

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For the Quarter Ended March 31, 2001

Commission file number 0-4714

United Parcel Service, Inc.

(Exact name of registrant specified in its charter)

Delaware 58-2480149
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

55 Glenlake Parkway, NE
Atlanta, Georgia 30328
(Address of principal executive office) (Zip Code)

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

Not Applicable

Former name, address and fiscal year, if changed since last report

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 and Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

Class A and B Common Stock, par value \$.01 per share

(Title of Class)

876,834,085 Class A shares, 247,367,532 Class B shares

Outstanding as of May 9, 2001

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

<TABLE>

<CAPTION>

UNITED PARCEL SERVICE, INC., AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2001 (unaudited) and December 31, 2000
(In millions except share and per share amounts)

<S> <C> <C>

Assets	March 31, 2001	December 31, 2000
--------	-------------------	----------------------

Current Assets:		
Cash & cash equivalents	\$ 1,318	\$ 879
Marketable securities & short-term investments	1,307	1,073
Accounts receivable	3,716	4,140
Prepaid health and welfare benefit costs	201	408
Other current assets	730	624
	-----	-----
Total Current Assets	7,272	7,124
Property, Plant & Equipment - at cost, net of accumulated depreciation & amortization of \$9,911 in 2001 and \$9,665 in 2000	12,464	12,329
Prepaid pension costs	1,600	1,593
Other assets	667	616
	-----	-----
	\$22,003	\$ 21,662
	=====	=====
Liabilities & Shareowners' Equity		
Current Liabilities:		
Commercial paper	\$ -	\$ 366
Accounts payable	1,559	1,674
Accrued wages & withholdings	1,398	1,134
Income taxes payable	329	132
Current maturities of long-term debt	249	257
Other current liabilities	770	938
	-----	-----
Total Current Liabilities	4,305	4,501
	-----	-----
Long-Term Debt	3,803	2,981
	-----	-----
Accumulated Postretirement Benefit Obligation, Net	1,082	1,049
	-----	-----
Deferred Taxes, Credits & Other Liabilities	3,419	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 893,948,566 and 935,873,745 in 2001 and 2000	9	9
Class B common stock, par value \$.01 per share, authorized 5,600,000,000 shares, issued 230,771,083 and 198,819,384 in 2001 and 2000	2	2
Additional paid-in capital	-	267
Retained earnings	9,705	9,684
Accumulated other comprehensive loss	(322)	(227)
	-----	-----
	9,394	9,735
	-----	-----
	\$22,003	\$ 21,662
	=====	=====

</TABLE>

See notes to unaudited consolidated financial statements.

UNITED PARCEL SERVICE, INC., AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME
Three Months Ended March 31, 2001 and 2000
(In millions except per share amounts)
(unaudited)

	Three Months Ended	
	March 31,	
	2001	2000
	-----	-----
Revenue	\$ 7,510	\$ 7,220
	-----	-----
Operating Expenses:		
Compensation and benefits	4,251	4,075
Other	2,315	2,078
	-----	-----
	6,566	6,153
	-----	-----
Operating Profit	944	1,067
	-----	-----
Other Income and (Expenses):		
Investment income	53	339
Interest expense	(44)	(52)
	-----	-----
	9	287

Income Before Income Taxes And Cumulative Effect of Change In Accounting Principle	953	1,354
Income Taxes	371	541
Income Before Cumulative Effect of Change In Accounting Principle	582	813
Cumulative Effect of Change In The Method Of Accounting For Derivatives, Net of Taxes	(26)	-
Net Income	\$ 556	\$ 813
Basic Earnings Per Share Before Cumulative Effect Of A Change In Accounting Principle	\$0.52	\$0.68
Basic Earnings Per Share	\$0.49	\$0.68
Diluted Earnings Per Share Before Cumulative Effect Of A Change In Accounting Principle	\$0.51	\$0.67
Diluted Earnings Per Share	\$0.48	\$0.67

See notes to unaudited consolidated financial statements.

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UNITED PARCEL SERVICE, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREOWNERS' EQUITY
Three Months Ended March 31, 2001
(In millions except per share amounts)
(unaudited)

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareowners' Equity
	Shares	Amount	Shares	Amount	Capital	Earnings	Loss	Equity
-								
Balance, January 1, 2001	936	\$9	199	\$2	\$ 267	\$9,684	\$ (227)	\$ 9,735
Comprehensive income:								
Net income	-	-	-	-	-	556	-	556
Foreign currency adjustments	-	-	-	-	-	-	(70)	(70)
Unrealized loss on marketable securities	-	-	-	-	-	-	(18)	(18)
Unrealized loss on cash flow hedges	-	-	-	-	-	-	(7)	(7)
-								
Comprehensive income								461
-								
Dividends (\$0.19 per share)	-	-	-	-	-	(215)	-	(215)
Stock award plans	-	-	-	-	17	-	-	17
Common stock purchases	(9)	-	(1)	-	(302)	(320)	-	(622)
Common stock issuances	-	-	-	-	18	-	-	18
Conversion of Class A Common Stock to Class B Common Stock	(33)	-	33	-	-	-	-	-
-								
Balance, March 31, 2001	894	\$9	231	\$2	\$ -	\$9,705	\$ (322)	\$ 9,394

</TABLE>

See notes to unaudited consolidated financial statements.

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UNITED PARCEL SERVICE, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Three Months Ended March 31, 2001 and 2000
(In millions)
(unaudited)

<S>	<C>	<C>
	Three Months Ended March 31,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$556	\$813
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	318	283
Postretirement benefits	33	31
Deferred taxes, credits, and other	38	78
Stock award plans	143	144
Gain on investments and sale of business	-	(290)
Changes in assets and liabilities, net of effect of acquisitions:		
Accounts receivable	426	(124)
Prepaid health and welfare benefit costs	207	177
Other current assets	(89)	(93)
Prepaid pension costs	(7)	15
Accounts payable	(117)	272
Accrued wages and withholdings	137	208
Dividends payable	(192)	(361)
Income taxes payable	197	380
Tax assessment	-	(311)
Other current liabilities	56	149
Net cash from operating activities	1,706	1,371
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(515)	(315)
Disposals of property, plant and equipment	11	193
Purchases of marketable securities and short-term investments	(1,312)	(766)
Sales and maturities of marketable securities and short-term investments	1,048	1,385
Construction funds in escrow	21	(2)
Payments for acquisitions, net of cash acquired	(72)	(69)
Other asset receipts (payments)	-	3
Net cash from (used in) investing activities	(819)	429
	-----	-----
Cash flows from financing activities:		
Proceeds from borrowings	1,170	970
Repayments of borrowings	(716)	(196)
Purchases of common stock via tender	-	(4,070)
Other purchases of common stock	(622)	(54)
Issuances of common stock pursuant to stock awards and employee stock purchase plans	18	24
Dividends	(215)	(206)
Net cash (used in) financing activities	(365)	(3,532)
	-----	-----
Effect of exchange rate changes on cash	(83)	(1)
	-----	-----
Net increase (decrease) in cash and cash equivalents	439	(1,733)
Cash and cash equivalents:		
Beginning of period	879	4,204
	-----	-----
End of period	\$1,318	\$2,471
	=====	=====
Cash paid during the period for:		
Interest (net of amount capitalized)	\$ 22	\$130
	=====	=====
Income taxes	\$132	\$ 67
	=====	=====

</TABLE>

See notes to unaudited consolidated financial statements.

