss to the Plan in excess of the Participant's Account.

Section 7.3 Investment Allocation of Future Contributions. Each Participant may elect to change the investment allocation of future Pre-Tax Contributions or, if none, his or her future After-Tax Contributions at any time. Each election to change a Participant's investment allocation among Investment Options shall be made via the VRU or in accordance with such other procedures as are prescribed by the Committee or its designee from time to time, and shall be effective as soon as practicable following the receipt thereof. Such election shall apply uniformly to all future Pre-Tax Contributions and After-Tax Contributions made by or on behalf of the Participant. Changes must be in increments of ten percent (10%) before July 1, 2000, and effective July 1, 2000, in increments of one percent (1%). Changes must result in a total investment of one hundred percent (100%) of the Participant's contributions under the Plan. Except as set forth in Schedule 7.2 with respect to periods prior to November 23, 1998, authorizations that do not result in an allocation of one hundred percent (100%) of the Participant's future contributions or are incorrect in any other respect will not be processed and the prior investment allocation shall continue in effect.

Section 7.4 Transfer of Account Balances Between Investment Options. Each Participant may elect to transfer the balances in his or her Account among the Investment Options at any time. Transfers pursuant to this Section 7.4 shall apply uniformly to all amounts allocated to each subaccount within the Participant's Account at the time of such election. Such election shall be made via the VRU, or in accordance with such other procedures as shall be prescribed by the Committee or its designee from time to time, and shall be effective as soon as practicable following receipt thereof, subject to limitations, if any, of the investment vehicles selected. Such transfers must be in increments of ten percent (10%) before July 1, 2000, and effective July 1, 2000, in increments of one percent (1%). Such transfers must result in the investment of one hundred percent (100%) of the Participant's Account. If a transfer authorization does not result in the allocation of one hundred percent (100%) of the Participant's Account or if it is incorrect in any other respect, the transfer authorization will not be processed by the Committee or its designee and the prior investment allocation will continue in effect.

Section 7.5 Ownership Status of Funds. The Trustee shall be the owner of record of the assets invested under the Investment Options. The Trustee or a recordkeeper designated by the Committee shall maintain or have maintained records for each Investment Option allocating a portion of the investment representing such Investment Option to each Participant who has elected that his or her Account be invested in such Investment Option. The records shall reflect the U.S. dollar value of each Participant's portion of each Investment Option.

Section 7.6 Statements. The Committee or its designee shall furnish to each Participant, at least annually, a statement of his or her Account, and a Summary Annual Report. At a minimum, while not requiring specific line items,

each statement of a Participants' Individual Account shall reflect the following:

(a) The balance in the Participant's Account as of the preceding Valuation Date, broken down among the Investment Options;

(b) The amount of contributions allocated to the Account, broken down among the Investment Options;

(c) The increase or decrease in value of the Account, broken down among the Investment Options as a result of investment performance and appreciation/depreciation since the previous Valuation Date, including the expenses of administering the Fund since the previous Valuation Date;

(d) Participant withdrawals or loans since the previous Valuation Date, broken down among the Investment Options; and

(e) The new balance in the Account as of the current Valuation Date, broken down among the Investment Options

Section 7.7 Transition Period to Implement Plan Changes. In connection with a change in record keepers, trustees, or other service providers for the Plan, a change in the methodology for valuing accounts, a change in investment options, a plan merger or other circumstances, a temporary interruption in the normal operations of the Plan may be required in order to properly implement such change or merger or take action in light of such circumstances. In such event or under such circumstances, the Committee, may take such action as it deems appropriate under the circumstances to implement such change or merger or in light of such circumstances, including authorizing a temporary interruption in a Participant's ability to obtain information about his or her Account, to take distributions from such Account and to make changes in the investment of that Account, provided the Committee will take appropriate action as to give Participants as much advance notice of the interruption as possible and to minimize the scope and length of the interruption in normal Plan operations. In addition, when changing investment options, the Committee will take such action as it deems appropriate under the circumstances to direct the investment of the funds pending completion by the Trustee of the administrative processes necessary to transfer investment authority to the Participants, including, but not limited to, mapping monies from old funds to new funds.

Section 7.8 Alternate Payees and Beneficiaries. Solely for purposes of this Article VII, an Alternate Payee or a Beneficiary who was the spouse of a Participant and who elects the installment distribution form in accordance with Section 9.5(b) will be treated as a Participant.

Article VIII. VESTING

Each Participant shall at all times have a fully vested nonforfeitable interest in the value of his or her Account.

Article IX. DISTRIBUTIONS, WITHDRAWALS AND TRANSFERS

Section 9.1 General. A Participant may request distribution of his or her Account when he or she has a Separation from Service and a Participant may request a withdrawal from his or her Account before a Separation from Service to the extent provided in Section 9.8.

Section 9.2 Separation From Service. As a general rule, if a Participant has a Separation from Service he or she may request a distribution of his or her Account and the Account will be paid to him or her as soon as practicable (but, generally, no earlier than thirty (30) days) after the Separation from Service. However, no payment will be made without the Participant's consent before age seventy and one-half (70 1/2) if (a) the value of the vested portion of his or her Account exceeds thirty-five hundred dollars ($3,500) at the time of the distribution or for distributions made before October 17, 2000, exceeded thirty-five hundred dollars ($3,500) at the time of any prior distribution under this Plan (including any in-service withdrawals made under Section 9.7), or (b) effective as of November 23, 1998, the sum of the value of his or her Account and the value of his or her account under the QSOP exceeds thirty-five hundred dollars ($3,500) at the time of the distribution or for distributions made before October 17, 2000, exceeded thirty-five hundred dollars ($3,500) at the time of any prior distribution under this Plan (including any in-service withdrawals made under Section 9.7).

Section 9.3 Deferral of Payment until 70 1/2 . Unless a Participant consents to an earlier distribution or consent is not required under Section 9.2, the Participant will be deemed to have elected to defer payment of his or her Account (which deemed election will be in lieu of a written election that conforms to the requirements of Code ss. 401(a)(14) and regulations promulgated thereunder) until the earlier of the date of such Participant's death or the date such Participant attains age seventy and one-half (70 1/2) or has a Separation from Service, whichever is later, or for a Participant who is a five

percent (5%) owner (as defined in Code ss. 416), the date that such Participant has a Separation from Service.

If a Participant consents to payment or the Participant's consent is not required under Section 9.2, payment of a Participant's Account be made no later than the sixtieth (60th) day after the close of the Plan Year in which the latest of the following events occurs:

(a) the date on which the Participant attains age sixty-two (62), which is the normal retirement age under the Plan; or

(b) the Participant has a Separation from Service.

Section 9.4 Required Beginning Date. Notwithstanding the foregoing, for Plan Years beginning on or after January 1, 1997 a Participant's Account will be paid to him or her no later than April 1 of the calendar year following (a) the calendar year in which he or she reaches age seventy and one-half (70 1/2) or (b) if later, for a Participant who is not a five percent (5%) owner (as defined in Code ss. 416), the calendar year in which he or she has a Separation from Service.

Section 9.5 Distribution Form.

(a) General. Distribution of each Participant's Account shall be, except as provided under this Section 9.5(b) or Appendix 14.3, in a lump sum distribution of Participant's entire Account.

(b) Special Installment Option. Effective as of July 1, 2000, a Participant shall be eligible to receive all or a portion of his or her Account in the form of a monthly installment distribution only if (1) he or she Separates from Service on or after attaining age fifty-five (55) and completing a Period of Service of at least ten (10) years determined from the Employment Commencement Date or Reemployment Commencement Date that most closely preceded his or her satisfaction of the Participation Requirement, (2) he or she has at the time monthly installment payments commence at least twenty-thousand dollars ($20,000) credited to his or her Account excluding any amounts which are invested in a "self-managed account," and (3) has an account established at a financial institution that can accept wire transfer monthly installment payments. A Participant shall select in accordance with procedures prescribed by the Committee or its designee the number of monthly installment payments that he or she wants to receive; provided, however, a Participant must select a minimum of twelve (12) monthly installment payments and each monthly installment payment must be at least fifty dollars ($50). Each monthly installment payment shall be equal to the balance credited to the Participant's Account (excluding any amounts which are invested in a "self-managed account") as of the last business day of the month prior to the date of payment divided by the number then remaining installment payments. Only the spouse of a Participant may, as Beneficiary, elect to continue to receive monthly installment payments; any other Beneficiary shall receive the balance of the Participant's Account in a lump sum payment in accordance with Section 9.6(d). Notwithstanding any other provision, (i) if the amount of a monthly installment becomes less than fifty dollars ($50), installment payments will cease immediately and no further payments will be made from the Account until the Participant (or a deceased Participant's spouse) requests a lump sum distribution and (ii) any balance remaining to be paid in installments at a Participant's seventieth (70th) birthday shall be paid out in a lump sum as soon as practicable thereafter.

A "self-managed account" shall mean an Investment Option that allows a Participant to invest directly in stocks, bonds or mutual funds of his or her choice subject to such rules as are established from time to time by the Committee.

A Participant (or spouse of a deceased Participant) who begins receiving installment payments may elect to terminate such installments at any time, and make a new election of monthly installments at any time, provided the requirements of this Section 9.5(b) are independently satisfied with respect to each such new election.

Section 9.6 Death.

(a) General. Subject to the provisions set forth in Appendix 14.3, if a Participant dies before his or her Account is paid to him or her in full, the remaining portion of the Account will be paid to his or her Beneficiary determined in accordance with (b) below.

(b) Determination of Beneficiary. A Participant's Beneficiary(ies) will be determined as follows:

(1) Except as otherwise provided below, a Participant's sole primary

Beneficiary will be his or her surviving spouse, if the Participant is lawfully married on the date of his or her death.

(2) If the Participant was not lawfully married at death, if the Participant's surviving spouse consented in writing before a notary public to the designation of some other person or persons as the Participant's Beneficiary or if the Committee determines that spousal consent is not required under the Code or ERISA, then the Participant's Beneficiary will be the person or persons so designated in writing by the Participant on a form satisfactory to the Committee in accordance with (c) below.

(3) The Participant's Beneficiaries will be the surviving children of the Participant, in equal shares, if any of the following apply:

(i) The Participant did not have a spouse and failed to properly designate another Beneficiary;

(ii) Neither the Participant's spouse, if any, nor any other Beneficiaries survive the Participant; or

(iii) The whereabouts of each person designated as a Beneficiary is unknown and no death benefit claim is submitted to the Committee prior to December 31 of the calendar year following the calendar year in which the Participant died.

(4) If a Beneficiary is not identified and located pursuant to Section 9.6 (b)(1), (2) or (3), the Participant's Account will be paid to the Participant's estate.

(c) Designation of Beneficiaries. A Participant may designate one or more Beneficiaries on a form satisfactory to the Committee. A Participant may designate both

primary Beneficiaries and contingent Beneficiaries. Unless clearly indicated otherwise by the Participant on the Beneficiary designation form: (1) if the Participant designates multiple primary Beneficiaries or multiple contingent Beneficiaries, each will share equally in the Account and (2) persons designated as contingent Beneficiaries will be treated as the Participant's Beneficiaries only if each of the Participant's primary Beneficiaries fail to survive the Participant or cannot be located at the time of the distribution of the Participant's Account. A Participant may change his or her designation of Beneficiary from time to time, provided, however, that if the Participant's spouse, if any, is not the sole primary Beneficiary of the Account, such spouse, if any, must consent to the designation of other Beneficiaries in writing before a notary public. No such designation or change will be effective unless and until it is received by the Committee prior to the Participant's death.

(d) Payment to Beneficiary. Subject to 9.5(b), a Beneficiary's interest in the Account of a deceased Participant will be paid to him or her in a single sum as soon as practicable after the Committee determines that the person has an interest in the Account. Distribution will be completed by December 31 of the calendar year containing the fifth anniversary of the date of the Participant's death.

(e) Information to the Committee. In its discretion, the Committee may require a copy of the Participant's death certificate and such other information as the Committee deems relevant to be submitted by the Beneficiary when making a request for death benefits under the Plan.

Section 9.7 Distribution Pursuant to a Qualified Domestic Relations Order. Any portion of a Participant's Account that is awarded to an alternate payee by reason of a qualified domestic relations order in accordance with Section 15.5(c) will, to the extent provided in such order, become available for distribution as soon as practicable following the determination by the Committee that the order meets the requirements of Code ss. 414(p).

Section 9.8 In-Service Withdrawals from Savings Plan Accounts. A Participant may make a withdrawal from his or her Account before his or her Separation from Service in accordance with the rules of this Section 9.8 or, in the case of a Merged Account, in accordance with the rules of Section 9.9.

(a) After-Tax Contribution Account, and Rollover Contribution Account. A Participant may withdraw all or a portion of his or her After-Tax Contribution Account or his or her Rollover Contribution Account at any time by making a request for withdrawal via VRU or in accordance with such other procedures prescribed by the Committee or its designee from time to time.

The Participant's After-Tax Contribution Account or Rollover Contribution Account shall both be considered a separate "contract" for purposes of Code ss. 72(d) and a withdrawal from those subaccounts will be allocated on a pro rata basis with respect to the pre-and post-tax monies held in such subaccount.

A Participant's subaccount for after-tax contributions under a Merged Account shall be treated as part of his or her After-Tax Contribution Account and a Participant's subaccount for rollover contributions under a Merged Account shall be treated as a part of his or her Rollover Contribution Account for purposes of this Section 9.8.

(b) Withdrawals After Age Fifty-Nine and One-Half (59 1/2). A Participant who is employed by an Affiliate may withdraw all or a portion of his or her Pre-Tax Contribution Account or, if applicable, any subaccount for pre-tax contributions under a Merged Account after age fifty-nine and one-half (59 1/2), by submitting a request for withdrawal via VRU or in accordance with such other procedures prescribed by the Committee or its designee for this purpose.

(c) Hardship Withdrawals. Prior to age fifty-nine and one-half (59 1/2), a Participant may withdraw any portion of his or her Pre-Tax Contribution Account or, if applicable, any subaccount for pre-tax contributions under a Merged Account (other than earnings on the Pre-Tax Contributions or pre-tax contributions under a Merged Plan held in the respective subaccount) in the event of financial hardship and a hardship withdrawal will be granted if, and to the extent that, the Committee determines that the withdrawal is "necessary" to satisfy an "immediate and heavy financial need" as determined in accordance with this Section 9.8(c)(1).

(1) Financial Need. An "immediate and heavy financial need" means one or more of the following:

(i) expenses for unreimbursed medical care described in Code ss. 213(d) incurred by the Participant, the Participant's spouse or dependents (as defined in Code ss. 152) and amounts necessary for those individuals to obtain the medical care,

(ii) the purchase of a principal residence for the Participant (excluding mortgage payments),

(iii) the payment of tuition and related educational fees, including room and board, for the next twelve (12) months of post-secondary education for the Participant or the Participant's spouse, children or dependents (as defined in Code ss. 152), or

(iv) the prevention of the eviction of the Participant from his or her principal residence or the foreclosure on the mortgage of the Participant's principal residence.

(2) Withdrawal Necessary to Satisfy Need. A hardship withdrawal will be deemed to be "necessary" to satisfy a financial need only if both of the following conditions are satisfied:

(i) The withdrawal will not exceed the amount of the need and any amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the withdrawal.

(ii) The Participant has obtained all distributions and withdrawals (other than hardship withdrawals) and all nontaxable loans currently available from all plans maintained by the Affiliates. However, a Participant will not be required to obtain a loan if the effect of the loan would be to increase the amount of the need.

(3) Suspension of Contributions and Adjusted Limits. If any portion of the hardship withdrawal comes from the Participant's Pre-Tax Account, the following restrictions apply:

(i) For the twelve (12) month period following the date of the withdrawal, the Participant cannot make any Pre-Tax Contributions or After-Tax Contributions under this Plan or elective deferrals or employee contributions under any other plans maintained by the Employer and any of its Affiliates. For this purpose, "other plans" means all qualified and nonqualified plans of deferred compensation, including a stock option, stock purchase or other similar plan, but excluding a health or welfare benefit plan (even if it is part of a cafeteria plan described in Code ss. 125).

(ii) For the calendar year immediately following the calendar year in which the withdrawal occurs, the Participant's Pre-Tax Contributions under this Plan and elective deferrals under all other plans maintained by the Affiliates cannot exceed the dollar limitation under Code ss. 402(g) for that calendar year (as described in Section 5.3) reduced by the amount of the Participant's Pre-Tax Contributions and elective deferrals under those other plans for the calendar year in which the withdrawal occurs.

(4) Procedures. Any hardship withdrawal election must describe in detail the nature of the hardship and the amount needed as a result of the hardship and must include any additional information that the Committee requests consistent with this Section 9.8, including but not limited to, personal financial records.

Finally, the hardship withdrawal rules in this Section 9.8 are intended to satisfy the safe harbor requirements in the Code ss. 401(k) regulations, and the Committee has the power to implement written procedures to modify these rules and to adopt additional rules to the extent permissible under those regulations.

(d) Payment of Withdrawal. Payment of the amount requested under Section 9.8 if permitted will be made to the Participant in a single lump sum as soon as practicable after his or her election is processed.

Section 9.9 Other In-Service Withdrawals. A Participant who was a participant in a Merged Plan may make an in-service withdrawal from his or her Merged Account as described in Appendix 14.3.

Section 9.10 Redeposits Prohibited. No amount withdrawn pursuant to Section 9.8 or 9.9 may be redeposited in the Plan.

Section 9.11 Distributions in Cash. The distribution of an Account will be made entirely in cash.

Section 9.12 Eligible Rollover Distribution.

(a) General. Notwithstanding any provision of this Plan to the contrary that would otherwise limit a Distributee's election under this Section 9.12, a Distributee may elect, at the time and in the manner prescribed by the Committee, to have any portion of an Eligible Rollover Distribution of two hundred dollars ($200) or more transferred to an Eligible Retirement Plan specified by the Distributee in a Direct Rollover.

