
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported):
March 1, 2007

United Parcel Service, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other
jurisdiction
of incorporation)

001-15451
(Commission
File Number)

58-2480149
(IRS Employer
Identification Number)

55 Glenlake Parkway, N.E.
Atlanta, Georgia
(Address of principal executive offices)

30328
(Zip Code)

Registrant's telephone number, including area code: (404) 828-6000

Not applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

(e)

On March 1, 2007, the Compensation Committee of the Board of Directors of United Parcel Service, Inc. (the “Company”) approved the award of restricted stock units (“RSUs”) to be granted as UPS 2007 Long-Term Incentive Performance Awards (“2007 LTIP”), and the related performance and earnings criteria for 2007. Under the 2007 LTIP, RSUs representing shares of class A common stock are awarded to executive officers, officers and certain other eligible managers pursuant to a RSU award agreement. Target RSU award grants range in size from 50% to 250% of annual salary. The 2007 LTIP is authorized under the UPS Incentive Compensation Plan that has previously been approved by the Company’s shareowners and filed with the SEC.

Of the total target award, 90% of the target award will be divided into three substantially equal tranches, one for each calendar year in the three-year award cycle from 2007 to 2009. The specific performance measures and targets for each such tranche will be determined by the Committee either before or within the first quarter of the calendar year in which the performance is measured. The number of RSUs earned each year will be the target number adjusted for the percentage achievement of performance criteria targets for the year based on a matrix developed by the Committee that will provide for 100% payment of the target RSUs for the tranche upon 100% achievement of the performance criteria targets for the year. The matrix also may provide for payment of a percentage less than or more than 100% of target RSUs for the tranche based on achievement of performance criteria targets (as determined by the Committee) at a percentage less than or more than 100%. The performance criteria approved by the Committee for 2007 include consolidated operating return on invested capital and growth in consolidated revenue. The performance criteria will be determined by the Committee in its discretion. The Committee will retain the discretion to adjust the Company’s results during the award cycle to exclude the effects of certain transactions and accounting changes for purposes of determining achievement of the performance criteria. The award, if earned, will vest on January 31, 2010, provided the participant is employed as of the vesting date. Special vesting rules apply to terminations by reason of death, disability or retirement.

Of the total target award, 10% of the target award will be based upon the Company’s achievement of adjusted earnings per share for the three-year award cycle compared to a target designated by the Committee at the start of the award cycle. The Committee will retain the discretion to adjust the Company’s results during the award cycle to exclude the effects of certain transactions and accounting changes for purposes of determining achievement of this earnings target. If the target is met (as determined by the Committee) the award will vest on January 31, 2010, provided the participant is employed as of the vesting date.

A participant’s earned RSU account will be adjusted quarterly for dividends paid on UPS class A common stock. The RSU awards that vest will be paid in the form of UPS class A shares on March 12, 2010 (or earlier in the event of death).

The form of Restricted Stock Unit Award Agreement for the 2007 LTIP is attached hereto as Exhibit 10.1.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

10.1 Form of Restricted Stock Unit Award Agreement for the 2007 Long-Term Incentive Performance (LTIP) Awards

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

UNITED PARCEL SERVICE, INC.

Date: March 7, 2007

By: /s/ D. Scott Davis

Name: D. Scott Davis
Title: Vice Chairman and
Chief Financial Officer

United Parcel Service, Inc.
 Restricted Stock Unit Award Agreement
 2007 Long-Term Incentive Performance (LTIP) Awards
 (Not Transferable)

THIS CERTIFIES THAT ___ has been granted a target award of ___ Restricted Stock Units (“RSUs”). Each RSU has a value that equals the value of one share of the class A common stock of UNITED PARCEL SERVICE, INC., a Delaware corporation (the “Company”). A RSU is sometimes referred to as a “long-term incentive performance award” or “LTIP.”