UNITED PARCEL SERVICE, INC., AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. For interim consolidated financial statement purposes, we compute our

tax provision on the basis of our estimated annual effective income tax rate, and provide for accruals under our various employee benefit plans for each three month period based on one quarter of the estimated annual expense.

2. In our opinion, the accompanying interim, unaudited, consolidated financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position as of March 31, 2001, the results of operations for the three months ended March 31, 2001 and 2000, and cash flows for the three months ended March 31, 2001 and 2000. The results reported in these consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

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

	Three Months Ended March 31,	
	2001	2000
	-----	-----
Numerator:		
Numerator for basic and diluted earnings per share -		
Net income	\$ 556	\$ 813
	=====	=====
Denominator:		
Weighted-average shares -		
Denominator for basic earnings per share	1,129	1,189
Effect of dilutive securities:		
Contingent shares -		
Management incentive awards	4	4
Stock option plans	15	20
	-----	-----
Denominator for diluted earnings per share	1,148	1,213
	=====	=====
Basic Earnings Per Share	\$0.49	\$0.68
	=====	=====
Diluted Earnings Per Share	\$0.48	\$0.67
	=====	=====

UNITED PARCEL SERVICE, INC., AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

4. On August 9, 1999 the U.S. Tax Court issued an opinion unfavorable to UPS regarding a Notice of Deficiency asserting that we are liable for additional tax for the 1983 and 1984 tax years. The Court held that we are liable for tax on income of Overseas Partners Ltd. ("OPL"), a Bermuda company, which had reinsured excess value package insurance purchased by our customers beginning in 1984. The Court held that for the 1984 tax year we are 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. In February 2000, the U.S. Tax Court entered a decision in accord with its opinion.

In addition, during the first quarter of 1999, the IRS issued two Notices of Deficiency asserting that we are liable for additional tax for the 1985 through 1987 tax years, and the 1988 through 1990 tax years. The primary assertions by the IRS relate to the reinsurance of excess value package insurance, the issue raised for the 1984 tax year. The IRS based its assertions on the same theories included in the 1983-1984 Notice of Deficiency.

The IRS, in an issued report, has taken similar positions for tax years 1991 through 1994. We expect the IRS to take similar positions for tax years 1995 through 1999. Based on the Tax Court opinion, we currently estimate that our total after-tax exposure for the tax years 1984 through 1999 could be as high as \$2.353 billion. We believe that a number of aspects of the Tax Court decision are incorrect, and we have appealed the decision to the U.S. Court of Appeals for the Eleventh Circuit. The Eleventh Circuit has heard oral arguments. We do not know when it will render a decision.

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 is included in income taxes; 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 determined the size of our reserve with respect to these matters in accordance with accounting principles generally accepted in the United States of America based on our estimate of our most likely liability. In making this determination, we concluded that it is more likely that we will be required to pay taxes on income reported by OPL and interest, but that it is not probable that we will be required to pay any penalties and penalty interest. If penalties and penalty interest ultimately are determined to be payable, we would have to record an additional charge of up to \$681 million.

UNITED PARCEL SERVICE, INC., AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

On August 31, 1999, we deposited \$1.349 billion, and on August 8, 2000, we deposited an additional \$91 million, with the IRS related to these matters for the 1984 through 1994 tax years. We included the profit of the excess value package 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 deposited \$339 million with the IRS related to these matters for the 1995 through 1997 tax years. These deposits and filings were made in order to stop the accrual of interest, where applicable, on that amount of the IRS's claim, without conceding the IRS's positions or giving up our right to appeal the Tax Court's decision.

After the Tax Court decision, National Union Fire Insurance Company, a subsidiary of American International Group, Inc., notified OPL that effective September 30, 1999, it would terminate the five underlying policies that provided shippers' risk insurance for UPS customers. The termination of these policies triggered the immediate termination of the reinsurance agreement between National Union and OPL.

UPS, on behalf of our customers, and National Union agreed on a restructuring of this program, which became effective October 1, 1999. Commencing on October 1, 1999, National Union issued five new policies that include coverage for UPS customers. Glenlake Insurance Agency, Inc., a licensed insurance agency formed in 1998 and a wholly owned subsidiary of UPS Capital Corporation, now offers excess value package insurance that is issued under the five new policies.

UPS Re Ltd., a wholly owned subsidiary of UPS, has entered into a reinsurance agreement under which it reinsures substantially all of the risks underwritten by National Union in exchange for substantially all of the premiums collected. UPS Re Ltd., is a licensed reinsurance company formed in 1999 to reinsure risks related to UPS and its subsidiaries. UPS Re Ltd., which is domiciled in Bermuda, has elected to be taxed on its income as part of UPS's consolidated income tax return for federal income tax purposes. This revised arrangement should eliminate the issues considered by the Tax Court in the Notices of Deficiency relating to OPL for the periods after September 1999.

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 \$15 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 March 31, 2001 could aggregate up to \$385 million, after the benefit of related tax deductions. We expect that we will prevail on substantially all of these

UNITED PARCEL SERVICE, INC., AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

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 2000. 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 the eventual resolution of these issues will not result in a material adverse effect on our financial condition, results of operations or liquidity.

We have been named as a defendant in 23 lawsuits that seek to hold us (and, in certain cases, other defendants) liable for the collection of premiums for excess value package insurance in connection with package shipments since 1984 (or, in some of the cases, for shorter time periods). These cases generally claim that we acted as an insurer in violation of our shipping contract and without complying with state insurance laws and regulations, and that the price for excess value package insurance was excessive. Twenty-two of these cases have been consolidated for pre-trial purposes in a multi-district litigation proceeding ("MDL Proceeding") before the United States District Court for the Southern District of New York. An amended consolidated complaint in the MDL Proceeding also alleges a violation of the federal RICO statute. Another complaint in the MDL Proceeding alleges violations of federal antitrust laws. The other remaining case was remanded from federal court to state court in Madison County, Illinois and is proceeding independent of the MDL Proceeding. The Court in the MDL Proceeding is considering a stipulation between certain of the plaintiffs and UPS providing for class certification in certain of the cases in that proceeding. The Illinois court has indicated its intention to enter an order granting plaintiff's class certification motion. These actions all developed after the August 9, 1999 Tax Court opinion was rendered. We believe the allegations in these cases have no merit and intend to continue to defend them vigorously. The ultimate resolution of these matters cannot presently be determined.

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

5. 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 divided into regional operations around the world. Regional operations managers are responsible for both domestic and export operations within their geographic region. 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, are distinct from package operations and are thus managed and reported separately.