(b) Definitions.

(1) Eligible Rollover Distribution. An Eligible Rollover Distribution is any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include:

(i) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's designated beneficiary, or for a specified period of ten (10) years or more;

(ii) any distribution to the extent that distribution is required under Codess. 401(a)(9);

(iii) any distribution of Pre-Tax Contributions or pre-tax contributions under a Merged Plan on account of hardship on or after January 1, 1999;

(iv) and the portion of any distribution that is not includible in gross income.

(2) Eligible Retirement Plan. An Eligible Retirement Plan is an individual retirement account described in Code ss. 408(a), an individual retirement annuity described in Code ss. 408(b), an annuity plan described in Code ss. 403(a), or a qualified trust described in Code ss. 401(a), that accepts the Distributee's Eligible Rollover Distribution. However, in the case of an Eligible Rollover Distribution

to the surviving spouse, an Eligible Retirement Plan is an individual retirement account or individual retirement annuity.

(3) Distributee. A Distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code ss. 414(p), are Distributees with regard to the interest of the spouse or former spouse.

(4) Direct Rollover. A Direct Rollover is a payment by this Plan to the Eligible Retirement Plan specified by the Distributee.

(5) Additional Limitations. Notwithstanding the foregoing,

(i) if the Distributee elects to have his or her Eligible Rollover

Distribution paid in part to him or her and paid in part as a Direct Rollover, the Direct Rollover must be in an amount of two hundred dollars ($200) or more; and

(ii) a Direct Rollover to more than one Eligible Retirement Plan will not be permitted.

Section 9.13 30-Day Waiver. A distribution may commence less than thirty (30) days after the notice required with respect to such distributions under Code ss. 411(a)(11) ("Notice") is given, provided that:

(a) the Notice informs the Participant that he or she has the right to a period of at least thirty (30) days after receiving the Notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option), and

(b) the Participant, after receiving the Notice, affirmatively elects a distribution within the thirty (30)-day period.

Section 9.14 Withholding Obligations. The amount of any payment from an Account will be reduced as necessary to satisfy any applicable tax withholding requirements with respect to such payment.

Section 9.15 Account Balance. A payment from an Account may be delayed pending the completion of allocations to the Account if necessary to avoid underpayment or overpayment.

Section 9.16 Reemployment. Except as provided in Section 9.4 or in connection with an in-service withdrawal, no payment will be made from an Account if a Participant is reemployed as an Employee before payment is made.

Section 9.17 Claims Procedure. All claims for benefits hereunder will be directed to the Committee or to a member of the Committee designated for that purpose. Within ninety (90)

days following receipt of a claim for benefits, the Committee will determine whether the claimant is entitled to benefits under the Plan, unless additional time is required for processing the claim. In this event, the Committee will, within the initial ninety (90)-day period, notify the claimant that additional time is needed, explain the reason for the extension, and indicate when a decision on the claim will be made, and such decision will be made within one hundred eighty (180) days of the date the claim is filed.

A denial by the Committee of a claim for benefits will be stated in writing and delivered or mailed to the claimant. The notice will set forth the specific reasons for the denial, written in a manner calculated to be understood by the claimant. The notice will include specific reference to the Plan provisions on which the denial is based and a description of any additional material or information necessary to perfect the claim, an explanation of why this material or information is necessary, the steps to be taken if the claimant wishes to submit his or her claim for review and, effective January 1, 2002, a description of the Plan's review procedures, and the time limits applicable to such procedures, and a statement of the claimant's right to bring a civil action under ERISA ss. 502(a).

The Committee will afford a reasonable opportunity to any claimant whose request for benefits has been denied for a review of the decision denying the claim. The review must be requested by written application to the Committee within sixty (60) days following receipt by the claimant of written notification of denial of his or her claim. Pursuant to this review, the claimant or his or her duly authorized representative may review any documents, records and other information which are pertinent to the denied claim and may submit issues and comments in writing. Effective January 1, 2002, a claimant may also submit documents, records and other information relating to his or her claim, without regard to whether such information was submitted in connection with his or her original benefit claim.

A decision on the claimant's appeal of the denial of benefits will ordinarily be made by the Committee within sixty (60) days of the receipt of the request for review, unless additional time is required for a decision on review, in which event the decision will be reviewed not later than one hundred twenty (120) days after receipt of request for ruling. Written notice of the need for an extension will be given to the claimant within sixty (60) days of his or her request for review.

The decision on review will be in writing and will include specific reasons for the decision, written in a manner calculated to be understood by the claimant, specific reference to the Plan provisions on which the decision is based and, effective January 1, 2002, a statement that the claimant or his or her authorized personal representative may review any documents and records relevant to the claim determination, a statement describing any further voluntary appeals procedure, if any, and a statement of the claimant's right to

bring a civil action under ERISA ss. 502(a).

Section 9.18 Forfeiture in Case of Unlocatable Participant. If the Committee is unable to pay any benefits under the Plan to any Participant or to a Beneficiary of any Participant who is entitled to benefits under this Plan because the location of such person cannot be ascertained, the Committee will proceed as follows

(a) Within 90 days of the date any benefits are payable under this Plan, the Committee will send an appropriate notice to such individual, to the last address for such individual listed in the Committee's records.

(b) If this notice is returned as unclaimed or the individual cannot be located

(1) effective as of July 1, 2001, at the end of the ninety (90)-day period which follows the ninety (90)-day period referred to in Section 9.18(a), or

(2) prior to July 1, 2001, during each of the next three plan years,

the Committee will send a notice to the last address listed in its records for the individual and, effective as of July 1, 2001, will attempt to locate such individual through a commercial locator service. (c) If such individual has not been located by

(1) effective as of July 1, 2001, the December 31 of the calendar year following the calendar year in which benefits become payable, or

(2) prior to July 1, 2001, the last day of the third Plan Year referred to in Section 9.18(b)(2),

and in the case of a Beneficiary, there is no alternate Beneficiary identified under the procedures of Section 9.6, all amounts held for his or her benefit will be forfeited and all liability for payment of that benefit will terminate, unless some other procedure is permitted or required by law. In any such case, the funds released as a result of such forfeiture each Plan Year will be applied as provided in Section 9.18(d). However, if an individual subsequently makes what the Committee determines to be a valid and proper claim to the Committee for his or her benefit that was forfeited, the forfeited amount will be restored without interest and will be distributed in accordance with the terms of this Plan

(d)

(1) The forfeitures which occur prior to January 1, 2002 in any Plan Year under Section 9.18(c) shall be applied as additional investment income.

(2) The forfeitures which occur on or after January 1, 2002 in any Plan Year under Section 9.19(c) shall be applied in the next following Plan Year and in subsequent Plan Years to the following items in the order set forth below until all the forfeitures have been so applied:

(i) to restore each previously forfeited benefit upon a valid and proper claim as described in Section 9.18(c), and

(ii) to pay the reasonable and proper expenses of the Plan and Trust Fund as provided under Article XII.

To the extent forfeitures for any Plan Year exceed amounts described in (1) and (2), such excess forfeitures shall be allocated to each Participant who is an Eligible Employee for such Plan Year on a per capita basis.

Section 9.19 Distribution/Transfer Processing Rules. All distributions, transfers and other transactions will be processed via VRU or in accordance with such other procedures as may be prescribed from time to time by the Committee or its designee, or the Trustee, including procedures regarding the use of reasonable blackout periods during which no transactions are processed.

Article X. LOANS

Section 10.1 Hardship Loans.

(a) Hardship Loans. Hardship loans from a person's Account under this Plan are available in accordance with this Section 10.1. A Participant may apply for a second loan while a first loan is outstanding, provided that repayment on the first loan is being made in a timely manner. Subject to Section 10.2 and Section 10.3, no more than two loans may be outstanding at any one time, and any

loan balance which is "rolled over" into a Participant's Account or a loan from a Merged Plan shall be counted for the purpose of this limitation. Any loan application must satisfy spousal consent rules, if applicable. Application for a loan may be made only for the following purposes:

(1) the purchase of a principal residence.

(2) the payment of tuition and related educational fees, including room and board expenses, for the next twelve (12) months of post- secondary education for a Participant, his or her spouse or dependents (as defined in Code ss. 152).

(3) the payment of expenses for medical care (as described in Code ss. 213(d)) previously incurred by the Participant, his or her spouse or any dependents (as defined in Code ss. 152), or necessary for those persons to obtain medical care.

(4) the payment to prevent eviction from or foreclosure on a Participant's principal residence.

(5) the payment of expenses in connection with the adoption of a child.

(6) the payment of unreimbursed funeral expenses for the family member of a Participant. For this purpose "family member" shall mean the spouse of a Participant, the child of a Participant or the Participant's spouse, the parent or step-parent of a Participant or the Participant's spouse, the brother or sister of a

Participant or the Participant's spouse, the grandparent of a Participant or the Participant's spouse, or the grandchild of a Participant or the Participant's spouse.

(b) Administration. The Committee will be the named fiduciary responsible for the administration of the loan program under this Plan. The Committee will establish objective nondiscriminatory written procedures for that loan program in compliance with Labor Regulation Section 2550.408b-1. Those procedures and any amendments to those procedures, to the extent not inconsistent with the terms of this Plan, are incorporated by this reference as part of this Plan.

(c) Statutory Requirements.

(1) General. All loans made under this Plan will comply with the following requirements under ERISAss. 408(b)(1):

(i) Each Participant or Beneficiary of a deceased Participant who is an "party-in-interest" (as defined in ERISA ss. 3(14)) may request a loan from the Plan.

(ii) Loans will be made available to Participants and Beneficiaries who are eligible for a loan on a reasonably equivalent basis.

(iii) Loans will not be made available to Highly Compensated Employees in an amount greater than the amount made available to other Employees.

(iv) Loans will be made in accordance with specific provisions regarding loans set forth in this Plan and the written loan procedures established by the Committee.

(v) Loans will bear a reasonable rate of interest as set by the Committee.

(vi) Loans will be adequately secured.

(2) Repayment Period.

(i) Principal and interest on the loan must be repaid in substantially level installments with payments not less frequently than quarterly over a period of five (5) years or less, or up to fifteen (15) years in the case of a residential loan.

(ii) The Committee may establish such rules as it deems necessary or appropriate for the repayment of loans, including a cure period for repayments. Effective as of July 31, 2000, the Committee may permit a Participant who is on a bona fide leave of absence either without

pay or with pay that is at a rate that is less than the amount of the installment payments required under the terms of the loan to suspend repayment of the absence (but not to exceed a year, except in the case of a Participant who is performing qualified military service within the meaning of

Codess.414(u)(5)). If payments are suspended, the loan will be reamortized on the date that such Participant is no longer entitled to a suspension at the then outstanding principal and interest (including interest accrued during the absence) in substantially equal installments over the remaining loan term. The loan term for a Participant engaged in qualified military service within the meaning of Codess. 414(u)(5) shall be extended by the period of such service. Except in the case of a Participant engaged in qualified military service within the meaning of Codess.414(u)(5), in no event shall any loan become due and payable later than the applicable period described in Section 10.1(c)(2)(i). In the case of a suspension of loan payments during a period of qualified military service within the meaning of Codess. 414(u)(5), the loan must be paid in full (including interest that accrues during such period) by the end of the original term extended by the period of military service.

(iii) A loan made under this Section 10.1 shall become due and payable in full

(A) if a Participant's employment as an Employee terminates for any reason whatsoever unless such Participant remains a "party-in-interest" with respect to this Plan following his termination of employment,

(B) if the Committee or the Trustee conclude that the Participant or Beneficiary no longer is a good credit risk, or

(C) to the extent permissible under federal law, if a Participant's or Beneficiary's obligation to repay the loan has been discharged through a bankruptcy or any other legal process or action which did not actually result in payment in full.

(3) Limitations on Amounts. No loan will be available to a Participant or a Beneficiary under this Section 10.1 if the Committee determines he or she would be unable to repay such loan in a timely fashion. The principal amount of a loan made under this Plan to a Participant or Beneficiary, together with the outstanding principal amount of any loan made under any plan maintained by an Affiliate that satisfies the requirements of Code ss.ss. 401 or 403, may not exceed the lesser of

(i) Fifty percent (50%) of that person's vested portion of his or her Account (excluding any amounts in such person's SavingsPLUS Transfer Account and subject to any special consent requirements under Appendix 14.3.) at the time the loan is made, or

(ii) Fifty Thousand Dollars ($50,000), reduced by the excess (if any) of

(A) the highest outstanding balance of any previous loans from this Plan and any other plan maintained by an Affiliate during the one-year period ending immediately before the date on which the current loan is made over

(B) the outstanding balance of the previous loans on the date on which the current loan is made.

(iii) Minimum Loan Amount. The minimum loan amount is one thousand dollars ($1,000).

(4) Interest Rate. The interest rate for a loan made under this Section 10.1 shall be one percent above the prime rate as published in the Wall Street Journal as of the last business day of the month preceding the month in which the loan application is made. The interest rate will remain fixed for the duration of the loan.

(5) Method of Repayment. Repayment of a loan made under this Section 10.1 shall be made through payroll withholding except that payment by check will be permitted under any circumstances where the Committee determines that payroll deduction would be impracticable or prohibitive. Further, a loan may be repaid in full at any time prior to the expiration of the installment period of such loan by a single sum payment to the Trustee of the outstanding principal balance then due plus any accrued but unpaid interest. All repayments made to an Affiliate shall be transferred to the Trustee as soon as practicable after such Affiliate deducts them or receives them.

(6) Security and Default.

(i) Any loan made to a Participant or Beneficiary under this Section 10.1 shall be secured by the lesser of the outstanding principal and interest due under such loan or fifty percent (50%) of his or her total vested interest in his or her Account (excluding any amounts in such person's SavingsPLUS Transfer Account).

(ii) The events of default shall be set forth in the promissory note and security agreement which evidences the loan, and such events may include the following:

(A) failure to repay the loan before the end of the five (5) year maximum period or fifteen (15) year period in the case of a residential loan set forth in Section 10.1(c)(2).

(B) failure to repay the amount due and payable on the loan upon the occurrence of an event described in Section 10.1(c)(2)(iii).

(iii) Upon default of a loan the Trustee shall upon direction by the Committee foreclose on such loan and exercise the Plan's security interest in the Participant's or Beneficiary's Account by reducing the amount otherwise distributable to him or her under this Plan by the principal amount of the loan plus any accrued but unpaid interest then due at the time of default as determined without regard to whether the loan had been discharged through a bankruptcy or any other legal process or action which did not actually result in payment in full.

(iv) The Committee shall have the power to direct the Trustee to take such action as the Committee deems necessary or appropriate to stop the payment of an Account to or on behalf of a Participant or Beneficiary who fails to repay a loan (without regard to whether his or her obligation to repay such loan had been discharged through a bankruptcy or any other legal process or action) until his or her Account has been reduced by the principal plus accrued but unpaid interest due (without regard to such discharge) on such loan or to distribute the note which evidences such loan in full satisfaction of any interest in such Account which is attributable to the value of such note.

(7) Distribution and Default. The vested portion of an Account actually payable to an individual who has an outstanding loan will be determined by reducing the vested portion of an Account by the amount of the security interest in the Account. Notwithstanding anything to the contrary in this Plan or in the written loan procedures, in the event of default, foreclosure on the note and execution of the security interest in an Account will not occur until a distributable event occurs under this Plan.

(8) Other Conditions. Any loan made under this Plan shall be subject to such other terms, limitations and conditions as the Committee from time to time shall deem necessary or appropriate

(9) Accounting. A loan to a Participant shall be considered a separate investment of the Account of the Participant. Except as set forth in Schedule 10.1(c)(9) with respect to periods prior to November 23, 1998, the proceeds of the loan shall be withdrawn pro rata from each Investment Option in which the Participant's Account is invested at the time of the loan and repayments of principal and interest on the loan shall be invested in the Investment Options in effect at the time of repayment pursuant to the Participant's investment election under Article VII.

Section 10.2 Rollover of Loan Balances. Effective October 1, 2001, an Eligible Employee who becomes an Eligible Employee as a result of an acquisition by UPS or an

Affiliate may elect to rollover one or more loans from another qualified retirement plan in connection with the rollover of the Participant's entire balance under such plan. Notwithstanding the foregoing, if a Participant rolls over more than two loans under this Section 10.2 such Participant may not apply for or take a new loan under Section 10.1(a) until he or she has repaid in full all but one loan, and after such repayment such Participant shall be subject to the limitation set forth in Section 10.1(a).

Section 10.3 Loans from Merged Plans. Any outstanding loan under a Merged Plan shall continue to be repaid under this Plan following the merger in accordance with Appendix 14.3. Notwithstanding the foregoing, if a Participant had more than two loans under a Merged Plan such Participant may not apply for or take a new loan under Section 10.1(a) until her or she has repaid in full all but one loan, and after such repayment such Participant shall be subject to the limitation set forth in Section 10.1(a).

ARTICLE XI. TRUST FUND

The Trustee will hold in trust all assets of the Trust Fund and will manage, invest and administer the Trust Fund in accordance with the terms of the trust agreement between UPS and the Trustee, as amended from time to time, and incorporated herein by reference.

ARTICLE XII. EXPENSES

All reasonable and proper expenses of the Plan and the Trust Fund (within the meaning of ERISA ss. 403(c)(1) and ss. 404(a)(1)(A)), including the

compensation of each Investment Manager and the Trustee, the expenses related to the Plan's administration and any taxes that may be levied or assessed against the Trustee on account of the Trust Fund, will be paid from the Trust Fund, unless the payment of the expense would constitute a "prohibited transaction" within the meaning of ERISA ss. 406 or Code ss. 4975. The Employer Companies, however, will have the right to pay all or any part of any expenses and to be reimbursed from the Trust Fund for any expenses paid by them that are properly payable from the Trust Fund. Any expenses that cannot be paid from the Trust Fund will be paid by the Employer Companies.