Terms and Conditions

1. Plan. This target award is granted pursuant to the United Parcel Service, Inc. Incentive Compensation Plan (the “Plan”), and is subject to the conditions and limitations set forth in the Plan document, as the same may be amended from time to time. All of the terms and provisions of the Plan are incorporated herein by reference. Terms not defined in this award agreement are defined in the Plan.

2. Measurement Tranches.

(a) General Rule. Ninety percent (90%) of your target award is divided into 3 substantially equal annual performance measurement tranches (one for each calendar year during the 3-year award cycle running from January 1, 2007 through December 31, 2009 (the “LTIP cycle”)) and ten percent (10%) of your target award is based on satisfaction of an earnings per share target for calendar year 2009 (the “earnings measurement tranche”):

Tranche	<u>Target RSUs</u>
Performance Measurement — 2007	
Performance Measurement — 2008	
Performance Measurement — 2009	
Earnings Measurement — 2009	

(b) Performance Measurement Tranches. The number of RSUs actually earned for each performance measurement tranche will be determined after the end of the relevant calendar year based on the achievement of specific performance targets established for that year and the applicable performance target matrix (discussed below). The performance criteria for 2007 — 2009 are growth in consolidated revenue (i.e., total company revenue as reported in the Company’s quarterly and annual financial statements) and consolidated operating return on invested capital. The Committee retains the discretion to adjust the Company’s results during the LTIP cycle to exclude the effects of certain transactions and accounting changes for purposes of determining achievement of the performance targets.

For each RSU performance measurement tranche, the Committee will develop a performance target matrix that will provide for 100% payment of the target RSUs for the tranche upon 100% achievement of the performance targets for the year. The matrix also may provide for payment of a percentage less than or more than 100% of the target RSUs for the tranche based on achievement of performance targets at a percentage less than or more than, respectively, 100%. Your performance targets matrix for 2007 is attached as Exhibit A. Performance targets matrices for 2008 and 2009 will be provided to you in the first quarter of the applicable year. At the end of each year, the Committee will certify the extent to which the performance targets have been achieved and the resulting RSUs earned for the tranche. Once the payment percentage for a particular tranche has been applied to a performance measurement tranche, the number of RSUs in that tranche is fixed. After the number of RSUs in a performance measurement tranche becomes fixed, the RSUs in that tranche will be credited to your RSU account.

(c) Earnings Per Share Measurement Tranche. The earnings per share target for

calendar year 2009 is set forth on the attached Exhibit A. You will receive this portion of your award only if the Company meets the earnings per share target for the 2009 calendar year and you are employed in an eligible job classification by the Company or a Subsidiary on January 31, 2010. If the earnings per share target is not met or you are not employed in an eligible job classification with the Company or a Subsidiary on January 31, 2010, you will not receive this portion of your award. For this purpose, earnings per share is as reported in the Form 10-K filed by the Company with the Securities and Exchange Commission for the year ending December 31, 2009, as adjusted in the Committee's discretion to exclude the effects of certain transactions and accounting changes for purposes of determining achievement of the earnings per share target. After the Form 10-K for the year ending December 31, 2009 is filed, the Committee will certify if the earnings per share target has been met and the RSUs credited to your account, if any, for the earnings per share measurement tranche.

3. Bookkeeping Account. A bookkeeping account will be maintained to keep track of the RSUs you earn and any dividend equivalents attributable to your RSUs as described below.

4. Dividend Equivalents. The RSUs credited to your account that are attributable to a particular performance measurement tranche will be credited quarterly with dividend equivalent units for dividends paid on a share of the Company's class A common stock, by

- multiplying the cash (or stock) dividend paid per share of the Company's class A common stock by the number of RSUs (and previously credited dividend equivalent units) attributable to that tranche prior to adjustment for dividends, and
- dividing the product determined above by the New York Stock Exchange closing price of the Company's class B common stock on the day the dividend is declared.

Each dividend equivalent unit has a value equal to one share of the Company's class A common stock. Each quarter, the Committee will authorize the crediting of the dividend equivalent units. Dividend equivalent units will vest at the same time as the underlying RSU tranche (discussed below).