UNITED PARCEL SERVICE, INC., AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Segment information for the three months ended March 31 is as follows (in millions):

	Three Months Ended March 31,	
	2001	2000
Revenue:		
U.S. domestic package	\$5,976	\$5,841
International package	1,099	1,023
Non-package	435	356
	\$7,510	\$7,220
	=====	=====
Operating profit:		
U.S. domestic package	\$845	\$883
International package	37	58
Non-package	62	126
	\$944	\$1,067
	=====	=====

Non-package operating profit included \$27 and \$28 million for the three months ended March 31, 2001 and 2000, respectively, of intersegment profit, with a corresponding amount of operating expense, which reduces operating profit, included in the U.S. domestic package segment. Non-package operating profit also included a \$49 million gain for the three months ended March 31, 2000 from the sale of our UPS Truck Leasing subsidiary.

6. The major components of other operating expenses for the three months ended March 31 are as follows (in millions):

	Three Months Ended March 31,	
	2001	2000
Repairs and maintenance	\$262	\$239
Depreciation and amortization	318	283

Purchased transportation	503	434
Fuel	247	238
Other occupancy	143	107
Other expenses	842	777
	-----	-----
Consolidated	\$2,315	\$2,078
	=====	=====

7. In the first quarter of 2001, we announced three business combination transactions. First, we agreed to acquire substantially all of the assets of Mail Boxes Etc. ("MBE") in a cash transaction valued at approximately \$185 million. MBE is the world's largest franchisor of independently owned and operated business, communication, and shipping centers worldwide. The acquisition, which closed on April 30, 2001, was accounted for as a purchase.

UNITED PARCEL SERVICE, INC., AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

In addition, on January 10, 2001, we entered into an agreement to acquire Fritz Companies, Inc. in a transaction valued at approximately \$450 million (excluding assumed liabilities). Fritz is a freight forwarding, customs brokerage and logistics concern, with \$619 million of net revenue for its most recent fiscal year. In the acquisition, which will be accounted for as a purchase, we will exchange approximately 7.4 million shares of UPS class B common stock for all of the outstanding common shares of Fritz. We expect this transaction to close during the second quarter of 2001.

Finally, on January 15, 2001, we entered into an agreement to acquire First International Bancorp, Inc. in a transaction valued at approximately \$78 million (excluding assumed liabilities). First International, with a managed loan portfolio of approximately \$1.2 billion, offers a variety of structured trade finance, commercial and government-backed lending products. First International will be integrated with UPS Capital Corporation, the finance subsidiary of UPS, following the closing of the transaction. In the acquisition, which will be accounted for as a purchase, we will exchange approximately 1.3 million shares of UPS class B common stock for all of the outstanding shares of First International. We expect this transaction to close during the third quarter of 2001.

8. The Financial Accounting Standards Board (FASB) issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"), as amended by Statements No. 137 and No. 138, which became effective for UPS on January 1, 2001. Under FAS 133, as amended, all derivative instruments are recognized on the balance sheet at fair value, and changes in the fair values of such instruments are recognized in earnings unless the derivatives qualify as hedges of future cash flows. For derivatives qualifying as hedges of future cash flows, the effective portion of changes in fair value is recorded temporarily in accumulated other comprehensive income (OCI), then recognized in earnings along with the related effects of the hedged items. Any ineffective portion of hedges is reported in earnings as it occurs.

The nature of our business activities necessarily involves the management of various financial and market risks, including those related to changes in commodity prices, foreign currency exchange rates, interest rates, and equity prices. As discussed more fully in note 13 "Derivative Instruments and Risk Management" to our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2000, we use derivative financial instruments to mitigate or eliminate certain of those risks. The January 1, 2001 accounting change described above affected only the pattern and timing of non-cash accounting recognition.

UNITED PARCEL SERVICE, INC., AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

At January 1, 2001, our financial statements were adjusted to record a cumulative effect of adopting this accounting pronouncement, as follows:

(in millions)	Earnings	OCI
	-----	-----
Adjustment to fair value of derivatives (a)	\$(42)	\$ 37
Income tax effects	16	(14)
	-----	-----
Total	\$(26)	\$ 23
	=====	=====
Effect on diluted earnings per share (a)	\$(0.03)	
	=====	

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

The cumulative effect on earnings was primarily comprised of marking to market the time value of option contracts used in commodity and foreign currency hedging. This accounting change did not involve cash, and we believe that it will not have a material effect on our financial condition, results of operations, or liquidity.

The cumulative effect on OCI was primarily attributable to marking to market swap contracts used as hedges of anticipated foreign currency cash flows and anticipated purchases of energy products.

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	(10)
Reclassification to earnings-	
net of income tax effect	(20)

Balance at March 31, 2001	\$ (7)
	=====

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

UNITED PARCEL SERVICE, INC., AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Hedges of anticipated cash flows
- - - - -

The ineffective portion of changes in fair values of hedge positions, reported in first quarter 2001 earnings, was immaterial. Amounts excluded from the measure of effectiveness, also reported in first quarter 2001 earnings, amounted to a \$14 million gain, before income taxes. 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 \$23 million in net deferred gains recorded in OCI at January 1, 2001, \$33 million in gains, before income taxes, were reclassified to earnings during the first quarter of 2001. Of the \$7 million in net deferred losses recorded in OCI at March 31, 2001, \$23 million in gains, before income taxes, are expected to be reclassified to earnings over the 12 month period ending March 31, 2002. The actual amounts that will be reclassified to earnings over the next 12 months will vary from this amount as a result of changes in market conditions. No amounts were reclassified to earnings during the first quarter of 2001 in connection with forecasted transactions that were no longer considered probable of occurring.

At March 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 nine months. 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 first quarter 2001 earnings, was immaterial. Amounts excluded from the measure of effectiveness, also reported in first quarter 2001 earnings, amounted to \$2 million in gains before income taxes. 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 income statement impact from these interest rate swaps on our first quarter results 2001 was immaterial.

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

Results of Operations

Three Months Ended March 31, 2001 and 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:

	Three Months Ended March 31,		\$	%
	2001	2000		
Revenue (in millions):				
U.S. domestic package:				
Next Day Air	\$1,383	\$1,381	\$ 2	0.1 %
Deferred	716	694	22	3.2
Ground	3,877	3,766	111	2.9
Total U.S. domestic package	5,976	5,841	135	2.3
International package:				
Domestic	232	233	(1)	(0.4)
Export	756	685	71	10.4
Cargo	111	105	6	5.7
Total International package	1,099	1,023	76	7.4
Non-package:				
UPS Logistics Group	304	209	95	45.5
Other	131	147	(16)	(10.9)
Total non-package	435	356	79	22.2
Consolidated	\$7,510	\$7,220	\$290	4.0 %
Average Daily Package Volume (in thousands):				
			#	
U.S. domestic package:				
Next Day Air	1,106	1,071	35	3.3 %
Deferred	888	856	32	3.7
Ground	10,192	10,102	90	0.9
Total U.S. domestic package	12,186	12,029	157	1.3
International package:				
Domestic	804	754	50	6.6
Export	399	342	57	16.7
Total International package	1,203	1,096	107	9.8
Consolidated	13,389	13,125	264	2.0 %
Operating days in period	64	65		
Average Revenue Per Piece:				
U.S. domestic package:			\$	
Next Day Air	\$19.54	\$19.84	\$(0.30)	(1.5)%
Deferred	12.60	12.47	0.13	1.0
Ground	5.94	5.74	0.20	3.5
Total U.S. domestic package	7.66	7.47	0.19	2.5
International:				
Domestic	4.51	4.75	(0.24)	(5.1)
Export	29.61	30.81	(1.20)	(3.9)
Total International package	12.83	12.89	(0.06)	(0.5)
Consolidated	\$ 8.13	\$ 7.92	\$ 0.21	2.7 %

Management's Discussion and Analysis of Financial Condition
and Results of Operations (continued)

Despite the weakening of the U.S. economy, U.S. domestic package revenue and average daily package volume increased across all product lines. Average daily package volume for our Next Day Air and Deferred products both increased in excess of 3%. Our Ground products were the primary contributor of the revenue growth for this segment, primarily due to a 3.5% increase in average revenue per piece. These revenue comparisons were impacted by one less operating day in the first quarter of 2001 compared to the first quarter of 2000. The average revenue increase for the U.S. domestic package segment on a per day basis was almost 4%.