Article XIII. ADMINISTRATIVE COMMITTEE

Section 13.1 Committee. The Plan will be administered by a Committee consisting of not less than three members appointed by the Board, each of whom is and shall be a "named fiduciary" with respect to the Plan. The Committee will be the "plan administrator" of the Plan as that term is used in ERISA and the agent for service of process on or with respect to the Plan.

Section 13.2 Vacancies on Committee. Committee members will serve at the pleasure of the Board, and all vacancies will be filled by the Board. Committee members may resign at any time, such resignation to be effective when accepted by the Board.

Section 13.3 Authority of Committee. The Committee will establish rules for the administration of the Plan, and will decide all questions arising in the administration of the Plan not specifically delegated or reserved to the Board, the Employer, the Individual Trustees or the

Trustee. Except as otherwise expressly provided in this Plan, the Committee will have the exclusive right and complete discretion and authority to control the operation, management and administration of this Plan, with all powers necessary to enable the Committee to properly carry out such responsibilities, including but not limited to, the power to interpret the Plan, to construe the Plan's terms, and to decide any matters arising in and with respect to the administration and operation of the Plan, and, subject to the claims procedure described in Section 9.17, any interpretations or decisions so made will be final and binding on all persons; provided, however that all such interpretations and decisions will be applied in a uniform manner to all similarly situated persons.

Section 13.4 Action by Committee. The Committee will act by a majority of the Committee members at that time in office. Such action may be taken either by a vote at a meeting or in writing without a meeting. The Committee may appoint subcommittees and also may authorize any one or more of the Committee members or any agent to execute any document or documents or to take any other action on behalf of the Committee, except that no member of the Committee will have the right to take any such action on any matter relating solely to himself or herself or to any of his or her rights or benefits under the Plan.

Section 13.5 Liability of the Committee. The Committee and its members, to the extent of the exercise of their authority, will discharge their duties with respect to the Plan in accordance with ERISA. No member will be responsible for the actions or omissions of another member or of any other party that is a fiduciary with respect to this Plan, other than himself or herself, which are not in conformity with the Plan or ERISA, unless (a) the member knowingly participates in or knowingly conceals such conduct which he or she knows to be in breach of this standard, (b) his or her own conduct has enabled the other member or other fiduciary to be in breach of this standard, or (c) he or she has knowledge of such breach by another member or other fiduciary and fails to make reasonable efforts under the circumstances to remedy such breach.

Section 13.6 Authority to Appoint Officers and Advisors. The Committee may appoint such officers as it may deem advisable and may adopt by-laws covering the transaction of its business. The Committee may appoint and employ an Investment Manager or Managers, counsel, agents and such other service providers, including clerical, accounting and advisory service providers, as it may require in carrying out the provisions of the Plan, and will be fully protected in relying upon any action taken in reliance upon advice given by such persons.

Section 13.7 Committee Meeting. The Committee will hold meetings at such place or places, and at such time or times as it may determine from time to time, but not less frequently than once each calendar quarter.

Section 13.8 Compensation and Expenses of Committee. The members of the Committee may receive reasonable compensation for their services as the Board from time to time may determine. Such compensation and all other expenses of the Committee, including the compensation of officers, actuaries or counsel, agents or others that the Committee may employ, will constitute expenses of the Trust Fund unless paid by the Employer Companies. Notwithstanding the foregoing, any Committee member who is employed on a full-time basis by

an Employer Company will receive no compensation, but may be reimbursed for expenses incurred.

Section 13.9 Records. The Committee will keep or cause to be kept accurate and complete books and records.

Section 13.10 Fiduciary Responsibility Insurance, Bonding. If the Employer has not done so, the Committee may purchase appropriate insurance on behalf of the Plan and the Plan's fiduciaries, including the members of the Committee, to cover liability or losses occurring by reason of the acts or omissions of a fiduciary; provided, however, that such insurance, to the extent purchased by the Plan, must permit recourse by the insurer against the fiduciary in the case of a breach of a fiduciary duty or obligation by such fiduciary. The cost of such insurance will be borne by the Trust Fund, unless the insurance is paid for by the Employer. The Committee will also obtain a bond covering all of the Plan's fiduciaries, to be paid from the assets of the Trust Fund.

Section 13.11 Delegation of Specific Responsibilities. The members of the Committee may agree in writing signed by each member to allocate to any one of their number or to other persons (including corporations or other entities) any of the responsibilities with which they are charged pursuant hereto, including the appointment of a record keeper and one or more Investment Managers, provided any agreement allocating such duties will be in writing and kept with the records of the Plan and, in the case of the appointment of an Investment Manager, the person is a named fiduciary. If such delegation is made to a person who is not a member of the Committee, that person or, in the case of a corporation or other entity, its responsible officer, will acknowledge the acceptance and understanding of such duties and responsibilities.

Section 13.12 Allocation of Responsibility Among Fiduciaries for Plan and Trust Administration. The fiduciaries of this Plan, including the Trustee, the Employer, the Board and the Committee, will have only those specific powers, duties, responsibilities and obligations as are specifically given them under this Plan. Each fiduciary warrants that any directions given, information furnished, or action taken will be in accordance with the provisions of the Plan authorizing or providing for such direction, information or action. Furthermore, each fiduciary may rely upon any such direction, information or action of another fiduciary as being proper under this Plan, and is not required under this Plan to inquire into the propriety of any such direction, information or action. It is intended that each fiduciary will be responsible for the proper exercise of its own powers, duties, responsibilities and obligations under this Plan and will not be responsible for any act or failure to act of another fiduciary. No fiduciary guarantees the Trust Fund in any manner against investment loss or depreciation in asset value.

Section 13.13 Indemnification. The Employer (to the extent permissible under the Employer's charter and by-laws and applicable law) will indemnify the officers and employees of the Employer and each Employer Company and the members of the Committee, and their heirs, successors and assigns from and against any liability, assessment, loss, expense or other cost of any kind or description whatsoever, including legal fees and expenses, actually incurred by him or her on account of any action or proceeding, actual or threatened, that arises as a result of his or her acting within the scope of his or her authority under this Plan, provided (a) such action or proceeding does not arise as a result of his or her own gross negligence, willful

misconduct or lack of good faith and (b) such protection is not otherwise provided through insurance.

ARTICLE XIV. AMENDMENT, TERMINATION AND MERGER

Section 14.1 Amendment. The Board reserves the right at any time and from time to time to amend this Plan in any respect in writing, and the amendment will be binding upon a Trustee and all Employer Companies without further action; provided, that no amendment will be made that (unless otherwise permissible under applicable law) would (a) divert any of the assets of the Trust Fund to any purpose other than the exclusive benefit of Participants and Beneficiaries, (b) eliminate or reduce an optional form of benefit except to the extent permissible under Code ss. 411(d)(6) or (c) change the rights and duties of the Trustee without its consent. Notwithstanding the foregoing, this Plan may be amended retroactively to affect the Account maintained for any person if necessary to cause this Plan and the Trust Fund to be exempt from income taxes under the Code.

Section 14.2 Termination. The Employer expects this Plan to be continued indefinitely but, of necessity, reserves the right to terminate or to partially terminate this Plan or to discontinue its contributions at any time by action of the Board. The Employer also reserves the right to terminate or to partially terminate the participation in this Plan by an Employer Company by

action of the Board. An Employer Company's participation in this Plan automatically will terminate if, and at such time as, it ceases to satisfy the requirements to be an Employer Company for any reason whatsoever (other than through a merger or consolidation into another Employer Company), but termination of participation by an Employer Company will not be deemed to be a termination or partial termination of the Plan except to the extent required under the Code.

If there is a termination or partial termination of this Plan or a declaration of a discontinuance of contributions to this Plan, the Accounts of all affected Participants who are employees as of the effective date of the termination, partial termination or declaration will become fully vested. The Committee will cause all unallocated amounts to be allocated to the appropriate Accounts of the affected Participants and Beneficiaries. Upon direction of the Committee, the Trustee will distribute Accounts to Participants and Beneficiaries in accordance with uniform rules established by the Committee consistent with Code ss. 401(a).

Section 14.3 Merger, Consolidation or Transfer of Plan Assets. No merger or consolidation of this Plan with, or transfer of assets or liabilities of this Plan to, any other plan will occur unless each Participant in the Plan would (if the Plan then terminated) receive a benefit immediately after the merger, consolidation, or transfer that is equal to or greater than the benefit he or she would have been entitled to receive immediately before the merger, consolidation or transfer (if the Plan had then terminated).

The Committee may authorize the Trustee to accept a transfer of assets from or to transfer Trust Fund assets to the trustee, custodian or insurance company holding assets of any other plan that satisfies the requirements of Code ss. 401(a) in connection with a merger or

consolidation with or other transfer of assets and liabilities to or from any such plan, provided that the transfer will not affect the qualification of this Plan under Code ss. 401(a).

Any special provisions that apply to amounts transferred under this Section 14.3 shall be set forth in Appendix 14.3.

ARTICLE XV. MISCELLANEOUS

Section 15.1 Headings. The headings and subheadings in this Plan have been inserted for convenience of reference only and are to be ignored in the construction of the provisions of this Plan. All references to Articles, Sections and to paragraphs will be to sections and to subsections of this Plan unless otherwise indicated.

Section 15.2 Construction. In the construction of this Plan, the singular will include the plural in all cases where that meaning would be appropriate. This Plan will be construed in accordance with the laws of the State of Georgia, to the extent that those laws are not preempted by federal law. This Plan will not be construed to grant, nor will grant, any rights or interests to Participants or Beneficiaries in addition to those minimum rights and interests required under ERISA. Further, the Trust Fund is intended to be tax exempt under the Code.

Any reference to a statute will also include a reference to any successor statute and if any amendment renumbers a section of a statute referenced in this Plan, any such reference to such section automatically will become a reference to that section as renumbered.

Section 15.3 Counterparts. This Plan may be executed by the Employer and the Trustee in two or more counterparts, each of which shall be deemed to be an original but all of which taken together shall be deemed to be one document.

Section 15.4 Necessity of Initial Qualification. This Plan is established with the intent that it shall qualify under Code ss. 401(a) and shall be effective only if so qualified by the Internal Revenue Service. If the Internal Revenue Service determines that the Plan initially fails to meet those requirements, and it is not or cannot be amended to meet said requirements, then within 120 days after the date of such determination all of the assets of the Trust Fund held for the benefit of Participants and their Beneficiaries will be distributed to them and the Plan will be considered to be rescinded and of no force or effect.

Section 15.5 Prohibition Against Attachment.

(a) None of the benefits payable hereunder will be subject to the claims of any creditor of any Participant or Beneficiary other than this Plan nor will those benefits be subject to attachment, garnishment or other legal or equitable process by any creditor of a Participant or Beneficiary other than this Plan, nor will any Participant or Beneficiary have any right to alienate, anticipate, commute, pledge, encumber, or assign any of such benefits.

(b) If any Participant or Beneficiary under the Plan becomes bankrupt or attempts to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any

benefit under the Plan, the interest of such person in such benefit shall, in the discretion of the Committee, cease and terminate, and in that event the Committee may direct the Trustee to hold or apply the same or any part thereof to or for the benefit of such Participant or Beneficiary, his or her spouse, children, or other dependants, or any of them, in such manner and in such proportion as the Committee may deem proper.

(c) The restrictions of subsections (a) and (b) of this Section will not be violated by either (1) the creation of a right to payments from this Plan by reason of a qualified domestic relations order (as defined in Code ss. 414(p)) or (2) the making of such payments. In accordance with uniform and nondiscriminatory procedures established by the Committee from time to time, the Committee upon the receipt of a domestic relations order that seeks to require the distribution of a Participant's Account in whole or in part to an alternate payee (as the term is defined in Code ss. 414(p)(8)) will

(1) promptly notify the Participant and such alternate payee of the receipt of such order and of the procedure that the Committee will follow to determine whether such order constitutes a qualified domestic relations order within the meaning of Code ss. 414(p),

(2) determine whether such order constitutes a qualified domestic relations order, notify the Participant and the alternate payee of the results of such determination and, if the Committee determines that such order does constitute a qualified domestic relations order,

(3) transfer such amounts, if any, from the Participant's Account to a separate bookkeeping account for such alternate payee as the Committee determines necessary to satisfy the requirements of the order and Code ss. 414(p); and

(4) make such distribution to such alternate payee as the Committee deems called for under the terms of such order in accordance with Code ss. 414(p) without regard to whether a distribution would be permissible at such time to the Participant under the terms of this Plan.

An alternate payee will be treated the same as a Beneficiary of a deceased Participant pending the distribution of such alternate payee's entire interest under this Plan. Further, an alternate payee who is the spouse or former spouse of the Participant may elect that any distribution that qualifies as an eligible rollover distribution (within the meaning of Code ss. 401(a)(31)) be transferred directly to an eligible retirement plan in accordance with Section 9.12.

Section 15.6 Benefits Supported Only by Trust Fund. Any person having any claim for any benefit under this Plan must look solely to the assets of the Trust Fund for satisfaction. In no event will the Trustee, the Employer, an Employer Company, the Committee or any of their officers, directors or agents be liable in their individual capacities to any person whomsoever for the payment of benefits under the provisions of this Plan.

Section 15.7 Satisfaction of Claims. Any payment to a Participant or Beneficiary, or to the legal representative or heirs-at-law of either, made in accordance with the provisions of this Plan will to the extent of such payment be in full satisfaction of all claims under this Plan against the Trustee, the Employer, any Employer Company and the Committee, any of whom may require that person, his or her legal representative or heirs-at-law, as a condition precedent to such payment, to execute a receipt and release in a form acceptable to the Committee.

Section 15.8 Nonreversion. No part of the Trust Fund will ever be used for or be diverted to purposes other than for the exclusive benefit of Participants and Beneficiaries except that, upon direction of the Committee, the Trustee will return contributions to the Employer Companies in the following circumstances, to the extent permitted by the Code and ERISA:

(a) a contribution that is made by a mistake of fact will be returned, provided the return is made within one year after the payment of such contribution; and

(b) a contribution may be returned to the extent that the Internal Revenue Service denies an income tax deduction of such contribution, provided such return is made within one year after such denial, all such contributions being made expressly on the condition that such contributions are deductible in

full for federal income tax purposes.

Section 15.9 Top-Heavy Plan.

(a) Determination. The Committee as of the last day of each Plan Year (the "determination date") will determine the sum of the present value of the accrued benefits of "key employees" (as defined in Codess. 416(i)(1)) and the sum of the present value of the accrued benefits of all other Employees in accordance with the rules set forth in Codess. 416(g), or will take such other action as the Committee deems appropriate to conclude that no such determination is necessary under the circumstances. If the sum of the present value of the accrued benefits of such key employees exceeds sixty percent (60%) of the sum of the present value of the accrued benefits of all employees as of the determination date, this Plan will be "top-heavy" for the immediately following Plan Year. For purposes of this Section, the present value of the accrued benefit of each employee will be equal to the sum of

(1) the balance of the employee's Account under this Plan (determined for this purpose as of the last day of each Plan Year, which is the "valuation date" for this Plan);

(2) the present value of the employee's accrued benefit, if any, (determined as of the most recent valuation date occurring within a twelve (12)-month period ending on the determination date) under

(i) each qualified plan (as described in Code ss. 401(a)) maintained by an Affiliate (A) in which a key employee is a participant or (B) that enables any plan described in subclause (i) to meet the requirements of Code ss. 401(a)(4) or ss. 410 (the "required aggregation group"), and

(ii) each other qualified plan maintained by an Affiliate (other than a plan described in clause (a) that may be aggregated with this Plan and the plans described in clause (a), provided such aggregation group (including a plan described in this clause (b) continues to meet the requirements of Code ss. 401(a)(4) and ss. 410 (the "permissive aggregation group"); and

(3) the value of any withdrawals and distributions made from this Plan and the plans described in (2) above during the 5 year period ending on such determination date and the value of any contributions due under this Plan and the defined contribution plans described in (2) above but as yet unpaid as of such determination date;

provided, however, the accrued benefit of any employee will be disregarded if such employee has not performed any services for any Affiliate at any time during the five (5) year period ending on the date as of which such determination is made.

(b) Special Top-Heavy Contribution. If the Committee determines that this Plan is "top-heavy" for any Plan Year, the following special rules will apply notwithstanding any other rules to the contrary set forth elsewhere in this Plan.

(1) A contribution will be made to the QSOP for each Participant who is an Eligible Employee on the last day of such Plan Year that, when added to the employer contribution and forfeitures otherwise allocated on behalf of such individual for such Plan Year under this Plan and any other defined contribution plan maintained by an Affiliate, is equal to:

(i) for each such Eligible Employee who is not a participant in a top-heavy defined benefit plan maintained by the Employer or an Affiliate, the lesser of (a) three percent (3%) of such Eligible Employee's Compensation for such year or (b) the percentage at which contributions are made (or are required to be made) for such year to the key employee for whom such percentage is the highest; or

(ii) for each such Eligible Employee who also participates in a top-heavy defined benefit plan maintained by the Employer or an Affiliate, five percent (5%) of such Eligible Employee's Compensation for such year;

provided, however, that no such contribution will be made under this Section for any Eligible Employee to the extent such Eligible Employee receives the top-heavy minimum contributions (as described in Code ss. 416(c)) under another defined contribution plan maintained by the Employer or an Affiliate for such Plan Year.