5. Vesting.

(a) General Rule. The RSUs and dividend equivalent units credited to your account during the LTIP cycle will vest on January 31, 2010; provided that you are employed by the Company or a Subsidiary on that date. The benefit payable to you will be based entirely on the number of vested RSUs and dividend equivalent units credited to your account at the time the award becomes payable, generally, on March 12, 2010 following the completion of the LTIP cycle.

(b) Demotion. If you are demoted before January 31, 2010 to a position that would have been ineligible to receive a LTIP award under the 2007 LTIP program, you will forfeit any right to RSUs for the performance measurement tranche for the year in which your demotion occurs and any performance measurement tranche commencing after your demotion. You also will forfeit any right to RSUs for the earnings measurement tranche. You will retain any RSUs and dividend equivalent units credited to your account prior to your demotion, subject to satisfaction of the vesting requirements of Section 5(a) or (c) of this award agreement.

(c) Death, Disability or Retirement. If your employment terminates by reason of your death, disability or retirement (as defined in the Plan) before January 31, 2010, you immediately will vest in any RSUs and dividend equivalent units for a performance measurement tranche that was completed prior to your termination. You will forfeit any right to RSUs for the performance measurement tranche for the year in which your termination occurs and any performance measurement tranche commencing after your termination. You also will forfeit any right to RSUs for the earnings measurement tranche. Further, if you terminate employment before January 31, 2010 other than by reason of death, disability or retirement, you will forfeit this award in its entirety.

6. Shares. A number of shares of the Company's class A common stock equal to the

number of vested RSUs and dividend equivalent units credited to your account (less shares withheld to pay taxes) will be transferred to you on March 12, 2010, except that if your employment terminates by reason of your death, the shares will be transferred to your estate no later than the March 12 of the calendar year following your death.

7. Nontransferable. This award and your RSUs and dividend equivalent units are not transferable except by will or the laws of descent and distribution.

IN WITNESS WHEREOF, UNITED PARCEL SERVICE, INC. has caused this Restricted Stock Unit Award to be issued as of March 1, 2007.

ATTEST:

UNITED PARCEL SERVICE, INC.

Secretary

Chairman and Chief Executive Officer

Exhibit A

Revenue growth ___%
 Operating ROIC ___%

Earnings Per Share Target \$__ as of December 31, 2009

Operating ROIC	Revenue Growth											
	___% or less	___% to ___%	___% to ___%	___% to ___%	___% to ___%	___% to ___%	___% to ___%	___% to ___%	___% to ___%	___% to ___%	___% to ___%	___% or more
___% or more	105%	110%	115%	120%	125%	130%	135%	140%	145%	150%	150%	150%
___% to ___%	100%	105%	110%	115%	120%	125%	130%	135%	140%	145%	150%	150%
___% to ___%	95%	100%	105%	110%	115%	120%	125%	130%	135%	140%	145%	145%
___% to ___%	90%	95%	100%	105%	110%	115%	120%	125%	130%	135%	140%	140%
___% to ___%	85%	90%	95%	100%	105%	110%	115%	120%	125%	130%	135%	135%
___% to ___%	80%	85%	90%	95%	100%	105%	110%	115%	120%	125%	130%	130%
___% to ___%	75%	80%	85%	90%	95%	100%	105%	110%	115%	120%	125%	125%
___% to ___%	70%	75%	80%	85%	90%	95%	100%	105%	110%	115%	120%	120%
___% to ___%	65%	70%	75%	80%	85%	90%	95%	100%	105%	110%	115%	115%
___% to ___%	60%	65%	70%	75%	80%	85%	90%	95%	100%	105%	110%	110%
___% to ___%	55%	60%	65%	70%	75%	80%	85%	90%	95%	100%	105%	105%
___% to ___%	50%	55%	60%	65%	70%	75%	80%	85%	90%	95%	100%	100%
___% or less	0%	50%	55%	60%	65%	70%	75%	80%	85%	90%	95%	95%