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, 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, UPS 2nd Day Air, and 3 Day Select an average of 3.7%. The surcharge for UPS Next Day Air Early A.M. increased 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 the quarter included a 1.25% fuel surcharge that was put in place August 7, 2000.

The increase in international package revenue was due primarily to volume growth for export products, offset by a decline in the revenue per piece for these products. Overall, average daily package volume increased almost 10% for international operations, with our export products continuing to increase at double-digit rates. The average revenue increase for this segment on a per day basis was over 9%.

The increase in non-package revenue resulted from continued growth of the UPS Logistics Group and was led by our supply chain management and service parts logistics offerings.

Operating expenses increased by \$413 million, or 6.7%. Compensation and benefits expenses accounted for \$176 million of this increase. Other operating expenses increased \$237 million due to higher utility costs, increases in depreciation and amortization expenses, higher purchased transportation costs and the \$49 million gain we recognized in the first quarter of 2000 from the sale of our UPS Truck Leasing subsidiary, which reduced our operating expenses last year. The increase in purchased transportation costs was primarily due to increased business for the UPS Logistics Group.

Our operating margin decreased from 14.8% during the first quarter of 2000 to 12.6% during the first quarter of 2001. This decline resulted primarily from revenue growth declining at a more rapid rate than our expense growth during the quarter. We are addressing a variety of initiatives in an effort to moderate future expense growth, given current, slower economic conditions, which are adversely affecting volume and revenue growth.

Management's Discussion and Analysis of Financial Condition
and Results of Operations (continued)

The following table sets forth information showing the change in operating profit, both in dollars (in millions) and in percentage terms:

Operating Segment	Three Months Ended		Change	
	March 31,			
	2001	2000	\$	%
U.S. domestic package	\$845	\$883	\$ (38)	(4.3)%
International package	37	58	(21)	(36.2)
Non-package	62	126	(64)	(50.8)
Consolidated Operating Profit	\$944	\$1,067	\$(123)	(11.5)%

U.S. domestic package operating profit decreased \$38 million due to the overall weakening of the U.S. economy, along with the impact of one less operating day.

The decline in operating profit for our international package operations was caused by several different factors, including increases in aircraft maintenance expenses and the leasing of aircraft to support our China routes prior to the April 1, 2001 start up of that service.

The decrease in non-package operating profit is largely due to the \$49 million gain we recognized in the first quarter of 2000 from the sale of our UPS Truck Leasing subsidiary.

The decrease in investment income of \$286 million for the first quarter of 2001 is due to two factors relating to the first quarter of 2000. First, we recognized a \$241 million gain last year on two investments held by our Strategic Enterprise Fund 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 and were still available for investment during March 2000.

Net income for the first quarter of 2001 decreased by \$257 million from the first quarter of 2000, resulting in a decrease in diluted earnings per share from \$0.67 in 2000 to \$0.48 in 2001. These results reflect non-recurring items from both years: a FAS 133 cumulative expense adjustment, net of tax, of \$26 million in 2001; and \$139 million in net income in 2000 resulting from gains on

our Strategic Enterprise Fund investments and the sale of our Truck Leasing subsidiary, offset partially by the charge for retroactive costs associated with creating new full-time jobs from existing part-time Teamster jobs.

Excluding the net after-tax impact of these non-recurring items, our net income for the first quarter of 2001 would have been \$582 million, with an associated diluted earnings per share of \$0.51, compared to 2000, which would have produced a net income of \$674 million, with an associated diluted earnings per share of \$0.56.

Management's Discussion and Analysis of Financial Condition
and Results of Operations (continued)

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 \$2.6 billion at March 31, 2001.

We have used all of the remaining proceeds from our November 1999 initial public offering for share repurchases. An additional \$750 million has been authorized for share repurchases, of which \$222 million was still available as of March 31, 2001.

We maintain two commercial paper programs under which we are authorized to borrow up to \$7.0 billion. Approximately \$914 million was outstanding under these programs as of March 31, 2001. This amount has been classified as long-term debt in accordance with our intention and ability to refinance such obligations on a long-term basis under our revolving credit facilities. The average interest rate on the amount outstanding at March 31, 2001 was 5.07%.

We maintain two credit agreements with a consortium of banks. These agreements 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 March 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 March 31, 2001, \$264 million was available under this program. At March 31, 2001, there were two different debt issuances (originally issued at \$200 million and \$736 million respectively) that had been made under this program. The \$200 million outstanding, which was issued under this program in 1997, bears interest at a stated interest rate of 6.625%, and was paid off on April 25, 2001. The 500 million Pound Sterling denominated bonds (recorded at \$716 million at March 31, 2001), which were issued in February 2001, bear interest at a stated rate of 5.50%.

We have filed a shelf registration statement with the SEC under which we may issue debt securities in the U.S. of up to \$2.0 billion. There was approximately \$607 million issued under this shelf registration statement at March 31, 2001. As of March 31, 2001, \$113 million in notes have been 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 that bear interest at one-month LIBOR less 45 basis points.

On August 9, 1999 the U.S. Tax Court issued an opinion unfavorable to UPS regarding a Notice of Deficiency asserting that we are liable for additional tax for the 1983 and 1984 tax years. The Court held that we are liable for tax on income of Overseas Partners Ltd. ("OPL"), a Bermuda company, which had reinsured excess value package insurance purchased by our customers beginning in 1984. In February 2000, the U.S. Tax Court entered a decision in accord with its opinion.

Management's Discussion and Analysis of Financial Condition
and Results of Operations (continued)

In addition, during the first quarter of 1999, the IRS issued two Notices of Deficiency asserting that we are liable for additional tax for the 1985 through 1987 tax years, and the 1988 through 1990 tax years. The primary assertions by the IRS relate to the reinsurance of excess value package insurance, the issue raised for the 1984 tax year. The IRS has based its assertions on the same theories included in the 1983-1984 Notice of Deficiency. The IRS, in an issued report, has taken similar positions for tax years 1991 through 1994. We expect the IRS to take similar positions for tax years 1995 through 1999. We believe that a number of aspects of the Tax Court decision are incorrect, and we have appealed the decision to the U.S. Court of Appeals for the Eleventh Circuit. Briefing has been completed. The Eleventh Circuit has heard oral arguments. We do not know when it will render a decision.