(2) For Plan Years beginning before January 1, 2000, if the sum of the present value of the accrued benefits of key employees (computed as described in Section 16.9(a)) exceeds ninety percent (90%) of the sum of the present value of the accrued benefits of all employees (computed as described in Section 16.9(a))

as of the determination date this Plan will be "super top-heavy" for the immediately following Plan Year. With respect to "limitation years" (within the meaning of Section 5.2) which begin prior to January 1, 2000, in computing the denominators of the defined benefit and defined contribution fractions described in Codess. 415(e), (i) a factor of 1.0 will be used instead of 1.25 while the Plan is super top-heavy and (ii) if the Plan is top-heavy, but not super top-heavy and the Plan uses a factor of 1.25, the minimum contribution described in Section 16.9(b)(1)(ii) is increased to 7 1/2% of Compensation. The Committee will take such other action as necessary to satisfy the requirements of Code ss. 415(e) andss.416(h) if the Committee determines that this Plan fails to meet the requirements set forth in Code ss. 416(h)(2)(B).

Section 15.10 USERRA. Effective as of December 12, 1994, notwithstanding anything in this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service shall be provided in accordance with Code ss. 414(u).

Section 15.11 Family and Medical Leave Act. Notwithstanding any other provision, this Plan shall be interpreted and administered in all respects so that it complies with the Family and Medical Leave Act of 1993, as may be amended from time to time.

Section 15.12 No Estoppel of Plan. No person is entitled to any benefit under this Plan except and to the extent expressly provided under this Plan. The fact that payments have been made from this Plan in connection with any claim for benefits under this Plan does not (a) establish the validity of the claim, (b) provide any right to have such benefits continue for any period of time, or (c) prevent this Plan from recovering the benefits paid to the extent that the Committee determines that there was no right to payment of the benefits under this Plan. Thus, if a benefit is paid to a person under this Plan and it is thereafter determined by the Committee that such benefit should not have been paid (whether or not attributable to an error by such person, the Committee or any other person), then the Committee may take such action as the Committee deems necessary or appropriate to remedy such situation, including without limitation by (1) deducting the amount of any overpayment theretofore made to or on behalf of such person from any succeeding payments to or on behalf of such person under this Plan or from any amounts due or owing to such person by the Employer or any Affiliate or under any other plan, program or arrangement benefiting the employees or former employees of the Employer or any Affiliate, or (2) otherwise recovering such overpayment from whoever has benefited from it.

If the Committee determines that an underpayment of benefits has been made, the Committee will take such action as it deems necessary or appropriate to remedy such situation. However, in no event will interest be paid on the amount of any underpayment other than the investment gains (or losses) credited to the Participant's Account pending payment.

IN WITNESS WHEREOF, the undersigned certify that United Parcel Service of America, Inc., based upon action by its Board of Directors on _____, 2002, has caused this Restatement to be adopted.

ATTEST: UNITED PARCEL SERVICE OF AMERICA, INC.

- ---------- ----------

Joseph R. Moderow
Secretary

Michael L. Eskew
Chairman

IN WITNESS WHEREOF, the Trustee acknowledges receipt of the Plan as amended and restated effective as of January 1, 1998.

STATE STREET BANK
AND TRUST COMPANY

By:

Title:

Date:

UPS SAVINGS PLAN
APPENDIX 1.21

BUSINESS UNIT/GROUP	SAVINGS PLAN ADOPTION DATE
UPS	
United Parcel Service of America, Inc.	July 1, 1988
United Parcel Service Co.	July 1, 1988
UPS General Services Co.	July 1, 1988
UPS Aviation Services, Inc.	February 7. 1989
UPS International General Services Co.	August 12, 1988
UPS Procurement Services Corporation	September 9, 1997
UPS Worldwide Forwarding, Inc.	August 12, 1988
United Parcel Service, Inc. (New York)	July 1, 1988
United Parcel Service, Inc. (Ohio)	July 1, 1988
Trailer Conditioners, Inc.	July 1, 1988
UPS Latin America, Inc.	November 12, 1993
BT Realty Holdings, Inc.	May 18, 1999
BT Realty Holdings II, Inc.	May 18, 1999
UPS CAPITAL CORPORATION	
UPS Capital Corporation, Inc.	May 28, 1998
Glenlake Insurance Agency, Inc.	July 29, 1998
Glenlake Insurance Agency, Inc. of California	August 10, 1999
First International Bank	September 1, 2000
First International Capital Corporation of New Jersey	September 1, 2001
UPS LOGISTICS GROUP	
UPS Logistics Group, Inc.	May 24, 1996
Diversified Trimodal, Inc. (Martrac)	July 1, 1988
UPS Logistics Technologies, Inc.	July 1, 1988
UPS Supply Chain Management, Inc.	December 18, 1992
Worldwide Dedicated Services, Inc.	June 9, 1995
UPS Supply Chain Management Nevada, Inc.	July 1, 2001
UPS Supply Chain Management Tristate, Inc.	July 1, 2001
Livingston Healthcare Services, Inc.	July 1, 2001
UPS Logistics Group Americas, Inc.	July 1, 2001
UPS Service Parts Logistics, Inc.	July 1, 2001
UPSLG Puerto Rico, Inc.	July 1, 2001
UPS AVIATION TECHNOLOGIES, INC.	July 1, 1988
UPS CUSTOMHOUSE BROKERAGE, INC.	July 1, 1988
UPS FULL SERVICE BROKERAGE, INC.	June 6, 2000
UPS TELECOMMUNICATIONS, INC. (UPS TELESERVICES)	July 1, 2001
UPS MESSAGING.	
Mail2000, Inc.	February 1, 2001
UPS MAIL BOXES ETC., INC.	April 30, 2001
UPS CONSULTING, INC.	February 8, 2001
FRITZ COMPANIES	
Fritz Companies, Inc.	July 1, 2001
NEW NEON COMPANY, INC.	November 1, 2001
ISHIP, INC.	December 1, 2001
UPS SUPPLY CHAIN SOLUTIONS, INC.	January 1, 2002

UPS SAVINGS PLAN
APPENDIX 1.36

Prior Service Credit

An individual who began performing services for an Employer Company as a result of the acquisition of a company listed below will receive credit for his or her service for such company as if such service were employment with an Affiliate.

- Border Brokerage Company, Inc
- Burnham Service Corporation, et. al.
- Challenge Air Cargo, Inc.
- Fritz Companies, Inc.
- Fulfillment Systems International, Inc
- Livingston Healthcare Services, Inc.
- Mail Boxes, Etc.
- Mail2000. Inc.
- Miles Group, Inc.
- William F. Joffroy, Inc.
- W.Y. Moberly, Inc.
- Rollins Logistics, Inc. et. al.
- Transborder Customs Services, Inc.
- TSCI Holdings, Inc. (Comlasa)

H.A. & J.L. Wood, Inc.
First International Bank
First International Capital Corporation of New Jersey

Merged Plans

<TABLE>
<CAPTION>

NAME OF MERGED PLAN	EFFECTIVE DATE OF MERGER
<S>	<C>
UPS Logistics Group Retirement Savings Plan	July 1, 2001
SonicAir, Inc. 401(k) Plan	July 1, 2001
Trans-Border Customs Services, Inc. 401(k) and Profit Sharing Plan	July 1, 2001
UPS Global Forwarding Services, Inc. Retirement/Savings Plan	July 1, 2001

</TABLE>

UPS SAVINGS PLAN

APPENDIX 2.3

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UPS SAVINGS PLAN

APPENDIX VII

Section 7.1 Investment of Trust Fund. Prior to November 23, 1998, the Investment Options under the Plan included the following investment vehicles:

- - Option A - A fixed rate investment fund, as designated by the Committee or its delegate, consisting of fixed interest rate obligations issued by one or more domestic insurance companies or domestic banks each of which satisfies the asset and creditworthiness requirements described below, and collective short-term investment funds which satisfy the credit-worthiness requirements described below. The fixed interest rate obligations shall, in accordance with guidelines established by the Committee, consist of either or both of the following:

  - fixed interest rate contracts under which the payment of interest and principal is backed by the general assets and surplus of the insurance company or bank.

  - fixed interest rate contracts under which the payment of interest and principal is backed by a separate account or trust portfolio of short-term debt securities which are (i) direct obligations of the United States, (ii) obligations of an agency or instrumentality of the United States, or (iii) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in (i) or (ii).

- - Each such insurance company or bank issuing a fixed rate obligation described above shall have at least five billion dollars in assets, and shall maintain a minimum Standard & Poor's rating of AA- or a minimum Moody's rating of Aa3.

- - Pending investment in fixed rate obligations described above or for the purpose of providing a source of liquid funds for anticipated transfers, moneys invested in Option A may be invested in one or more collective short-term investment funds, the investments under which shall consist of short-term obligations or deposits, with an average maturity of not more than 120 days and a maximum maturity of not more than 30 months, which are rated at least A1 by Standard & Poor's and P1 by Moody's (or rated at least AA in the case of obligations with a maturity of 12 months or more) at the time of acquisition.

- - Option B - A Standard & Poor's 500 equity index fund or funds with the principal goal of providing returns comparable to the Standard & Poor's 500 index, an acknowledged broad-based benchmark index, as designated by the Committee.

- - Option C - A balanced investment fund as designated by the Committee or its delegate, the investments under which consist of a mix of

equity and fixed income investments, with the objective of producing a combination of risk and reward which falls between that of Options A and B above.

- - Option D - An investment fund, as designated by the Committee or its delegate, consisting of short term debt securities which represent (i) direct obligations of the United States for which its full faith and credit are pledged, (ii) obligations of an agency or instrumentality of the United States, the payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States, or (iii) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in (i) or (ii), with the primary objective of securing principal against risk of loss.

- - Option E - the Fidelity Magellan Fund, managed by Fidelity Management & Research Company, consisting primarily of common stocks and securities convertible into common stocks, with the primary objective of capital appreciation.

- - Option F - The following four Bright Horizon Funds managed by State Street Bank and Trust Company: the Bright Horizon 2005 Fund; the Bright Horizon 2015 Fund; the Bright Horizon 2025 Fund; and the Bright Horizon 2035 Fund, each consisting of equity, fixed income and, at times, cash investments, with the primary objective of providing an appropriate asset mix coupled with appropriate levels of risk and return given a Participant's approximate retirement date.

Section 7.2 Investment of Accounts. For periods prior to November 23, 1998, in the event that a Participant fails to designate any Investment Option, fails to designate Investment Options for 100% of the Participant's Account, or fails to designate a new Investment Option for amounts held in a Bright Horizon Fund under Option F on December 31 of the year in which such fund reaches its Maturity Date, or erroneously designates the investment of more than 100% of the Participant's Account, the Participant's Account will be invested as though Option D were selected until a corrected investment designation which meets the foregoing requirements is filed by the Participant. For purposes of the previous sentence, the term "Maturity Date" shall mean July 31 of the year designated by the name of the Bright Horizon Fund (e.g. the Maturity Date of the Bright Horizon 2005 Fund shall be July 31, 2005).

Section 7.3 Investment Allocation of Future Contributions. For periods prior to November 23, 1998, in the event that a Participant fails to designate a new Investment Option for amounts held in a Bright Horizon Fund under Option F on December 31 of the year in which such fund reaches its Maturity Date the Participant's Account will be invested as though Option D were selected until a corrected investment designation which meets the foregoing requirements is filed by the Participant. For purposes of the previous sentence, the term "Maturity Date" shall mean July 31 of the year designated by the name of the Bright Horizon Fund (e.g. the Maturity Date of the Bright Horizon 2005 Fund shall be July 31, 2005).

UPS SAVINGS PLAN

APPENDIX 10.1(C)(9)
Accounting.

For periods prior to November 23, 1998, the proceeds shall be withdrawn from the Participant's subaccount in the following order: first, from the Participant's Pre-Tax Contribution Account, second, from his or her Rollover Contribution Account and, third, from his or her After-Tax Contribution Account, and prorata from each Investment Option in which such subaccount is invested at the time of the loan. Repayment of principle and interest on the loan shall be credited to the Participant's subaccount in the reverse order from which the loan proceeds were withdrawn and shall be invested in the Investment Options in effect at the time of repayment pursuant to the Participant's investment election under Article VII.

UPS SAVINGS PLAN

APPENDIX 14.3

SPECIAL PROVISIONS RELATING TO MERGERS, ACQUISITIONS

Section 14.3.1 General. This Section describes special rules applicable to individuals who were employed by an employer acquired by an Employer Company or who otherwise became Employees of an Employer Company as a result of a corporate transaction, or who participated in a qualified plan that was merged into the Plan or the assets of which were transferred to this Plan pursuant to Section 14.3.

Any assets transferred to this Plan shall be invested as directed by the Committee pending completion of any allocations or other steps necessary or advisable to properly transfer investment authority of Merged Plan assets to the Participants in accordance with Article 7 of the Plan. Any loans outstanding under a Merged Plan will become loans under this Plan and, if the Participant is an Employee, will be repaid by payroll deduction following the merger or transfer.

Section 14.3.2 UPS Global Forwarding Services, Inc.

(a) GFS Plan. For purposes of this Section 14.3.2, GFS Plan means the UPS Global Forwarding Services Company, Inc. Retirement/ Savings Plan, as in effect on June 30, 2001.

(b) Merger. The assets and liabilities of the GFS Plan as of the close of business on June 30, 2001 will be merged into this Plan and will be assets and liabilities of this Plan as of July 1, 2001.

(c) Accounts. An Account will be established under this Plan to reflect the interest of each former participant in the GFS Plan to the extent he or she does not already have an Account under this Plan. The portion of a Participant's account under the GFS Plan attributable to his or her "after-tax contributions", if any, will become a part of his or her After-Tax Contribution Account; the portion attributable to his or her "pre -tax contributions", if any, will become part of his or her Pre-Tax Contribution Account under this Plan; the portion attributable to his or her "rollover contributions", if any, will become part of his or her Rollover Contribution Account under this Plan; and the remaining portion of a Participant's account under the GFS Plan will become a part of his or her Merged Account.

Section 14.3.3 UPS Logistics Group.

(a) LG Plan. For purposes of this Section 14.3.3, LG Plan means the UPS Logistics Group Retirement Savings Plan, as in effect on June 30, 2001.

(b) Merger. The assets and liabilities of the LG Plan as of the close of business on June 30, 2001 will be merged into this Plan and will be assets and liabilities of this Plan as of July 1, 2001.

(c) Accounts. An Account will be established under this Plan to reflect the interest of each former participant in the LG Plan to the extent he or she does not already have an Account under this Plan. The portion of a Participant's account under the LG Plan attributable to his or her "after-tax contributions", if any, will become a part of his or her After-Tax Contribution Account; the portion attributable to his or her "pre -tax contributions", if any, will become part of his or her Pre-Tax Contribution Account under this Plan; the portion attributable to his or her "rollover contributions", if any, will become part of his or her Rollover Contribution Account under this Plan; and the remaining portion of a Participant's account under the LG Plan will become a part of his or her Merged Account.

Section 14.3.4 Sonic Air, Inc.

(a) SA Plan. For purposes of this Section 14.3.4, SA Plan means the Sonic Air, Inc. 401(k) Plan, as in effect on June 30, 2001.

(b) Merger. The assets and liabilities of the SA Plan as of the close of business on June 30, 2001 will be merged into this Plan and will be the assets and liabilities of this Plan as of July 1, 2001.

(c) Accounts. An Account will be established under this Plan to reflect the interest of each former participant in the SA Plan to the extent he or she does not already have an Account under this Plan. A Participant's interest in his or her Account attributable to his or her interest under the SA Plan will be separately accounted for in his or her Merged Account and separate subaccounts of his or her Merged Account shall be maintained for his or her interest under the SA Plan attributable to after-tax contributions, pre-tax contributions,

rollover contributions, matching contributions and discretionary profit sharing contributions, if applicable, until the Amendment Effective Date described in Section 14.3.6. After the Amendment Effective Date, the portion of a Participant's Merged Account attributable to his or her "after-tax contributions", if any, will become a part of his or her After-Tax Contribution Account; the portion attributable to his or her "pre -tax contributions", if any, will become part of his or her Pre-Tax Contribution Account under this Plan; and the portion attributable to his or her "rollover contributions", if any, will become part of his or her Rollover Contribution Account under this Plan.

(d) Distribution Forms. Subject to Section 14.3.6 and to the automatic cashout rules of Section 9.2, any distribution (including a hardship withdrawal) made from a Participant's Merged Account shall be distributed in the Normal Form unless the Participant elects in accordance with Section 14.3.4(d)(4) to receive payment in an optional form as described in Section 14.3.4(d)(2).

(1) Normal Form. Normal Form means

(i) a Single Life Annuity Option if the Participant does not have a spouse on his or her Annuity Starting Date, or

(ii) a Joint and Survivor Annuity Option with his or her spouse as beneficiary if the Participant has a spouse on his or her Annuity Starting Date.

(2) Optional Forms. Subject to Section 14.3.4(d)(4), a Participant may elect one of the following optional forms in lieu of the Normal Form:

(i) A lump sum payment in cash;

(ii) Purchase of an annuity contract that does not provide for payments beyond the life of the Participant (or the lives of the Participant and his or her Beneficiary) or the life expectancy of the Participant (or the life expectancy of the Participant and his or her Beneficiary.

(3) Election Procedures. The Committee will (consistent with the regulations under Code ss. 417) furnish each Participant entitled to the Normal Form with a written explanation of the normal annuity form, the optional payment forms and his or her rights under Code ss. 401(a)(11), ss. 411(a)(11), and ss. 417.

A Participant may waive the Normal Form and select an optional payment form on a properly completed Election before his or her Annuity Starting Date. The last properly completed Election before the Participant's Annuity Starting Date will control the payment of benefits under this Plan.

A Participant's Election to waive the Normal Form generally will not be effective unless (A) the Election designates the form of payment, (B) his or her spouse consents in writing to the waiver, (C) the spouse's consent acknowledges the effect of the waiver, and (D) the spouse's consent is witnessed by a notary public.

However, if the Participant establishes to the satisfaction of the Committee and in accordance with Code ss. 417 that written consent of his or her spouse may not be obtained because there is no spouse or the spouse cannot be located or because of such other circumstances as may be described in the regulations under Code ss. 417, the Participant's Election will be deemed to be a valid waiver.

A spouse's written consent will be irrevocable as to that spouse and will be binding only as against that spouse.

A Participant may revoke (without the consent of his or her spouse) an election to waive the Normal Form by completing another Election at any time prior to his or her Annuity Starting Date.

(4) Death Benefits. If a Participant dies before his or her Annuity Starting Date, a Preretirement Survivor

Annuity will be purchased for his or her surviving

spouse if the Participant did not waive the Preretirement Survivor Annuity in accordance with the waiver procedures set forth in Section 14.3.4(d)(4). In lieu of the Preretirement Survivor Annuity, the surviving spouse may elect that distribution of the Participant's Merged Account balance be made in a lump sum in cash. The balance of the Participant's Merged Account shall be paid to his or her Beneficiary in a lump sum in cash.

(5) Definitions. For purposes of this Section 14.3.4(d), the following terms will have the meanings set forth below:

(i) Annuity Starting Date - means for each Participant or spouse the first day of the first period for which an amount is paid as an annuity under this Plan.

(ii) Joint and Survivor Annuity Option - means an annuity for the life of the Participant with a survivor annuity for the life of the Participant's spouse or the Participant's beneficiary that provides for monthly payments equal to 50%, 75% or 100% (as elected by the Participant) of the monthly payments payable to the Participant during his or her lifetime and that is equal to the maximum amount of annuity benefit that can be purchased (in that form) with the Participant's Merged Account and this benefit form shall be the qualified joint and survivor annuity for the purposes of Code ss. 401(a)(11) and 417.

(iii) Preretirement Survivor Annuity - means an annuity for the life of a Participant's surviving spouse, that is equal to the maximum amount of annuity benefit that can be purchased with fifty percent (50%) the Participant's SA Plan Merged Account as of the Annuity Starting Date.

(iv) Single Life Annuity Option - means an annuity payable only during the lifetime of the Participant that is equal to the maximum amount of the annuity benefit that can be purchased with the Participant's SA Plan Merged Account.

Section 14.3.5 Trans-Border Customs Services, Inc.

(a) TBCS. For purposes of this Section 14.3.5, TBCS Plan means the Trans-Border Customs Services Profit Sharing Plan, as in effect on June 30, 2001

(b) Merger. The assets and liabilities of the TCBS Plan as of the close of business on June 30, 2001 will be merged into this Plan and will be assets and liabilities of this Plan as of July 1, 2001.

(c) Accounts. An Account will be established under this Plan to reflect the interest of each former participant in the TCBS Plan to the extent he or she does not already have an Account under this Plan. A Participant's interest in his or her Account

attributable to his or her interest under the TCBS Plan will be separately accounted for in his or her Merged Account and separate subaccounts of his or her Merged Account shall be maintained for his or her interest under the TCBS Plan attributable to after-tax contributions, pre-tax contributions, rollover contributions, matching contributions and discretionary profit sharing contributions, if applicable, until the Amendment Effective Date described in Section 14.3.6. After the Amendment Effective Date, the portion of a Participant's Merged Account attributable to his or her "after-tax contributions", if any, will become a part of his or her After-Tax Contribution Account; the portion attributable to his or her "pre -tax contributions", if any, will become part of his or her Pre-Tax Contribution Account under this Plan; and the portion attributable to his or her "rollover contributions", if any, will become part of his or her Rollover Contribution Account under this Plan.

(d) Distribution Forms. Subject to Section 14.3.6, distribution of a Participant's Account the portion of his or her Account attributable to his or her account under the TCBS Plan may be made in any of the following optional forms:

(1) A lump sum payment.

(2) A series of installments over a period certain not extending beyond the life expectancy of the Participant or the joint and last survivor expectancy of the Participant and his Beneficiary determined by use of the expected return multiples under the regulations under Treas. Reg.ss. 1.72-9; or

(3) A nontransferable annuity contract (other than an annuity for the life of the Participant), providing for payments over a period certain not extending beyond the life expectancy of the Participant or the joint and last survivor expectancy of the Participant and his Beneficiary determined by use of the expected return multiples under the regulations under Treas. Reg.ss. 1.72-9.

Section 14.3.6 Limitation on Distribution Forms. Notwithstanding any provision of this Appendix 14.3 to the contrary, no form of payment other than as described in Section 9.5 shall be available for any such distribution commencing on or after the Amendment Effective Date and Section 14.3.4(d) and Section 14.3.5(d) shall be of no further effect on or after the Amendment Effective Date. To the extent a distribution described in this Appendix 14.3 required spousal consent to the timing or form of a distribution, such spousal consent shall no longer be required effective for distributions commencing on or after the Amendment Effective Date. The Amendment Effective Date shall mean the earlier of (a) the ninetieth day following the date a Participant has been furnished a summary that reflects the provisions of this Plan and which satisfies the requirements of Labor Regulation Section 2520.104b-3 for pension plans or (b) January 1, 2003.

APPENDIX 14.3 A

GUST/RRA 98

I. RETROACTIVE AMENDMENT OF PREDECESSOR PLANS.

This Appendix 14.3 A is intended to amend each Predecessor Plan (as defined below) for the applicable provisions of the Uruguay Agreements Act, Pub. L. 103-464, the Uniformed Services Employment and Reemployment Rights Act of 1994, Pub. L. 103-353, the Small Business Job Protection Act of 1996, Pub. L. 104-188, the Taxpayer Relief Act of 1997, Pub. L. 105-34, and the Internal Revenue Restructuring and Reform Act of 1998, Pub. L. 105-206 (collectively referred to as "GUST/RRA 98") that applied to each Predecessor Plan before its merger into the Plan effective as of July 1, 2001. This amendment shall be effective as to each Predecessor Plan as of the dates indicated in this Appendix and shall constitute a part of each Predecessor Plan as in effect prior to July 1, 2001.

II. PREDECESSOR PLANS. "PREDECESSOR PLAN" MEANS EACH OF THE FOLLOWING MERGED PLANS:

(A) UPS Global Forwarding Services Company, Inc. Retirement Savings Plan ("GFS Plan")

(B) UPS Logistics Group Retirement Plan ("LG Plan")

(C) Sonic Air, Inc. 401(k) Plan ("SA Plan")

(D) Trans-Border Customs Services Profit Sharing Plan ("TBCS Plan")

III. AMENDMENTS APPLICABLE TO ALL PREDECESSOR PLANS. THE FOLLOWING AMENDMENTS APPLY TO ALL PREDECESSOR PLANS:

(A) CODE SS. 401(A)(17) - FAMILY AGGREGATION RULES

Effective for plan years beginning after December 31, 1996, any provision regarding the compensation limit of Code ss. 401(a)(17) is hereby amended to delete the requirement that certain family members (i.e., the spouse and lineal descendants who have not attained age 19 before the close of the year) be aggregated with certain "highly compensated employees" within the meaning of Code ss. 414(q) and be treated as a single participant for purposes of applying the

compensation limit for a plan year. The spouse of such participants and any lineal descendants (including those descendants who have not attained age 19 before the close of the plan year) shall be treated as a separate participant for purposes of applying the limitation on compensation for a plan year.

Further, any references to the family aggregation rules previously required by Code ss. 414(q)(6) are hereby deleted.

(B) CODE SS. 414(N)(2) - TREATMENT OF LEASED EMPLOYEES

Effective for plan years beginning after December 31, 1996, the term "leased employee" shall mean any person (other than an employee of the recipient) who pursuant to an agreement between the recipient and any other person has performed services for the recipient (or for the recipient and related persons determined in accordance with Code ss. 414(n)(6)) on a substantially full-time basis for a period of at least one year, and such services are performed under the recipient's primary direction or control. No leased employees shall be eligible to participate in a Predecessor Plan.

(C) CODE SS. 414(Q) - HIGHLY COMPENSATED EMPLOYEES

Effective for plan years beginning after December 31, 1996, the term "highly compensated employee" means an employee who performed services for the employer and any other entity that is considered to be a single employer under Code ss.ss. 414(b), (c), (m) and (o) (collectively the "Controlled Group Employer") during the "determination year" and is in one or more of the following groups:

was a five (5) percent owner (as defined in Code ss. 416(i)(1)) of the Controlled Group Employer at any time during the plan year or the look-back year (the preceding twelve (12) month period), or

(b) for the look-back year-had compensation from the Controlled Group Employer in excess of eighty thousand dollars ($80,000) (as adjusted by the Secretary pursuant to Code ss. 415(d)).

The "look-back year" shall be the calendar year ending with or within the plan year for which testing is being performed, and the "determination year" shall be the plan year. In determining whether an employee is a "highly compensated employee" in 1997, this amendment to the definition of "highly compensated employee" is treated as having been in effect in 1996.

For purposes of determining a "highly compensated employee", the term "compensation" means "415 compensation."

The determination of a "Highly Compensated Employees" shall be made in accordance with Code ss. 414(q) and the regulations thereunder.

(D) CODE SS. 415(C)(3) - COMPENSATION

For limitation years beginning on and after January 1, 1998, for purposes of applying the limitations of Code ss. 415 or determining "415 compensation," compensation paid or made available during such limitation year shall include any elective deferral (as defined in Code ss. 402(g)(3)), and any amount which is contributed or deferred by the employer at the election of the employee and which is not includible in the gross income of the employee by reason of Code ss.ss. 125, 457 or, effective as of January 1, 2001, under Code ss. 132(f)(4).

(E) Codess. 415(e) - Repeal of Combined Limitation on Defined Contribution and Defined Benefit Plans

Effective for limitation years beginning after December 31, 1999, all references to Code ss. 415(e) shall be deleted and any contribution allocation limitations imposed by such Code ss. 415(e) shall cease to apply.

(F) CODESS.415(C)(1) - LIMITATION FOR DEFINED CONTRIBUTION PLAN

Effective for limitation years beginning after December 31, 1994, the limitation of Code ss. 415(c)(1) is amended to change the Code ss. 415(c)(1)(A) language to read as follows:

30,000 (as adjusted under Codess.415(d)).

(G) CODE SS. 414(U) - USERRA

Effective December 12, 1994, contributions, benefits and service credit with respect to qualified military service shall be provided in accordance with Code ss. 414(u).

(H) CODESS.SS. 401(A)(31) AND 402(C)(4) - DEFINITION OF ELIGIBLE ROLLOVER DISTRIBUTION

Effective for calendar years beginning on or after January 1, 2000, an eligible rollover distribution described in Code ss. 402(c)(4) shall exclude hardship withdrawals as defined in Code ss. 401(k)(2)(B)(i)(IV), which are attributable to the participant's elective contributions under Treasury Reg. ss. 1.401(k)-1(d)(2)(ii).

(I) CODESS. 401(K)(3) - APPLICATION OF PARTICIPATION AND DISCRIMINATION STANDARDS

Effective for plan years beginning on and after January 1, 1997, the actual deferral percentage ("ADP") for "non-highly compensated employees" (those employees who are not "highly compensated employees" as described in Code ss. 414(q) and the regulations thereunder) for the current plan year will be used in performing the nondiscrimination testing required under Code ss. 401(k)(3) for a plan year.

(J) CODE SS. 401(K)(8)(C) - DISTRIBUTION OF EXCESS CONTRIBUTIONS

Effective for plan years beginning after December 31, 1996, any distribution of the excess contributions made to satisfy the ADP test for any plan year shall be made to "highly compensated employees" as described in Code ss. 414(q) and the regulations thereunder on the basis of the amount of contributions by, or on behalf of, such employees.

Excess contributions will be calculated and distributed according to the following procedures:

Step 1) First, the total dollar amount of excess contributions is determined by reducing contributions on behalf of "highly compensated employees" in the order of their deferral percentages, beginning with the highest of such percentages and continuing until the ADP test is satisfied.

Step 2) Second, the amount determined in Step 1 above is reduced beginning with the "highly compensated employee" with the highest dollar amount of contributions to equal the dollar amount of the "highly compensated employee" with the next highest dollar amount of contributions and continuing in succeeding order of the "highly compensated employees" until all excess contributions are accounted for as determined in Step 1.

Step 3) Third, each "highly compensated employee" will receive a distribution of their portion of excess contributions determined in Step 2.

(K) CODESS. 401(M) - NONDISCRIMINATION TEST FOR MATCHING CONTRIBUTIONS AND EMPLOYEE CONTRIBUTIONS

Effective for plan years beginning on and after January 1, 1997, the actual contribution percentage (ACP) for "non-highly compensated employees" for the current plan year will be used in performing the nondiscrimination testing required under Code ss. 401(m)(2) for a plan year.

(L) CODESS. 401(M)(6)(C) - METHOD OF DISTRIBUTING EXCESS AGGREGATE CONTRIBUTIONS

Effective for plan years beginning after December 31, 1996, any distribution of the excess aggregate contributions made to satisfy the actual contribution percentage ("ACP") test for any plan year shall be made to "highly compensated employees" on the basis of the amount of contributions by, or on behalf of, each such employee.

Excess aggregate contributions will be calculated and distributed according to the following procedures:

Step 1) First, the total dollar amount of excess aggregate contributions is determined by reducing contributions on behalf of "highly compensated employees" in the order of their contribution percentages, beginning with the highest of such percentages and continuing until the ACP test is satisfied.

Step 2) Second, the amount determined in Step 1 above is reduced beginning with the "highly compensated employee" with the highest dollar amount of contributions to equal the dollar amount of the "highly compensated employee" with the next highest dollar amount of contributions and continuing in succeeding order of the "highly compensated employees" until all excess aggregate contributions are accounted for as determined in Step 1.

Step 3) Third, each "highly compensated employee" will receive a distribution of their portion of excess aggregate contributions determined in Step 2.

(M) CODE SS. 417(E)(1) - RESTRICTIONS ON CASHOUTS

Effective for plan years beginning after December 31, 1996, the Plan, which provides contributions or benefits for employees some or all of whom are owner-employees (as defined under Code ss. 401(c)), is amended as follows:

a) Contributions on behalf of any owner-employee will be made only with respect to the earned income of such owner-employee that is derived from the trade or business with respect to which the Plan is established.

b) The provisions of the Plans, if any, regarding the special aggregation rules as they existed under Code ss. 401(d) prior to its amendments by SBJPA are deleted.

(N) CODESS.402(G)(9) - LIMITATION ON EXCLUSION FOR ELECTIVE DEFERRALS FOR SELF-EMPLOYED INDIVIDUAL

Effective for years beginning after December 31, 1997, except as provided under Code ss. 401(c)(3)(D)(ii), any matching contribution described in Code ss. 401(m)(4)(A) which is made on behalf of a self-employed individual (as defined in Code ss. 401(c)), shall not be

treated as an elective employer contribution under a qualified cash or deferred arrangement (as defined in Code ss. 401(k)).

(O) CODE SS. 417(E)(1) - RESTRICTIONS ON CASHOUTS

Effective for plan years beginning on or after January 1, 1998 for the GFS and LG Plans only, if a participant's nonforfeitable account balance, taking into consideration benefits derived from both employer and employee contributions, does not exceed five thousand dollars ($5,000), such account balance shall be distributed as soon as administratively possible without the consent of the participant, and, if applicable, the participant's spouse.

(P) CODE SS. 401(A)(9) - REQUIRED DISTRIBUTIONS

Effective for calendar years beginning on and after January 1, 1997 for the LG Plan only, distribution of a participant's account shall be made, or shall commence, to him or her no later than April 1 of the calendar year which follows () the calendar year in which he or she reaches age seventy and one-half (70 1/2) or (2) if later, for a participant who is not a five (5) percent owner (as defined in Code ss. 416) the calendar year in which he or she terminates employment.

(Q) CODESS.417 - WAIVER OF PLAN DISTRIBUTION WAITING PERIOD.

Effective for distributions in plan years beginning on or after January 1, 1997 for the SA and TBCS Plans only, the annuity starting date for any annuity which is not a qualified joint and survivor annuity may be less than thirty (30) days after the receipt of the written explanation described in Code ss. 417(a)(3) provided that:

a) the participant has been provided with information that clearly indicates that the Participant has at least thirty (30) days to consider whether to waive the qualified joint and

survivor annuity and to elect with spousal consent an optional method of payment;

b) the Participant is permitted to revoke any affirmative optional form of payment at least until the annuity starting date or, if later, at any time prior to the expiration of the seven (7) day period that begins the day after the required written explanation described in Code ss. 417(a)(3) is provided to the Participant; and

c) the annuity starting date is a date after the date that the written explanation described in Code ss. 417(a)(3) was provided to the Participant.

(R) DIFFERENT PROVISIONS IN RECORDS OF EACH PREDECESSOR PLANS.

Notwithstanding the foregoing, to the extent the records of a Predecessor Plan indicate that the sponsor of such plan implemented a permissible GUST/RRA 98 provision for such Predecessor Plan that is different than the provisions of this Appendix 14.3 A (including a different effective date), such Predecessor Plan is hereby amended to such records are incorporated by reference and control in the event of a conflict with the other provisions of this Appendix 14.3 A incorporate such different provision.

EXHIBIT 10.8(5)

AMENDMENT NO. 5

TO THE

UPS QUALIFIED STOCK OWNERSHIP PLAN

AND TRUST AGREEMENT

WHEREAS, United Parcel Service of America, Inc. and certain of its affiliated companies established the UPS Qualified Stock Ownership Plan and Trust ("Plan") effective as of January 1, 1998 to provide their eligible employees with a matching contribution invested in the common stock of UPS ("UPS Stock") and to permit eligible employees to transfer amounts from the UPS Savings Plan to the Plan for the purpose of investing in UPS Stock.