We have been named as a defendant in 23 lawsuits that seek to hold us (and in certain cases, other defendants) liable for the collection of premiums for excess value package insurance in connection with package shipments since 1984 (or, in some of the cases, for shorter time periods). These cases generally claim that we acted as an insurer in violation of our shipping contract and without complying with state insurance laws and regulations, and that the price for excess value package insurance was excessive. Twenty-two of these cases have been consolidated for pre-trial purposes in a multi-district litigation proceeding ("MDL Proceeding") before the United States District Court for the Southern District of New York. An amended consolidated complaint in the MDL Proceeding also alleges a violation of the federal RICO statute. Another complaint in the MDL Proceeding alleges violations of federal antitrust laws. The other remaining case was remanded from federal court to state court in Madison County, Illinois and is proceeding independent of the MDL proceeding. The Court in the MDL Proceeding is considering a stipulation between certain of the plaintiffs and UPS providing for class certification in certain of the cases in that proceeding. The Illinois court has indicated its intention to enter an order granting plaintiff's class certification motion. These actions all developed after the August 9, 1999 Tax Court opinion was rendered. We believe the allegations in these cases have no merit and intend to continue to defend them vigorously. The ultimate resolution of these matters cannot presently be determined.

In addition, we are a defendant in various other lawsuits that arose in the normal course of business. In our opinion, none of these cases is expected to have a material effect on our financial condition, results of operations or liquidity.

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

Management's Discussion and Analysis of Financial Condition
and Results of Operations (continued)

"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. These factors include, for example, economic and other conditions in the markets in which we operate, our competitive environment, increases in aviation and motor fuel prices, strikes, work stoppages and slowdowns, governmental regulation, and cyclical and seasonal fluctuations in our operating results. Additional information concerning these risks and uncertainties, and other factors you may wish to consider, are provided in the "Risk Factors" discussed in our Annual Report on Form 10-K for the year ended December 31, 2000 and other documents we file from time to time with the SEC.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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 this market risk arises in the normal course of business, as we do 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.

Our market risks, hedging strategies, and financial instrument positions at March 31, 2001 are similar to those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2000. However, during the first three months of 2001, we issued 500 million of Pound Sterling denominated bonds (recorded at \$716 million at March 31, 2001), at a fixed 5.50% interest rate. In addition, we issued a total of \$113 million of fixed rate notes with various maturities under our UPS Notes program. All of these fixed rate notes were effectively converted to floating interest rates using interest rate swaps.

The total fair value of our derivative financial instruments, including derivatives added during the first three months of 2001, decreased from an asset of \$137 million at December 31, 2000 to an asset of \$128 million at March 31, 2001. The information concerning market risk under the sub-caption "Market Risk" of the caption "Management's Discussion and Analysis" on pages 29 and 30 of our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2000, is hereby incorporated by reference in this Quarterly Report on Form 10-Q.

Item 1. Legal Proceedings

We have been named as a defendant in 23 lawsuits that seek to hold us (and, in certain cases, other defendants) liable for the collection of premiums for excess value package insurance in connection with package shipments since 1984 (or, in some of the cases, for shorter time periods). These cases generally claim that we acted as an insurer in violation of our shipping contract and without complying with state insurance laws and regulations, and that the price for excess value package insurance was excessive. Twenty-two of these cases have been consolidated for pre-trial purposes in a multi-district litigation proceeding ("MDL Proceeding") before the United States District Court for the Southern District of New York. An amended consolidated complaint in the MDL Proceeding also alleges a violation of the federal RICO statute. Another complaint in the MDL Proceeding alleges violations of federal antitrust laws. The other remaining case was remanded from federal court to state court in Madison County, Illinois and is proceeding independent of the MDL Proceeding. The Court in the MDL Proceeding in considering a stipulation between certain of the plaintiffs and UPS providing for class certification in certain of the cases in that proceeding. The Illinois court has indicated its intention to enter an order granting plaintiff's class certification motion. These actions all developed after the August 9, 1999 Tax Court opinion was rendered. We believe the allegations in these cases have no merit and intend to continue to defend them vigorously. The ultimate resolution of these matters cannot presently be determined.

Item 6. Exhibits and Reports on Form 8-K

A) Exhibits:

(10) Material Contracts

- (a) Fifth Amended and Restated Credit Agreement (364-Day Facility) 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.
- (b) Third Amended and Restated Credit Agreement (Five-Year Facility) dated April 26, 2001 among United Parcel Service, Inc., the initial lenders named therein, Salomon Smith Barney Inc. as Co-Arranger and Bank of America Securities, LLC, as Co-Arranger and Bank of America N.A. as Documentation Agent and Citibank, N.A. as Administrative and Syndication Agent.

(B) Reports on Form 8-K:

The Company filed a Form 8-K Current Report on January 29, 2001 (Date of Earliest Event Reported: January 29, 2001), reporting the establishment of a Medium-term Note program for its UPS Notes, and filing with the Securities and Exchange Commission the Selling Agent Agreement and form of UPS Note to be issued under the program.

EXHIBIT INDEX

(10) Material Contracts

- (a) Fifth Amended and Restated Credit Agreement (364-Day Facility) 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.
- (b) Third Amended and Restated Credit Agreement (Five-Year Facility) dated April 26, 2001 among United Parcel Service, Inc., the initial lenders named therein, Salomon Smith Barney Inc. as Co-Arranger and Bank of America Securities, LLC, as Co-Arranger and Bank of America N.A. as Documentation Agent and Citibank, N.A. as Administrative and Syndication Agent.

SIGNATURES

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 thereunto duly authorized.

UNITED PARCEL SERVICE, INC.
(Registrant)

Date: May 15, 2001

By: /S/ D. Scott Davis
D. Scott Davis
Senior Vice President,
Treasurer and
Chief Financial Officer

FIFTH AMENDED AND RESTATED CREDIT AGREEMENT
(364-DAY FACILITY)

Dated as of April 26, 2001

UNITED PARCEL SERVICE, INC., a Delaware corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (collectively, the "Initial Lenders") party hereto, Citibank, N.A., as administrative agent (together with any successor thereto appointed pursuant to Article VII of the Existing Credit Agreement referred to below, in such capacity, the "Administrative Agent") and as syndication agent (in such capacity, the "Syndication Agent") for the Lenders (as defined in the Existing Credit Agreement referred to below), ABN AMRO Bank N.V., Bank of America, N.A., Bank One, NA, and The Chase Manhattan Bank, as co-documentation agents (in such capacity, the "Co-Documentation Agents") for such Lenders, and Salomon Smith Barney Inc., as arranger (in such capacity, the "Arranger") under the Loan Documents (as defined in the Existing Credit Agreement described below), hereby agree as follows:

PRELIMINARY STATEMENTS

(1) United Parcel Service of America, Inc., a Delaware corporation and a wholly owned subsidiary of the Borrower (the "Existing Borrower"), is party to a Fourth Amended and Restated Credit Agreement (364-Day Facility) dated as of April 27, 2000 (as amended, supplemented or otherwise modified from time to time to, but not including, the date hereof, the "Existing Credit Agreement") with the banks, financial institutions and other institutional lenders party thereto (the "Existing Lenders"), Citibank, N.A., as Administrative Agent and as Syndication Agent for the Existing Lenders, Bank of America N.A., as Documentation Agent for the Existing Lenders, and Salomon Smith Barney Inc. and Banc of America Securities LLC, as Co-Arrangers for the Existing Lenders. Capitalized terms not otherwise defined in this Fifth Amended and Restated Credit Agreement (364-Day Facility) (the "Amendment and Restatement") shall have the same meanings as specified in the Existing Credit Agreement.