NOW THEREFORE, pursuant to the authority vested in the Board by Section 12.1 of the Plan, the UPS Qualified Stock Ownership Plan is hereby amended as follows:

1. Section 1.17, Eligible Compensation, is hereby amended effective as of April 1, 1999 to read as follows:

Section 1.17. Eligible Compensation - means, for each Participant who is an Eligible Employee, all compensation or wages payable to him or her for the Plan Year by reason of his or her employment by an Employer Company before any payroll deductions, but excluding

(a) bonuses (other than any half-month bonus and, as of July 1, 2001, quarterly bonuses);

(b) amounts allocated or benefits paid under any employee benefit plan or program (other than paid time off or discretionary days), whether or not the plan or program is subject to ERISA or the benefit paid thereunder is taxable (other than Pre-Tax Contributions and salary reduction contributions made on behalf of an Employee to the UPS Flexible Benefits Plan or other plan described in Code ss. 125 and, for periods on or after April 1, 1999, amounts allocated under the UPS Deferred Compensation Plan, as amended from time to time, and/or the UPS Deferred Compensation Plan 2000);

(c) amounts payable under any incentive compensation plan or program (other than commissions and, as of July 1, 2001, sales incentives);

(d) MIP awards;

(e) stock options;

(f) foreign service differentials;

(g) severance pay;

(h) expense reimbursements;

(i) grievance awards (other than back pay);

(j) fringe benefits; and

(k) all compensation classified as "miscellaneous."

The annual Eligible Compensation of each Participant taken into account under the Plan shall not exceed $150,000 as adjusted for cost-of-living increases in accordance with Code ss. 401(a)(17) (the "annual compensation limit"). The cost-of-living adjustment in effect for a calendar year applies to any Plan Year beginning in such calendar year. If a Plan Year consists of fewer than 12 months, the annual compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the short Plan Year, and the denominator of which is 12. The annual compensation limit does not apply for purposes of Section 5.1.

2. Section 1.24, Employment Commencement Date,is hereby amended effective as of May 1, 2000 to read as follows:

Section 1.24 Employment Commencement Date - means the date on which an individual first performs an Hour of Service.

3. Section 1.31, Hour of Service, is hereby amended effective as of May 1, 2000 to read as follows:

Section 1.31 Hour of Service - means

(a) General. The term "Hour of Service" means each hour for which an individual:

(1) is paid, or entitled to payment, for the performance of duties for an Affiliate;

(2) is paid, or entitled to payment (directly or indirectly) for periods during which no duties are performed due to vacation, holiday, illness, short-term disability or incapacity pursuant to which payments are received in the form of salary continuation or from a short-term disability

plan or worker's compensation plan sponsored by an Affiliate or to which an Affiliate contributes, layoff, jury duty, military duty which gives rise to reemployment rights under Federal law, or paid leave of absence (including a period where an employee remains on salary continuation during a period of illness or incapacity);

(3) is paid by an Affiliate for any reason an amount as "back pay," irrespective of mitigation of damages; or

(4) is on an unpaid leave of absence, including any leave of absence (i) by reason of the pregnancy of the Participant, (ii) by reason of the birth of a child of the Participant, (iii) by reason of the placement of a child with the Participant in connection with the adoption of a child by the Participant, or (iv) for purposes of caring for a child of the Participant immediately following its birth or placement.

(b) Additional Rules. Notwithstanding the foregoing,

(5) An individual will earn Hours of Service credit without regard to whether such individual is treated as an "employee" of an Affiliate as a result of the application of common law principles or by operation of Codess.414(n).

(6) An individual will be credited with 190 Hours of Service with respect to each regularly-scheduled calendar work month in which such individual would, under the rules described herein, have earned at least one Hour of Service and if an individual has a Period of Separation of less than 12 months, he or she will be credited with 190 Hours of Service for each calendar month during that Period of Separation.

4. Section 1.39, Period of Service, is hereby amended effective as of May 1, 2000 to read as follows:

Section 1.39 Period of Service - means the period of time beginning on an individual's Employment Commencement Date or Reemployment Commencement Date, whichever is applicable, and ending on the date a Break in Service begins. A Period of Service of 12 months is equal to one full year of service.

5. Section 1.51, Separation from Service, is hereby amended effective May 1, 2000 to read as follows:

Section 1.51 Separation from Service - means:

(a) effective May 1, 2000, the date on which an individual terminates employment with all Affiliates, by reason of a voluntarily quit, retirement, death, the end of a period of disability of more than 52 weeks at which time a physician certifies that the individual is currently disabled and unable to return to work for an Affiliate, discharge, failure to return from layoff or authorized leave of absence, or for any other reason (unless a grievance is pending).

(b) effective before May 1, 2000, the earlier of the date under Section 1.51(a) or the date on which a 12-consecutive month period ends during which the individual did not perform an Hour of Service.

(c) A transfer from one Affiliate to another will not be treated as a Separation from Service.

(d) A discharge will not be treated as a Separation from Service for any purpose while a grievance is pending but, if the discharge is upheld, it will be treated as a Separation from Service as of the date of the discharge.

6. Section 1.42, Pre-Tax Contributions, is hereby amended, effective as of May 1, 2000, to read as follows:

Section 1.42. Pre-Tax Contributions - means the sum of (a) elective deferrals (within the meaning of Code ss. 402(g)) made under the Savings Plan, (b) with respect to an individual who becomes eligible to make elective deferrals under the Savings Plan during any Plan Year as a result of losing coverage under a collective bargaining agreement, his or her elective deferrals (within the meaning of Code ss. 402(g)) made under a Collectively Bargained Plan prior to the latest date in such Plan Year on which he or she became eligible to make elective deferrals under the Savings Plan other than elective deferrals with respect to which a matching contribution (within the meaning of Code ss. 401(m)) of any amount was made under the Collective Bargaining Plan and (c) with respect to an individual who was a participant in a Merged Plan who becomes eligible to make elective deferrals under the Savings Plan as a result of a merger of that plan into the Savings Plan, his or her elective deferrals (within the meaning of Code ss. 402(g)) made under such Merged Plan in the Plan Year in which he or she first became eligible to make elective deferrals under the Savings Plan.

7. Section 1.43, Reemployment Commencement Date, is hereby amended effective May 1, 2001 to read as follows:

Section 1.43 Reemployment Commencement Date - means for an individual who has a Break in Service before completing the Participation Requirement, an adjusted employment commencement date, which is the

first date on which that individual performs an Hour of Service following the Break in Service.

8. Article I is hereby amended to add the following new definitions, effective as of May 1, 2000:

Section 1.59 Break In Service - means

(a) effective May 1, 2000, an Eligibility Computation Period during which the Participant does not complete more than 500 Hours of Service; or

(b) effective before May 1, 2000, a Period of Separation of at least 12 consecutive months; provided, for each individual whose Employment Commencement Date or Reemployment Commencement Date is on or after May 1, 2000 and before July 1, 2001, Break in Service means the period described in Section 1.59(a) or in Section 1.59(b), whichever is most favorable to the individual.

Section 1.60 Eligibility Computation Period - means the 12 consecutive

month period beginning on an individual's Employment Commencement Date or Reemployment Commencement Date (or any anniversary of either such date) and ending on the date immediately preceding the anniversary of such date (or next succeeding anniversary of such date).

Section 1.61 Entry Date - means, effective July 7, 2001, the first Saturday of each calendar month and, before July 7, 2001, the first day of each calendar month.

Section 1.62 Participation Requirement -- means effective May 1, 2000, a 6-month Period of Service and, before May 1, 2000, a 1-year Period of Service. A "6-month Period of Service" means

(a) effective May 1, 2000, an Eligibility Computation Period during which an individual completes at least 1000 Hours of Service and an individual will be deemed to have completed a 6-month Period of Service as of the last day of the calendar month in which he or she completes at least 1000 Hours of Service; or

(b) effective before May 1, 2000, a Period of Service of at least 6 months; provided, for each individual whose Employment Commencement Date or Reemployment Commencement Date is on or after May 1, 2000 and before July 1, 2001, Participation Requirement means the period described in 1.62(a) or the period described in Section 1.62(b).

A "1-year Period of Service" means a Period of Service of at least 12 months.

For purposes of satisfying the Participation Requirement (as well as the service requirement of Section 8.10),

an individual who first performed services for an Affiliate following a transaction identified in Appendix 1.62 will be given credit for employment with the employer identified in Appendix 1.62 (but not before any date as may be specified in Appendix 1.62) as if such employment had been with an Affiliate; and

an individual who was a participant in a Merged Plan will be given credit for employment with an employer maintaining the Merged Plan as if such employment had been with an Affiliate.

Section 1.63 Merged Plan - means a plan described in Appendix 1.63 that is merged into the Savings Plan.

9. Section 2.1, General, is hereby amended effective as of May 1, 2000 to read as follows:

Section 2.1 General. Each Eligible Employee will become a Participant on the first Entry Date coinciding with or immediately following the date he or she has completed the Participation Requirement.

10. Section 2.4, Reemployment, is hereby amended effective as of May 1, 2000 to read as follows:

Section 2.4 Reemployment. If an individual has a Separation from Service before he or she completes the Participation Requirement and his or her Period of Separation is less than 12 consecutive months, the individual's prior Period of Service will be aggregated with the Period of Separation and the Period of Service completed after the Period of Separation. If the individual had a Break in Service, then his or her prior Period of Service and his or her Period of Separation will be disregarded and he or she will not become a Participant until he or she completes the Participation Requirement following his or her Reemployment Commencement Date.

If an individual has a Separation from Service after completing the Participation Requirement, then he or she will again become eligible to receive Employer Company Contributions in accordance with ARTICLE IV as soon as practicable after he or she next performs an Hour of Service as an Eligible Employee.

11. Section 4.1, SavingsPLUS Contribution, is hereby amended effective as of July 1, 2001 to read as follows:

Section 4.1 SavingsPLUS Contribution.

(a) On and After July 1, 2001. Subject to the rules and limitations set forth in this ARTICLE IV and in ARTICLE V, including the specific limitations set forth as matching formulas in this Section 4.1, an Employer Company shall make the following SavingsPLUS Contribution, if any, for each Accounting Period on behalf of each Participant who was employed as an Eligible Employee by such Employer Company on the last day of the Accounting Period and each Participant whose last employment as an Eligible Employee was with such Employer Company during the Accounting Period.

The SavingsPLUS Contribution made on behalf of each Participant described in this Section 4.1(a) shall be equal to

A minus B where:

(1) A equals

(i) For each Employer Company listed in Appendix 4.1(a)(1)(A), zero.;

(ii) For each Employer Company listed in Appendix 4.1(a)(1)(B), 50% of his or her Pre-Tax Contributions that do not exceed 6% of his or her Eligible Compensation for such Plan Year;

(iii) For each Employer Company listed in Appendix 4.1(a)(1)(C), 100% of his or her Pre-Tax Contributions that do not exceed 3% of his or her Eligible Compensation for such Plan Year; or

(iv) For each Employer Company listed in Appendix 4.1(a)(1)(D), the sum of 100% of his or her Pre-Tax Contributions that do not exceed 3% of his or her Eligible Compensation for

such Plan Year and 50% of his or her Pre-Tax Contributions in excess of 3% but not in excess of 6% of his or her Eligible Compensation for such Plan Year.

(2) B equals the SavingsPLUS Contribution and the matching contribution (within the meaning of Code ss. 401(m)) under a Merged Plan previously made by any Employer Company with respect to him or her during such Plan Year.

(b) Before July 1, 2001. Subject to the rules and limitations set forth in this ARTICLE IV and in ARTICLE V, each Employer Company shall make a SavingsPLUS Contribution for each Accounting Period on behalf of each Participant employed as an Eligible Employee on at least one day during the Accounting Period equal to A - B where

A equals the lesser of (1) 100% of his or her Pre-Tax Contributions for the Plan Year or (2) 3% of his or her Eligible Compensation for such Plan Year and

B equals the SavingsPLUS Contribution previously made with respect to him or her during such Plan Year.

12. 8.2, Separation From Service, is hereby amended effective as of May 1,

2000 to read as follows:

Section 8.2 Separation From Service. As a general rule, if a Participant has a Separation from Service he or she may request a distribution of his or her Account and the Account will be paid to him or her as soon as practicable (but, generally, no earlier than 30 days) after the Separation from Service. However, no payment will be made without the Participant's consent before age 70 1/2 if (a) the value of the vested portion of his or her Account exceeds $3,500 at the time of the distribution or for distributions made before October 17, 2000, exceeded $3,500 at the time of any prior distribution under this Plan (including any in-service withdrawals made under Section 8.7), or (b) the sum of the value of his or her Account and the value of his or her account under the Savings Plan exceeds $3,500 at the time of the distribution or for distributions made before October 17, 2000, exceeded $3,500 at the time of any prior distribution under this Plan (including any in-service withdrawals made under Section 8.7).

13. Section 8.3, Deferral of Payment until 70 1/2, is hereby amended effective as of May 1, 2000, to read as follows:

Section 8.3 Deferral of Payment until 70 1/2. Unless a Participant consents to an earlier distribution or consent is not required under Section 8.2, the Participant will be deemed to have elected to defer payment of his or her Account (which deemed election will be in lieu of a written election that conforms to the requirements of Code ss. 401(a)(14) and regulations promulgated thereunder) until the earlier of the date of such Participant's death or the date such Participant attains age 70 1/2 or has a Separation from Service, whichever is later, or for a Participant who is a 5% owner (as defined in Code ss. 416), the date that such Participant has a Separation from Service.

If a Participant consents to payment or the Participant's consent is not required under Section 8.2, payment of a Participant's Account shall be made no later than the 60th day after the close of the Plan Year in which the latest of the following events occurs:

(a) the date on which the Participant attains age 62, which is the normal retirement age under the Plan; or

(b) the Participant has a Separation from Service.

14. Section 8.4, Required Beginning Date, is hereby amended effective as of May 1, 2000, to read as follows:

Section 8.4 Required Beginning Date. Notwithstanding the foregoing, a Participant's Account will be paid to him or her no later than April 1 of the calendar year following (a) the calendar year in which he or she reaches age 70 1/2 or (b) if later, for a Participant who is not a 5% owner (as defined in Code ss. 416), the calendar year in which he or she has a Separation from Service.

15. Section 8.5, Death, is hereby amended effective as of July 1, 2001 to read as follows:

Section 8.5 Death.

(a) General. If a Participant dies before his or her Account is paid to him or her in full, the remaining portion of the Account will be paid to his or her Beneficiary determined in accordance with (b) below.

(b) Determination of Beneficiary. A Participant's Beneficiary(ies) will be determined as follows:

(1) Except as otherwise provided below, a Participant's sole primary Beneficiary will be his or her surviving spouse, if the Participant is lawfully married on the date of his or her death.

(2) If the Participant was not lawfully married at death, if the Participant's surviving spouse

consented in writing before a notary public to the designation of some other person or persons as the Participant's Beneficiary or if the Committee determines that spousal consent is not required under the Code or ERISA, then the Participant's Beneficiary will be the person or persons so designated in writing by the Participant on a form satisfactory to the Committee in accordance with (c) below.

(3) The Participant's Beneficiaries will be the surviving children of the Participant, in equal shares, if any of the following apply:

(i) The Participant did not have a spouse and failed to properly designate another Beneficiary;

(ii) Neither the Participant's spouse, if any, nor any other Beneficiaries survive the Participant; or

(iii) After following the procedures in Section 8.20, the whereabouts of each person designated as a Beneficiary is unknown and no death benefit claim is submitted to the Committee prior to December 31 of the calendar year following the calendar year in which the Participant died.

(4) If a Beneficiary is not identified and located pursuant to Section 8.5(b)(1), (2) or (3), the Participant's Account will be paid to the Participant's estate.

(c) Designation of Beneficiaries. A Participant may designate one or more Beneficiaries on a form satisfactory to the Committee. A Participant may designate both primary Beneficiaries and contingent Beneficiaries. Unless clearly indicated otherwise by the Participant on the Beneficiary designation form: (1) if the Participant designates multiple primary Beneficiaries or multiple contingent Beneficiaries, each will share equally in the Account and (2) persons designated as contingent Beneficiaries will be treated as the Participant's Beneficiaries only if each of the Participant's primary Beneficiaries fail to survive the Participant or cannot be located at the time of the distribution of the Participant's Account.

A Participant may change his or her designation of Beneficiary from time to time, provided, however, that if the Participant's spouse, if any, is not the sole primary Beneficiary of the Account, such spouse, if any, must consent to the designation of other Beneficiaries in writing before a notary public. No such designation or change will be effective unless and until it is received by the Committee prior to the Participant's death.

(d) Payment to Beneficiary. A Beneficiary's interest in the Account of a deceased Participant will be paid to him or her in a single sum as soon as practicable after the Committee determines that the person has an interest in the Account. Distribution will be completed by December 31 of the calendar year containing the fifth anniversary of the date of the Participant's death.

(e) Information to the Committee. In its discretion, the Committee may require a copy of the Participant's death certificate and such other information as the Committee deems relevant to be submitted by the Beneficiary when making a request for death benefits under the Plan.

16. Section 8.10, Participant Diversification Election, is hereby amended effective as of May 1, 2000 to read as follows:

Section 8.10 Participant Diversification Election. Each

Participant who has reached age 45 and who has completed a Period of Service of at least 10 years determined from the Employment Commencement Date or Reemployment Commencement Date that most closely preceded his or her satisfaction of the Participation Requirement ("Qualified Participant") may direct the Trustee as to the investment of amounts credited to his or her Employer Company Account.

A Qualified Participant may choose one of the following investment options:

(a) Leave the Account in this Plan; or

(b) Request a direct transfer of all or any portion of his or her Account to the Savings Plan.

If so elected, the plan transfer will be processed as soon as practicable but not later than 90 days after the Qualified Participant makes the election.

Effective November 15, 1999, if there is more than one class of UPS Stock allocated to an Account, any UPS Stock sold to effect such transfer shall be taken equally from the shares of each such class allocated to such Account in accordance with procedures developed by the Committee, which shall reflect appropriate adjustments for shares of any class sold from such Account in any tender offer.