(2) The Borrower has requested that the Lenders agree to extend credit to it from time to time in an aggregate principal amount of up to \$ 1,250,000,000 for general corporate purposes of the Borrower and its Subsidiaries not otherwise prohibited under the terms of this Amendment and Restatement. The Lenders have indicated their willingness to agree to extend credit to the Borrower from time to time in such amount on the terms and conditions of this Amendment and Restatement.

(3) The parties to this Amendment and Restatement desire to amend the Existing Credit Agreement as set forth herein and to restate the Existing Credit Agreement in its entirety to read as set forth in the Existing Credit Agreement with the following amendments.

SECTION 1. Amendments to the Existing Credit Agreement. Effective as of the date of this Amendment and Restatement and subject to the satisfaction of the conditions precedent set forth in Section 2 hereof:

(a) The recital of parties to the Existing Credit Agreement is amended in full to read as follows:

"UNITED PARCEL SERVICE, INC., a Delaware corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (collectively, the "Initial Lenders") party hereto, Citibank, N.A., as administrative agent (in such capacity, the "Administrative Agent") and as syndication agent (in such capacity, the "Syndication Agent") for the Lenders (as hereinafter defined), ABN AMRO Bank N.V., Bank of America, N.A., Bank One, NA, and The Chase Manhattan Bank, as co-documentation agents (in such capacity, the "Co-Documentation Agents") for such Lenders, and Salomon Smith Barney Inc., as arranger (in such capacity, the "Arranger") under the Loan Documents (as hereinafter defined), hereby agree as follows:"

(b) Section 1.01 of the Existing Credit Agreement is hereby amended by (i) deleting the definitions of "Co-Arrangers", "Documentation Agent", "Existing Credit Facilities", "Information Memorandum", "Parent", and "Termination Date" set forth therein and (ii) replacing them with the following new definitions:

"Arranger" has the meaning specified in the recital of parties to this Agreement.

"Co-Arrangers" means the Arranger.

"Co-Documentation Agents" has the meaning specified in the recital of parties to this Agreement.

"Documentation Agent" means the Co-Documentation Agents.

"Existing Credit Facilities" means the credit facilities provided pursuant to (a) the Fourth Amended and Restated Credit Agreement (364-Day Facility) and (b) the Second Amended and Restated Credit Agreement (Five-year Facility), each dated as of April 27, 2000, as amended, supplemented or otherwise modified from time to time prior to the date hereof, among United Parcel Service of America, Inc., a Delaware corporation, the banks, financial institutions and other institutional lenders parties thereto, Citibank, as administrative agent and syndication agent, and Salomon Smith Barney Inc. and Banc of America Securities LLC, as co-arrangers thereunder.

"Termination Date" means the earlier of (i) April 25, 2002 or, if extended pursuant to Section 2.16(a), the date that is 364 days after the Termination Date then in effect, and (ii) the date of termination in whole of the Commitments pursuant to section 2.05 or 6.01.

(c) Section 2.03(a) of the Existing Credit Agreement is hereby amended by deleting in subclause (D) of clause (i) thereof the parenthetical "(which maturity date may not be earlier than the date occurring seven days after the date of such Competitive Bid Borrowing or later than the Termination Date and, in the case of any LIBO Rate Advance to be made as part of such Competitive Bid Borrowing, shall be the last day of the interest period for such LIBO Rate Advance)" and substituting therefor the following new parenthetical:

"(which maturity date may not be earlier than the date occurring thirty days after the date of such Competitive Bid Borrowing or later than the Termination Date and, in the case of any LIBO Rate Advance to be made as part of such Competitive Bid Borrowing, shall be the last day of the interest period for such LIBO Rate Advance)".

(d) Section 2.03(d) of the Existing Credit Agreement is hereby amended by deleting in the last three lines thereof the sentence:

"The Borrower may prepay any principal amount of any Competitive Bid Advance, subject to the provisions of Sections 2.10 and 8.04(c)."

(e) Section 2.05 of the Existing Credit Agreement is hereby amended by deleting in the second line thereof the phrase "at least four Business Days' notice" and substituting therefor the new phrase "at least three Business Days' notice".

(f) Section 2.10 of the Existing Credit Agreement is hereby amended (i) by deleting in the second line thereof the language "three Business Days' notice", and substituting therefor the new language "two Business Day's notice", (ii) by deleting in the third line thereof the language "one Business Day's notice" and substituting therefor the new language "notice on the same Business Day", (iii) by deleting in the second line thereof the language "or LIBO Rate Advances", (iv) by deleting in the third line thereof the language "or Fixed Rate Advances" and (v) by deleting in clause (b) of the proviso thereof the language "or LIBO Rate Advance".

(g) Section 4.01(e) of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(e) The Consolidated balance sheet of the Borrower and its Subsidiaries as at December 31, 2000, and the related Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for the Fiscal Year then ended, all audited and certified by Deloitte & Touche LLP, independent public accountants, copies of which have been furnished to each Lender, fairly present the Consolidated financial condition of the Borrower and its Subsidiaries at such dates and the Consolidated results of the operations of the Borrower and its Subsidiaries for the periods ended on such dates, all in accordance with GAAP consistently applied. Such balance sheets and the notes thereto disclose all material liabilities, direct or contingent, of the Borrower and its Subsidiaries on a Consolidated basis as of the dates thereof."

(h) Section 4.01(f) of the Existing Credit Agreement is amended by replacing the words "December 31, 1999" with the words "December 31, 2000."

(i) Section 5.01(h)(i) is hereby amended and restated in its entirety to read as follows:

"(i) within 120 days after the end of each Fiscal Year of the Borrower, Consolidated balance sheets of the Borrower and its Subsidiaries showing the financial condition of the Borrower and its Subsidiaries as of the close of such Fiscal Year and the related statements of Consolidated income and statements of Consolidated cash flow as of and for such Fiscal Year, all such Consolidated financial statements of the Borrower and its Subsidiaries to be reported on by Deloitte & Touche or other independent accountants acceptable to the Required Lenders, and to be in form reasonably acceptable to the Required Lenders;"

(j) Section 6.01(a) is hereby amended by deleting in the last line thereof the words "remain unremedied for five days" and substituting therefor the new words "remain unremedied for three Business Days".

(k) Section 8.07(a) is hereby amended (i) by deleting at the end of clause (v) thereof the language ", and" and substituting therefor the punctuation ",", (ii) by deleting at the end of clause (vi) thereof the punctuation "." and substituting therefor the punctuation "," and (iii) by adding the following new clauses (vii) and (viii):

"(vii) if such assignment shall be made as a result of a demand by the Borrower pursuant to this Section 8.07(a) to an assignee that, immediately prior to such assignment, was neither a Lender nor an Affiliate of a Lender, the Borrower shall pay on demand an administrative fee of \$3,500 to the Administrative Agent, and

(viii) notwithstanding any other provision set forth in this Agreement, a Lender may assign to any of its Affiliates all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Revolving Credit Advances owing to it and the Revolving Credit Note or Notes held by it) upon notice to the Borrower and the Administrative Agent, with or without the consent of the Borrower or the Administrative Agent, so long as such assignment is otherwise in compliance with this Agreement."