17. Section 8.20, Forfeiture in Case of Unlocatable Participant, is hereby amended, effective as of July 1, 2001, to read as follows:

Section 8.20 Forfeiture in Case of Unlocatable Participant. If the Committee is unable to pay any benefits under the Plan to any Participant or to a Beneficiary of

any Participant who is entitled to benefits under this Plan because the location of such person cannot be ascertained, the Committee will proceed as follows:

(a) Within 90 days of the date any such benefits are payable, the Committee will send an appropriate notice to such individual, to the last address for such individual listed in the Committee's records.

(b) If this notice is returned as unclaimed or the individual cannot be located during the next 90 days, the Committee will attempt to locate such individual through a commercial locator service.

(c) If the individual has not been located by December 31 of the calendar year following the calendar year in which the benefits became payable and, in the case of a Beneficiary, there is no alternate Beneficiary identified under the procedures of Section 8.5(b), all amounts held for his or her benefit will be forfeited and all liability for payment of that benefit will terminate, unless some other procedure is permitted or required by law. In any such case, the funds released as a result of such forfeiture will be applied as SavingsPLUS Contributions. However, if an individual subsequently makes what the Committee determines to be a valid and proper claim to the Committee for his or her benefit that was forfeited, the forfeited amount will be restored without interest and will be distributed in accordance with the terms of this Plan.

18. The following Appendices hereby are added to the end of the Plan:

UPS QUALIFED STOCK OWNERSHIP PLAN

Appendix 1.21
Employer Companies

<TABLE>
<CAPTION>
- ----------

BUSINESS UNIT/GROUP	QSOP ADOPTION DATE

<S>	<C>
UPS	
United Parcel Service of America, Inc.	January 1, 1998
United Parcel Service Co.	January 1, 1998
UPS General Services Co.	January 1, 1998
UPS Aviation Services, Inc.	January 1, 1998
UPS International General Services Co.	January 1, 1998
UPS Procurement Services Corporation	January 1, 1998
UPS Worldwide Forwarding, Inc.	January 1, 1998
United Parcel Service, Inc. (New York)	January 1, 1998
United Parcel Service, Inc. (Ohio)	January 1, 1998
Trailer Conditioners, Inc.	January 1, 1998
UPS Latin America, Inc.	January 1, 1998
BT Realty Holdings, Inc.	May 18, 1999
BT Realty Holdings II, Inc.	May 18, 1999
UPS CAPITAL CORPORATION	
UPS Capital Corporation, Inc.	May 28, 1998
Glenlake Insurance Agency, Inc.	July 29, 1998
Glenlake Insurance Agency, Inc. of California	August 10, 1999
UPS LOGISTICS GROUP	
UPS Logistics Group, Inc.	January 1, 1998
Diversified Trimodal, Inc. (Martrac)	January 1, 1998
UPS Logistics Technologies, Inc.	January 1, 1998
UPS Supply Chain Management, Inc.	January 1, 1998
Worldwide Dedicated Services, Inc.	January 1, 1998
UPS Supply Chain Management Nevada, Inc.	July 1, 2001
UPS Supply Chain Management Tristate, Inc.	July 1, 2001
Livingston Healthcare Services, Inc.	July 1, 2001
UPS Logistics Group Americas, Inc.	July 1, 2001
UPS Service Parts Logistics, Inc.	July 1, 2001
UPSLG Puerto Rico, Inc.	July 1, 2001
UPS AVIATION TECHNOLOGIES, INC.	January 1, 1998
UPS CUSTOMHOUSE BROKERAGE, INC.	January 1, 1998
UPS FULL SERVICE BROKERAGE, INC.	June 6, 2000
UPS TELECOMMUNICATIONS, INC. (UPS TELESERVICES)	July 1, 2001
UPS MESSAGING.	
Mail2000, Inc.	February 1, 2001
UPS MAIL BOXES ETC., INC.	April 30, 2001
UPS CONSULTING, INC.	February 8, 2001
FRITZ COMPANIES	
Fritz Companies, Inc.	July 1, 2001

</TABLE>

UPS QUALIFIED STOCK OWNERSHIP PLAN

APPENDIX 1.62

Prior Service Credit

An individual who began performing services for an Employer Company as a result of the acquisition of a company listed below will receive credit for his or her service for such company as if such service were employment with an Affiliate.

Border Brokerage Company, Inc

Burnham Service Corporation, et. al.
Challenge Air Cargo, Inc.
Fritz Companies, Inc.
Fulfillment Systems International, Inc
Livingston Healthcare Services, Inc.
Mail Boxes, Etc.
Mail2000. Inc.
Miles Group, Inc.
William F. Joffroy, Inc.
W.Y. Moberly, Inc.
Rollins Logistics, Inc. et. al.
Transborder Customs Services, Inc.
TSCI Holdings, Inc. (Comlasa)
H.A. & J.L. Wood, Inc.

UPS QUALIFIED STOCK OWNERSHIP PLAN

APPENDIX 1.63

<TABLE>
<CAPTION>

NAME OF MERGED PLAN	EFFECTIVE DATE OF MERGER
<S>	<C>
UPS Logistics Group Retirement Savings Plan	July 1, 2001
SonicAir, Inc. 401(k) Plan	July 1, 2001
Trans-Border Customs Services, Inc. 401(k) and Profit Sharing Plan	July 1, 2001
UPS Global Forwarding Services, Inc. Retirement/Savings Plan	July 1, 2001

</TABLE>

UPS QUALIFIED STOCK OWNERSHIP PLAN

APPENDIX 4.1(a)(1)(A)

(Effective July 1, 2001)

SavingsPLUS Contribution Level = Zero

None

UPS QUALIFIED STOCK OWNERSHIP PLAN

APPENDIX 4.1(a)(1)(B)

(Effective July 1, 2001)

SavingsPLUS Contribution Level = 50% of Pre-Tax Contributions
that do not exceed 6% of Eligible Compensation

Fritz Companies, Inc.

UPS QUALIFIED STOCK OWNERSHIP PLAN

APPENDIX 4.1(a)(1)(C)

(Effective July 1, 2001)

SavingsPLUS Contribution Level = 100% of Pre-Tax Contributions
that do not exceed 3% of Eligible Compensation

UPS
United Parcel Service of America, Inc.
United Parcel Service Co.
UPS General Services Co.
UPS Aviation Services, Inc.
UPS International General Services Co.
UPS Procurement Services Corporation
UPS Worldwide Forwarding, Inc.
United Parcel Service, Inc. (New York)
United Parcel Service, Inc. (Ohio)
Trailer Conditioners, Inc.
UPS Latin America, Inc.
BT Realty Holdings, Inc.
BT Realty Holdings II, Inc.

UPS CAPITAL CORPORATION
UPS Capital Corporation, Inc.
Glenlake Insurance Agency, Inc.
Glenlake Insurance Agency, Inc. of California

UPS LOGISTICS GROUP
UPS Logistics Group, Inc.
Diversified Trimodal, Inc. (Martrac)
UPS Logistics Technologies, Inc.
UPS Supply Chain Management, Inc.
Worldwide Dedicated Services, Inc.
UPS Supply Chain Management Nevada, Inc.
UPS Supply Chain Management Tristate, Inc.
Livingston Healthcare Services, Inc.
UPS Logistics Group Americas, Inc.
UPS Service Parts Logistics, Inc.
UPSLG Puerto Rico, Inc.

UPS AVIATION TECHNOLOGIES, INC.

UPS CUSTOMHOUSE BROKERAGE, INC.
UPS FULL SERVICE BROKERAGE, INC.

UPS TELECOMMUNICATIONS, INC.
(UPS TELESERVICES)

UPS MESSAGING
Mail2000, Inc.

UPS MAIL BOXES ETC., INC.

UPS CONSULTING, INC.

UPS QUALIFIED STOCK OWNERSHIP PLAN

APPENDIX 4.1(a)(1)(D)

(Effective July 1, 2001)

SavingsPLUS Contribution Level = 100% of Pre-Tax Contributions
up to 3% of Eligible Compensation Plus 50% of
Pre-Tax Contributions in excess of 3% of Eligible Compensation
but not in excess of 6% of Eligible Compensation

None

IN WITNESS WHEREOF, the undersigned certify that United Parcel Service of America, Inc. based upon action by its Board of Directors dated June __, 2001, has caused this Amendment No. 5 to be adopted.

ATTEST: UNITED PARCEL SERVICE OF
AMERICA, INC.

- ----------
Joseph R. Moderow
Secretary

James P. Kelly
Chairman

EXHIBIT 10.8(6)

AMENDMENT NO. 6

TO THE

UPS QUALIFIED STOCK OWNERSHIP PLAN

AND TRUST AGREEMENT

WHEREAS, United Parcel Service of America, Inc. and certain of its affiliated companies established the UPS Qualified Stock Ownership Plan and Trust ("Plan") effective as of January 1, 1998 to provide their eligible employees with a matching contribution invested in the common stock of UPS ("UPS Stock") and to permit eligible employees to transfer amounts from the UPS Savings Plan to the Plan for the purpose of investing in UPS Stock.

NOW THEREFORE, pursuant to the authority vested in the Board by Section 12.1 of the Plan, the UPS Qualified Stock Ownership Plan is hereby amended as follows:

1. Section 1.21, Employer Company, is hereby amended effective as of January 1, 1998 to read as follows:

Section 1.21 Employer Company - means the Employer and any domestic corporation that is an "employer company" under the Savings Plan.

2. Section 1.27, Excess Aggregate Contributions, is hereby amended effective as of January 1, 1998 to read as follows:

Section 1.27 Excess Aggregate Contributions - means for any Plan Year the excess of

(a) the SavingsPLUS Contributions within the meaning of Section 5.2 actually made by or on behalf of Highly Compensated Employees for a Plan Year and

(b) the maximum permissible amount of such contributions for such Plan Year under Codess. 401(m) as described in Section 5.2.

The total dollar amount of Excess Aggregate Contributions is determined by reducing contributions on behalf of Highly Compensated Employees in order of their contribution percentages, beginning with the highest of such percentages and continuing until the ACP test is satisfied.

3. Section 1.30, Highly Compensated Employee, is hereby amended effective as of January 1, 1998 to add the following paragraph at the end thereof:

Notwithstanding the foregoing, only for the purpose of Puerto Rican law and solely to comply therewith, a "Highly Compensated Employee" shall mean any Participant who is an Eligible Employee employed in Puerto Rico who is among the top one-third (1/3) of all Eligible Employees receiving the highest aggregate compensation from an Employer Company.

4. Section 1.45, Savings Plan Account, is hereby amended effective as of July 1, 2001 to read as follows:

Section 1.45 Savings Plan Account - - means the aggregate of a person's Savings Plan Pre-Tax Contribution Account, Savings Plan After-Tax Contribution Account, Savings Plan Rollover Account and Savings Plan Merged Account.

5. Section 1.51, Separation from Service, is hereby amended effective as of January 1, 1998 to read as follows:

Section 1.51 Separation from Service - means:

(a)

(1) Effective as of May 1, 2000, the date on which an individual terminates employment with all Affiliates by reason of a voluntarily quit, retirement, death, the end of a period of disability of more than 52 weeks at which time a physician certifies that the individual is currently disabled and unable to return to work for an Affiliate, discharge, failure to return from layoff or

authorized leave of absence, or for any other reason (unless a grievance is pending), provided for periods before January 1, 2002, such separation constitutes a "separation from service" within the meaning of Code ss. 401(k) and, for periods on or after January 1, 2002, such separation constitutes a "severance from employment" under the Savings Plan. A discharge will not be treated as a Separation from Service while a grievance is pending but, if the discharge is upheld, will be treated as a Separation from Service as of the date of the discharge.

(2) Effective before May 1, 2000, the earlier of the date under Section 1.51(a)(1) or the date on which a 12-consecutive month period ends during which the individual did not perform an Hour of Service.

(b) A transfer from one Affiliate to another will not result in a Separation from Service.

(c) A discharge will not result in a Separation from Service for any purpose while a grievance is pending but, if the discharge is upheld, the Separation from Service will be the date of the discharge.

Notwithstanding the foregoing, and solely for the purpose of determining the length of a Period of Service before May 1, 2000, in the case of an Employee who ceases active employment (i) by reason of the pregnancy of the Employee, (ii) by reason of the birth of a child of the Employee, (iii) by reason of the placement of a child with the Employee in connection with the adoption of such child by the Employee or (iv) for purposes of caring

for such child for a period beginning immediately following such birth or placement, "Separation from Service" shall mean the second anniversary of said cessation of active employment.

6. Article I is hereby amended effective as of July 1, 2001 to add the following new definition which reads as follows:

Section 1.64 Savings Plan Merged Account.- means the subaccount maintained as a part of a person's Account to show his or her interest attributable to transfers from his or her merged account under the Savings Plan.

7. Article I is hereby amended effective as of May 1, 2000 to correct a scrivener's error by deleting the duplicative Section 1.10, Break in Service, and marking it reserved.

8. The Plan is hereby amended effective as of January 1, 2002 to delete Section 1.10, following such deletion, to set forth all definitions in Article I in alphabetical order, to renumber each Section in such Article and to make any corresponding Section reference changes in the Plan.

9. Section 2.2, Transfer to Position Not Covered by Plan, is hereby amended effective as of January 1, 1998 to read as follows:

Section 2.2 Transfers to Position Not Covered by Plan. If a Participant loses his or her status as Eligible Employee because he or she is transferred to an Affiliate that is not an Employer Company or because he or she is transferred to a position with an Employer Company that is not an Eligible Employee position, the Participant will remain a Participant in this Plan with respect to contributions previously made on his or her behalf but shall not be eligible to have SavingsPLUS Contributions made to this Plan on his or her behalf following the end of the Accounting Period in which he or she loses his or her status as an Eligible Employee unless and until he or she again becomes an Eligible Employee. In the event the Participant is subsequently transferred to a position in which he or she again becomes an Eligible Employee, the Participant will again become eligible to receive Employer Company Contributions under this Plan in accordance with ARTICLE IV.

10. Section 5.1(a)(2) is hereby amended effective as of January 1,

1998 to read as follows:

(2) $30,000 (as adjusted under Codess.415(d)), or

11. Section 5.1, Codess.415 Limitations, is hereby amended effective as of January 1, 2000 to read as follows:

Section 5.1 Codess. 415 Limitations.

(a) General Rule. The term "limitation year" as defined in Code ss. 415 and the corresponding regulations means the calendar year. The total annual additions (as described in Section 5.1(b)) allocated to a Participant's Account for

any limitation year when added to the contributions that are treated as made on behalf of such Participant for such limitation year under the coordination rules in Section 5.1(c) will not exceed the lesser of

(1) 25% of the Participant's Compensation for the limitation year,

(2) $30,000 (as adjusted under Codess.415(d)), or

(3) such lesser amount as the Committee deems necessary or appropriate to satisfy the requirements of Code ss. 415 in light of Section 5.1(d) and the benefits, if any, accrued and the contributions, if any, made for such Participant under any other defined contribution plan maintained by an Affiliate.

If a short limitation year (less than 12 months) is created because of an amendment, the limitation described in (2) above will be prorated.

(b) Annual Additions. The term "annual additions" means, for each Plan Year, the total contributions and forfeitures allocated to a Participant's Account for that Plan Year as Employer Company Contributions. Any corrective allocations made under this Plan will be treated as annual additions in the limitation year to which such allocations relate.

For the purpose of this Section 5.1(b) contributions allocated to an "individual medical benefit account" described in Code ss. 415(l) and contributions credited under a welfare benefit fund maintained by an Affiliate for any year to a reserve for post-retirement medical benefits for a Participant who is a "key employee" within the meaning of Code ss. 416(i) will be treated as a contribution made on his or her behalf under this Plan when, and to the extent, required under Code ss. 415 or ss. 419A(d).

(c) Corrections in this Plan. If as the result of the allocation of forfeitures, the failure to estimate a Participant's compensation, the failure to estimate a Participant's Pre-Tax Contributions, SavingsPLUS Contributions or matching contributions under other plans of an Affiliate or such other facts and circumstances which the Commissioner of Internal Revenue finds so justify, the limitations imposed by Code ss. 415(c) are exceeded for any Participant in a limitation year, and a correction cannot be made in the Savings Plan because contributions made to the Savings Plan for that Plan Year have been transferred to this Plan, a reduction to correct the excess will be made from the contributions transferred to this Plan (adjusted for investment gains) and such reduction shall be made in the following order:

(1) by refunding After-Tax Contributions for such limitation year (and any investment gains attributable to those refunded contributions);

(2) by refunding unmatched Pre-Tax Contributions

for such limitation year (and any investment gains attributable to those refunded contributions); and

(3) by refunding matched Pre-Tax Contributions for such limitation year (and any investment gains attributable to those refunded contributions). The number of whole shares of UPS stock attributable to the match on refunded matched Pre-Tax Contributions (or if the Participant has diversified his or her SavingsPLUS Account pursuant to Section 8.10, an amount equal to the then Fair Market Value of those shares) will be transferred to a Codess. 415 suspense account

(4) Further, if, after making the adjustments described in Section 5.1(d)(1) and (2) and in Section 5.1(c),(1)(2) and (3), it is determined that crediting Employer Company Contributions to a Participant's Account could exceed the restrictions set forth in this Section 5.1, that excess contribution will be corrected by transferring shares of UPS stock attributable to the excess Employer Company Contributions to a Code ss. 415 suspense account in the following order: (i) Top-Heavy Contribution Contributions, (ii) Discretionary Employer Contributions, (iii) SavingsPLUS Contributions, and (iv) Loan Repayment Contributions. If a Participant has diversified his or her Employer Company Account pursuant to Section 8.10, an amount equal to the then Fair Market Value of the shares attributable to the excess contributions will be transferred from the Savings Plan to a Code ss. 415 suspense account under this Plan

(5) Amounts transferred to a Code ss. 415 suspense account will not be allocated to the Participant's Account, but will be held unallocated in a separate suspense account and will be treated as a SavingsPLUS Contribution for the next Plan Year (and each succeeding Plan Year, if necessary). The balance credited to the suspense account will be returned to the Employer Companies in the event this Plan is terminated prior to the date the suspense account has been applied in accordance with this Section 5.1.