(l) Schedule I to the Existing Credit Agreement is deleted in its entirety and replaced with Schedule I to this Amendment and Restatement.

SECTION 2. Conditions of Effectiveness of this Amendment and Restatement. This Amendment and Restatement shall become effective as of the date first above written (the "Restatement Effective Date") when and only if:

(a) The Administrative Agent shall have received counterparts of this Amendment and Restatement executed by the Borrower, the Existing Borrower, each of the Guarantors and all of the Initial Lenders or, as to any of the Initial Lenders, advice satisfactory to the Administrative Agent that such Initial Lender has executed this Amendment and Restatement.

(b) The Administrative Agent shall have received on or before the Restatement Effective Date the following, each dated such date and (unless otherwise specified below) in form and substance satisfactory to the Administrative Agent and (except for the Revolving Credit Notes) in sufficient copies for each Initial Lender:

(i) The new Revolving Credit Notes issued in connection with this Amendment and Restatement to the order of each of the Lenders, respectively.

(ii) Certified copies of the resolutions of the board of directors of the Borrower approving this Amendment and Restatement, the Notes and all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Amendment and Restatement and the Notes.

(iii) Certified copies of the resolutions of the board of directors of each of the Guarantors approving this Amendment and Restatement and all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Amendment and Restatement.

(iv) A certificate of the Secretary or an Assistant Secretary of each of the Guarantors certifying the names and

true signatures of the officers of such Guarantor authorized to sign this Amendment and Restatement and the other documents to be delivered hereunder.

(v) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement, the Notes and the other documents to be delivered hereunder.

(vi) A favorable opinion of King & Spalding, counsel for the Borrower, in substantially the form of Exhibit G to the Existing Credit Agreement, but with such modifications as are required to address the Existing Credit Agreement, as amended by this Amendment and Restatement, in each such case in form and substance reasonably satisfactory to the Initial Lenders.

(vii) A favorable opinion of Shearman & Sterling, counsel for the Administrative Agent, in form and substance reasonably satisfactory to the Administrative Agent.

(c) The representations and warranties contained in Section 4.01 of the Existing Credit Agreement shall be correct on and as of the Restatement Effective Date, before and after giving effect to the Restatement Effective Date, as though made on and as of such date.

(d) No event shall have occurred and be continuing, or shall occur as a result of the occurrence of the Restatement Effective Date, that constitutes a Default.

(e) The Existing Borrower shall have paid all fees and amounts due and payable.

SECTION 3. Affirmation of Guaranty. Each of the Guarantors hereby consents to the execution and delivery of this Amendment and Restatement and ratifies and confirms its obligations under the Guaranty dated April 30, 1998, which obligations shall remain in full force and effect notwithstanding the provisions of this Amendment and Restatement or any other amendment and restatement thereto heretofore executed. Each of the Guarantors further agrees that all references to "the Borrower" in the above referenced Guaranty shall be deemed to be references to United Parcel Service, Inc.

SECTION 4. Reference to and Effect on the Existing Credit Agreement and the Notes. (a) On and after the effectiveness of this Amendment and Restatement, each reference in the Existing Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Existing Credit Agreement, and each reference in the Notes to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Existing Credit Agreement, shall mean and be a reference to the Existing Credit Agreement, as amended by this Amendment and Restatement.

(b) The Existing Credit Agreement and the Notes, as specifically amended by this Amendment and Restatement, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) Without limiting any of the other provisions of the Existing Credit Agreement, as amended by this Amendment and Restatement, any references in the Existing Credit Agreement to the phrases "on the date hereof", "on the date of this Agreement" or words of similar import shall mean and be a reference to the date of the Existing Credit Agreement (which is April 27, 2000).

SECTION 5. Costs and Expenses. The Borrower agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Administrative Agent in connection with the preparation, execution, delivery and administration, modification and amendment of this Amendment and Restatement, the Notes and the other documents to be delivered hereunder (including, without limitation, the reasonable and documented fees and expenses of counsel for the Administrative Agent with respect hereto and thereto) in accordance with the terms of Section 8.04 of the Existing Credit Agreement.

SECTION 6. Execution in Counterparts. This Amendment and Restatement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment and Restatement by telecopier shall be effective as delivery of an original executed counterpart of such signature page.

SECTION 7. Governing Law. This Amendment and Restatement shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment and Restatement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

UNITED PARCEL SERVICE, INC.,
as Borrower

By
Name:
Title:

UNITED PARCEL SERVICE OF AMERICA, INC.,
as Existing Borrower

By
Name:
Title:

corporation, as Guarantor UNITED PARCEL SERVICE, INC., a New York

By
Name:
Title:

corporation, as Guarantor UNITED PARCEL SERVICE, INC., an Ohio

By
Name:
Title:

corporation, as Guarantor UNITED PARCEL SERVICE CO., a Delaware

By
Name:
Title:

THE AGENTS

Syndication Agent CITIBANK, N.A.,
as Administrative Agent and

By
Name:
Title:

SALOMON SMITH BARNEY INC.,
as Arranger

By
Name: _____
Title:

AEN AMRO BANK, N.V.,
as Co-Documentation Agent

By _____
Name:
Title:

By _____
Name:
Title:

BANK OF AMERICA, N.A.,
as Co-Documentation Agent

By _____
Name:
Title:

BANK ONE, NA,
as Co-Documentation Agent

By _____
Name:
Title:

THE CHASE MANHATTAN BANK,
as Co-Documentation Agent

By _____
Name:
Title:

THE INITIAL LENDERS

[Print or type name of lender]

By _____
Name:
Title:

SCHEDULE I TO THE AMENDMENT AND RESTATEMENT
COMMITMENTS AND APPLICABLE LENDING OFFICES

Name of Lender	Commitment	Domestic Lending Office	Eurodollar Lending Office
Citibank, N.A.	\$ 150,000,000	Citibank, N.A. 2 Penns Way Suite 200 New Castle, DE 19720 Attn: Pat Dimery T: (302) 894-6023	Citibank, N.A. 2 Penns Way Suite 200 New Castle, DE 19720 Attn: Pat Dimery T: (302) 894-6023

F: (302) 894-6120

F: (302) 894-6120

ABN AMRO Bank, \$ 100,000,000 ABN AMRO Bank N.V. ABN AMRO Bank N.V.
N.V. 208 South LaSalle St., 208 South LaSalle St.,
Suite 1500 Suite 1500
Chicago, IL 60604-1003 Chicago, IL 60604-1003
Attn: Loan Administration
T: (312) 992-5160 T: (312) 992-5160
F: (312) 992-5155 F: (312) 992-5155