(d) Coordination Rules. If any adjustment is required under Code ss. 415 as a result of a Participant's participation in any other defined contribution plans, the adjustment will be made in the following steps: (1) from unmatched employee contributions in this Plan or any other defined contribution plan with a cash or deferred arrangement intended to satisfy Code ss. 401(k); (2) from unmatched elective deferrals in this Plan or any other defined contribution plan with a cash or deferred arrangement intended to satisfy Code ss. 401(k); (3) from matched employee contributions in this Plan or any other defined contribution plan with a cash or deferred arrangement intended to satisfy Code ss. 401(k) and the related

matching contributions under this Plan or any other defined contribution plan in which the individual is a participant; (4) from matched elective deferrals in this Plan or any other defined contribution plan with a cash or deferred arrangement intended to satisfy Code ss. 401(k) and the related matching contributions under this Plan or any other defined contribution plan in which the individual is a participant (5) from other contributions made to this Plan and (6) from other contributions to any other defined contribution plans in which the individual is a participant.

(e) Coordination with Code ss. 401(m). Any After-Tax Contributions refunded under this Section 5.1 shall be disregarded for purposes of the Code ss. 401(m) limitation under Section 5.2.

12. Section 5.2, ACP Test Limitation For Highly Compensated Employees, is hereby amended effective as of January 1, 1998 to read as follows:

Section 5.2 ACP Test Limitation For Highly Compensated Employees.

(a) ACP Test. For each Plan Year, SavingsPLUS Contributions credited to each Highly Compensated Employee's Account under this Plan must satisfy one of the following alternative tests each Plan Year:

(1) the average of the ACPs for all Highly Compensated Employees does not exceed 125% of the average of the ACPs for all Nonhighly Compensated Employees, or

(2) the average of the ACPs for all Highly Compensated Employees does not exceed the lesser of (i) two times the average of the ACPs for all Nonhighly Compensated Employees or (ii) the average of the ACPs for all Nonhighly Compensated Employees plus two percentage points.

The average of the ACPs for all Nonhighly Compensated Employees' will be determined using the ACPs for Nonhighly Compensated Employees for the preceding Plan Year.

(b) Aggregation with Other Plans or Arrangements. For any Plan Year before the Board activates the ESOP feature, the ACP for each Participant who is an Eligible Employee will be determined by aggregating this Plan with the Savings Plan. After-Tax Contributions made under the Savings Plan will be treated as SavingsPLUS Contributions under this Plan. Further, the ACP for any Highly Compensated Employee will be determined as if any "employee contributions" (within the meaning of Codess. 401(m)) and any "matching contributions" (within the meaning of Codess. 401(m)(4)) allocated to his or her account during the same Plan Year under one, or more than one, other plan described in Code ss. 401(a) orss.401(k) maintained by an Affiliate had been made

under this Plan or, at the option of the Committee, the Plan may be permissively aggregated with such other plans. If this Plan satisfies the coverage requirements of Codess. 410(b) only if aggregated with one or more other plans, or if one or more other plans satisfy the coverage requirements of Codess. 410(b) only if aggregated with this Plan, then this Section 5.2 will be applied by determining the ACPs of all Participants as if all the plans were a single plan.

For any Plan Year in which the ESOP feature is activated, SavingsPLUS Contributions under this Plan may not be aggregated with employee contributions or matching contributions under any other plan to the extent prohibited by the regulations under Code ss. 410(b) as modified by the regulations under Code ss. 401(k).

(c) Multiple Use Limitation. The ACPs of all Highly Compensated Employees will be reduced (beginning with the highest of such percentages) to the extent required under Code ss. 401(m) and the regulations issued under that section to prevent multiple use of the alternative test described in Code ss. 401(k)(3)(A)(ii)(II) and in Code ss. 401(m)(2)(A)(ii) in the same Plan Year. The reduction will be treated as an Excess Aggregate Contribution. If the ESOP feature is activated, the multiple use limitation will not apply unless this Plan (or another ESOP maintained by an Affiliate) also permits elective deferrals.

(d) Action to Satisfy ACP Test.

(1) Distribution or Forfeiture of Excess Aggregate Contributions. Notwithstanding any other provision of this Plan, Excess Aggregate Contributions made for any Plan Year adjusted for investment gains and losses will be distributed from the Accounts of Highly Compensated Employees no later than the last day of the immediately following Plan Year.

For any Plan Year before the Board activates the ESOP feature, the Excess Aggregate Contributions will be distributed on the basis of the sum of the After-Tax Contributions and SavingsPLUS Contributions made on behalf of each Highly Compensated Employee, starting with the Highly Compensated Employee who has the largest sum of those contributions and ending when the Excess Aggregate Contributions are distributed. The Excess Aggregate Contributions will first be reduced by distributing After-Tax Contributions from the Savings Plan and then by distributing SavingsPLUS Contributions from this Plan. If a distribution cannot be made from the Savings Plan because After-Tax Contributions have been transferred to this Plan, then the distribution will be made from the Highly Compensated Employee's Savings Plan After-Tax Contribution Account. If a distribution cannot be made from this Plan because SavingsPLUS Contributions

have been transferred to the Savings Plan, then distributions will be made from the transfer account under the Savings Plan.

For any Plan Year in which the ESOP feature is activated, the distribution of Excess Aggregate Contributions will be made on the basis of the amount of SavingsPLUS Contributions made on behalf of a Highly Compensated Employee, starting with the Highly Compensated Employee with the most SavingsPLUS Contributions and ending when the Excess Aggregate Contributions are distributed.

(2) Determination of Investment Gain or Loss. Excess Aggregate Contributions will be adjusted for investment gain or loss for the Plan Year for which such contributions were made in accordance with the regulations under Code ss. 401(m) but will not be adjusted for investment gain or loss for the period between the end of the Plan Year and the date the Excess Aggregate Contributions are distributed.

13. Section 8.7, In-Service Withdrawals from Savings Plan Accounts, is hereby amended effective as of July 1, 2001 to read as follows:

Section 8.7 In-Service Withdrawals from Savings Plan Accounts. A Participant may make a withdrawal from his or her Savings Plan Accounts before his or her Separation from Service in accordance with the rules of this Section 8.7.

(a) Savings Plan After-Tax Contribution Account and Savings Plan Rollover Account. A Participant may withdraw all or a portion of his or her Savings Plan After-Tax Contribution Account or Savings Plan Rollover Account at any time, by making a request for withdrawal via a voice response unit or in accordance with such other procedures established by the Committee or its designee from time to time.

The Participant's Savings Plan After-Tax Contribution Account will be considered a separate "contract" for purposes of Code ss. 72(d) and a withdrawal from that subaccount will be allocated on a pro rata basis with respect to the pre-and post-tax monies held in such subaccount.

A Participant's subaccount for after-tax contributions under his or her Savings Plan Merged Account shall be treated as part of his or her Savings Plan After-Tax Contribution Account and a Participant's subaccount for rollover contributions under his or her Savings Plan Merged Account shall be treated as a part of his or her Savings Plan Rollover Account for purposes of this Section 8.7.

(b) Withdrawals After Age 59 1/2. A Participant who is employed by an Affiliate may withdraw all or a portion of his or her Savings Plan Pre-Tax Contribution Account after age 59 1/2, by submitting a request for withdrawal via a voice response unit in accordance with procedures adopted by the Committee or its designee for this purpose.

A Participant's subaccount for pre-tax contributions under his or her Savings Plan Merged Account shall be treated as part of his or her Savings Plan Pre-Tax Contribution Account for purposes of this Section 8.7.

(c) Savings Plan Merged Account. To the extent that a Participant has transferred amounts from the Savings Plan which have been allocated to his or her Savings Plan Merged Account, such Participant may make an in-service withdrawal from his or her Savings Plan Merged Account under this Plan as described in appendix 14.3 to the Savings Plan.

14. Section 8.13(b)(1) is hereby amended effective as of January 1, 1999 to read as follows:

(1) Eligible Rollover Distribution. An Eligible Rollover Distribution is any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include:

(i) any distribution that is one of a series of substantially equal periodic payments (not less frequently than anually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's designated beneficiary, or for a specified period of 10 years or more;

(ii) any distribution to the extent that distribution is required under Codess. 401(a)(9);

(iii) any distribution of Pre-Tax Contributions or pre-tax contributions under a Merged Plan on account of hardship on or after January 1, 1999; and

(iv) and the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to UPS Stock).

15. Section 8.19, Claims Procedure, is hereby amended to read as follows:

Section 8.19 Claims Procedure. All claims for benefits hereunder will be directed to the Committee or to a member of the Committee designated for that purpose. Within 90 days following receipt of a claim for benefits, the Committee will determine whether the claimant is entitled to benefits under the Plan, unless additional time is required for processing the claim. In this event, the Committee will, within the initial 90-day period, notify the claimant that additional time is needed, explain the reason for the extension, and indicate when a decision on the claim will be made, which must be within 180 days of the date the claim is filed.

A denial by the Committee of a claim for benefits will be stated in writing and

delivered or mailed to the claimant. The notice will set forth the specific reasons for the denial, written in a manner calculated to be understood by the claimant without benefit of legal or actuarial counsel. The notice will include specific reference to the Plan provisions on which the denial is based and a description of any additional material or information necessary to perfect the claim, an explanation of why this material or information is necessary, the steps to be taken if the claimant wishes to submit his or her claim for review and, effective as of January 1, 2002, a description of the Plan's review procedures, and the time limits applicable to such procedures, and a statement of the claimant's right to bring a civil action under ERISA ss. 502(a).

The Committee will afford a reasonable opportunity to any claimant whose request for benefits has been denied for a review of the decision denying the claim. The review must be requested by written application to the Committee within 60 days following receipt by the claimant of written notification of denial of his or her claim. Pursuant to this review, the claimant or his or her duly authorized representative may review any documents, records and other information which are pertinent to the denied claim and may submit issues and comments in writing. Effective January 1, 2002, a claimant may also submit documents, records and other information relating to his or her claim, without regard to whether such information was submitted in connection with his or her original benefit claim.

A decision on the claimant's appeal of the denial of benefits will ordinarily be made by the Committee within 60 days of the receipt of the request for review, unless additional time is required for a decision on review, in which event the decision will be reviewed not later than 120 days after receipt of request for ruling. Written notice of the need for an extension will be given to the claimant within 60 days of his or her request for review.

The decision on review will be in writing and will include specific reasons for the decision, written in a manner calculated to be understood by the claimant, and specific reference to the Plan provisions on which the decision is based and, effective January 1, 2002, a statement that the claimant or his or her authorized personal representative may

review any documents and records relevant to the claim determination, a statement describing any further voluntary appeals procedure, if any, and a statement of the claimant's right to bring a civil action under ERISA ss. 502(a).

16. Article VIII is hereby amended effective as of January 1, 1998 to add a new Section 8.22 which reads as follows:

Section 8.22 Transition Period to Implement Plan Changes. In connection with a change in record keepers, trustees, or other service providers for the Plan, a change in the methodology for valuing accounts, a plan merger or other circumstances, a temporary interruption in the normal operations of the Plan may be

required in order to properly implement such change or merger or take action in light of such circumstances. In such event or under such circumstances, the Committee, may take such action as it deems appropriate under the circumstances to implement such change or merger or in light of such circumstances, including authorizing a temporary interruption in a Participant's ability to obtain information about his or her Account and to take distributions from such Account, provided the Committee will take appropriate action as to give Participants as much advance notice of the interruption as possible and to minimize the scope and length of the interruption in normal Plan operations.

17. Section 13.9(b)(3) is hereby amended effective as of January 1, 2000 to read as follows:

(3) For Plan Years beginning before January 1, 2000, if the sum of the present value of the accrued benefits of key employees (computed as described in ss. 13.9(a)) exceeds 90% of the sum of the present value of the accrued benefits of all employees (computed as described in ss. 13.9(a)) as of the determination date this Plan will be "super top-heavy" for the immediately following Plan Year.

18. Appendix 1.23 is hereby amended to read as follows in the form attached.

19. Appendix 1.41 is hereby amended to read as follows in the form attached.

20. Appendix 4.1(a)(1)(C) is hereby amended effective as of September 1, 2001 to add First International Bank and First International Capital Corporation of New Jersey; effective as of November 1, 2001 to add New Neon Co., Inc.; effective as of December 1, 2001 to add iShip, Inc.; and effective as of January 1, 2002, to add UPS Supply Chain Solutions, Inc.

IN WITNESS WHEREOF, the undersigned certify that United Parcel Service of America, Inc. based upon action by its Board of Directors dated _____, 2002, has caused this Amendment No. 6 to be adopted.

ATTEST:	UNITED PARCEL SERVICE OF AMERICA, INC.
- ----------	----------
Joseph R. Moderow	Michael L. Eskew
Secretary	Chairman

UPS QUALIFIED STOCK OWNERSHIP PLAN
Appendix 1.23
Employer Companies

<TABLE>
<CAPTION>

BUSINESS UNIT/GROUP	QSOP ADOPTION DATE
<S>	<C>

UPS	
United Parcel Service of America, Inc.	January 1, 1998
United Parcel Service Co.	January 1, 1998
UPS General Services Co.	January 1, 1998
UPS Aviation Services, Inc.	January 1, 1998
UPS International General Services Co.	January 1, 1998
UPS Procurement Services Corporation	January 1, 1998
UPS Worldwide Forwarding, Inc.	January 1, 1998
United Parcel Service, Inc. (New York)	January 1, 1998
United Parcel Service, Inc. (Ohio)	January 1, 1998
Trailer Conditioners, Inc.	January 1, 1998
UPS Latin America, Inc.	January 1, 1998
BT Realty Holdings, Inc.	May 18, 1999
BT Realty Holdings II, Inc.	May 18, 1999
UPS CAPITAL CORPORATION	
UPS Capital Corporation, Inc.	May 28, 1998
Glenlake Insurance Agency, Inc.	July 29, 1998
Glenlake Insurance Agency, Inc. of California	August 10, 1999
First International Bank	September 1, 2001
First International Capital Corporation of New Jersey	September 1, 2001
UPS LOGISTICS GROUP	
UPS Logistics Group, Inc.	January 1, 1998
Diversified Trimodal, Inc. (Martrac)	January 1, 1998
UPS Logistics Technologies, Inc.	January 1, 1998
UPS Supply Chain Management, Inc.	January 1, 1998
Worldwide Dedicated Services, Inc.	January 1, 1998
UPS Supply Chain Management Nevada, Inc.	July 1, 2001
UPS Supply Chain Management Tristate, Inc.	July 1, 2001
Livingston Healthcare Services, Inc.	July 1, 2001
UPS Logistics Group Americas, Inc.	July 1, 2001
UPS Service Parts Logistics, Inc.	July 1, 2001
UPSLG Puerto Rico, Inc.	July 1, 2001
UPS AVIATION TECHNOLOGIES, INC.	January 1, 1998
UPS CUSTOMHOUSE BROKERAGE, INC.	January 1, 1998
UPS FULL SERVICE BROKERAGE, INC.	June 6, 2000
UPS TELECOMMUNICATIONS, INC. (UPS TELESERVICES)	July 1, 2001
UPS MESSAGING.	
Mail2000, Inc.	February 1, 2001
UPS MAIL BOXES ETC., INC.	April 30, 2001
UPS CONSULTING, INC.	February 8, 2001
FRITZ COMPANIES	
Fritz Companies, Inc.	July 1, 2001
NEW NEON COMPANY, INC.	November 1, 2001
ISHIP, INC.	December 1, 2001
UPS SUPPLY CHAIN SOLUTIONS, INC.	January 1, 2002

</TABLE>

UPS QUALIFIED STOCK OWNERSHIP PLAN
APPENDIX 1.41
Prior Service Credit

An individual who began performing services for an Employer Company as a result of the acquisition of a company listed below will receive credit for his or her service for such company as if such service were employment with an Affiliate.

Border Brokerage Company, Inc
Burnham Service Corporation, et. al.
Challenge Air Cargo, Inc.
Fritz Companies, Inc.
Fulfillment Systems International, Inc
Livingston Healthcare Services, Inc.
Mail Boxes, Etc.
Mail2000. Inc.
Miles Group, Inc.
William F. Joffroy, Inc.
W.Y. Moberly, Inc.
Rollins Logistics, Inc. et. al.
Transborder Customs Services, Inc.
TSCI Holdings, Inc. (Comlasa)
H.A. & J.L. Wood, Inc.
First International Bank
First International Capital Corporation of New Jersey

EXHIBIT 21

SUBSIDIARIES OF UNITED PARCEL SERVICE, INC.
AS OF MARCH 26, 2002

<TABLE>
<CAPTION>

NAME OF SUBSIDIARY	JURISDICTION OF ORGANIZATION
<S>	<C>
United Parcel Service General Services Co.	Delaware
United Parcel Service Co.	Delaware
UPS Worldwide Forwarding, Inc.	Delaware
United Parcel Service, Inc.	Ohio

</TABLE>

The names of particular subsidiaries are omitted pursuant to Item 601(b)(21)(ii) of Regulation S-K.

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 333-08369-01 on Form S-3 and in Registration Statements No. 333-93213, 333-34054, 333-61112, 333-65096, 333-65606 and 333-70708 on Form S-8 of United Parcel Service, Inc. and in Registration Statements No. 333-72127, 333-24805, 333-23969 and 333-23971 on Form S-8 of United Parcel Service of America, Inc. of our report dated January 29, 2002 (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the Company's change in its method of accounting for derivative instruments and hedging activities to conform with Statement of Financial Accounting Standards No. 133, as amended), appearing in this Annual Report on Form 10-K of United Parcel Service, Inc. for the year ended December 31, 2001.

DELOITTE & TOUCHE LLP
Atlanta, GA
March 29, 2002