Bank of America, \$ 100,000,000 Bank of America Bank of America
N.A. 231 S. La Salle Street 231 S. La Salle Street
Chicago, IL 60697 Chicago, IL 60697
Attn: Sharon Attn: Sharon Burks-Horos
Burks-Horos T: (312) 828-2149
T: (312) 828-2149 F: (312) 974-1997
F: (312) 974-1997

Bank One, NA \$ 100,000,000 Bank One, NA Bank One, NA
1 Bank One Plaza 1 Bank One Plaza
Chicago, IL 60670 Chicago, IL 60670
Attn: Greg Sjullie Attn: Greg Sjullie
T: (312) 732-8872 T: (312) 732-8872
F: (312) 732-3885 F: (312) 732-3885

The Chase \$ 100,000,000 The Chase Manhattan Bank The Chase Manhattan Bank
Manhattan Bank 1 Chase Manhattan Plaza
8th Floor 8th Floor
New York, NY 10081 New York, NY 10081
Attn: May Fong Attn: May Fong
T: (212) 552-7314 T: (212) 552-7314
F: (212) 552-5650 F: (212) 552-5650

First Union \$ 75,000,000 First Union National Bank First Union National
National Bank Bank
214 Hogan Street 214 Hogan Street
Attn: PTC FL0070 Attn: PTC FL0070
Jacksonville, FL Jacksonville, FL
32231-4142 32231-4142
Attn: Cindy Petry Attn: Cindy Petry
T: (904) 489-6095 T: (904) 489-6095
F: (904) 489-1010 F: (904) 489-1010

Royal Bank of \$ 75,000,000 Royal Bank of Canada, Royal Bank of Canada,
Canada New York Branch New York Branch
One Liberty Plaza, 4th One Liberty Plaza, 4th
Floor Floor
New York, NY 10006-1404 New York, NY 10006-1404
Attn: Manager, Loans Administration
T: (212) 428-6322 T: (212) 428-6322
F: (212) 428-2372 F: (212) 428-2372

Wachovia Bank, \$ 75,000,000 Wachovia Bank, N.A. Wachovia Bank, N.A.
N.A. 191 Peachtree Street, 191 Peachtree Street,
N.E. N.E.
MC: GA3940 MC: GA3940
Atlanta, GA 30303 Atlanta, GA 30303
Attn: Karen McClain Attn: Karen McClain
T: (404) 332-6555 T: (404) 332-6555
F: (404) 332-5016 F: (404) 332-5016

Barclays Bank PLC \$ 50,000,000 Barclays Bank PLC Barclays Bank PLC
222 Broadway 222 Broadway
New York, NY 10038 New York, NY 10038
Attn: Christina Attn: Christina
Challenger-Batiz Challenger-Batiz
T: (212) 412-3701 T: (212) 412-3701
F: (212) 412-5306 F: (212) 412-5306

Credit Suisse \$ 50,000,000 Credit Suisse First Credit Suisse First
First Boston Boston
11 Madison Avenue 11 Madison Avenue
New York, NY New York, NY 10010-3629

10010-3629 Attn: Robert Finney
Attn: Robert Finney T: (212) 325-9038
T: (212) 325-9038 F: (212) 325-8319
F: (212) 325-8319

Dresdner Bank \$ 50,000,000 Dresdner Bank Dresdner Bank
AG, New York and 75 Wall Street 75 Wall Street
Grand Cayman New York, NY 10005 New York, NY 10005
Branches Attn: Ken Hamilton Attn: Ken Hamilton
T: (212) 429-3201 T: (212) 429-3201
F: (212) 429-2524 F: (212) 429-2524

Mellon Bank \$ 50,000,000 Mellon Bank Mellon Bank
One Mellon Bank Center One Mellon Bank Center
Pittsburgh, PA Pittsburgh, PA
15258-0001 15258-0001
Attn: Daniel Lenckos Attn: Daniel Lenckos
T: (412) 234-0733 T: (412) 234-0733
F: (412) 236-1914 F: (412) 236-1914

The Northern \$ 50,000,000 The Northern Trust The Northern Trust
Trust Company Company
50 S. LaSalle 50 S. LaSalle
Chicago, IL 60675 Chicago, IL 60675
Attn: Chris McKean Attn: Chris McKean
T: (312) 557-2638 T: (312) 557-2638
F: (312) 444-5055 F: (312) 444-5055

Wells Fargo \$ 50,000,000 Wells Fargo Bank, Wells Fargo Bank,
Bank, National National Association National Association
Association 1445 Ross Avenue, 4th 1445 Ross Avenue, 4th
Floor Floor
Dallas, TX 75202 Dallas, TX 75202
Attn: Scott D. Bjelde Attn: Scott D. Bjelde
T: (512) 336-9153 T: (512) 336-9153
F: (512) 336-9154 F: (512) 336-9154

Banca \$ 25,000,000 Banca Commerciale Banca Commerciale
Commerciale Italiana Italiana
Italiana, New One William Street One William Street
York New York, NY 10004 New York, NY 10004
Attn: John Michalisin Attn: John Michalisin
T: (212) 607-3918 T: (212) 607-3918
F: (212) 809-2124 F: (212) 809-2124

The Fuji Bank, \$ 25,000,000 The Fuji Bank, Ltd. - The Fuji Bank, Ltd. -
Ltd. - New York New York Branch New York Branch
Branch Two World Trade Center Two World Trade Center
New York, NY 10048-0042 New York, NY 10048-0042
Attn: Chigosa Tada Attn: Chigosa Tada
T: (212) 898-2067 T: (212) 898-2067
F: (212) 912-0516 F: (212) 912-0516

Merrill Lynch \$ 25,000,000 Merrill Lynch Bank USA Merrill Lynch Bank USA
Bank USA 15 W. South Temple, 15 W. South Temple,
Suite 300 Suite 300
Salt Lake City, UT Salt Lake City, UT
84101 84101
Attn: Butch Alder Attn: Butch Alder
T: (801) 526-8324 T: (801) 526-8324
F: (801) 531-7470 F: (801) 531-7470

San Paolo IMI \$ 25,000,000 San Paolo IMI Bank San Paolo IMI Bank
Bank 245 Park Avenue 245 Park Avenue
New York, NY 10167 New York, NY 10167
Attn: Glen Binder Attn: Glen Binder
T: (212) 692-3016 T: (212) 692-3016
F: (212) 692-3178 F: (212) 692-3178

Standard \$ 25,000,000 Standard Chartered Bank Standard Chartered Bank
Chartered Bank 7 World Trade Center 7 World Trade Center
New York, NY 10167 New York, NY 10167
Attn: Shafiq Rahman Attn: Shafiq Rahman
T: (212) 667-0336 T: (212) 667-0336
F: (212) 667-0193 F: (212) 667-0193

State Street \$ 25,000,000 State Street Bank and State Street Bank and
Bank and Trust Trust Company Trust Company
Company 2 Avenue De Lafayette 2 Avenue De Lafayette
 Boston, MA 02111 Boston, MA 02111
 Attn: Ms. C. Jaynelle Attn: Ms. C. Jaynelle
 Landy, T: (617) Landy, T: (617)
 662-3677 662-3677
 F: (617) 662-4201 F: (617) 662-4201

UBS AG, Stamford \$ 25,000,000 UBS AG, Stamford Branch UBS AG, Stamford Branch
Branch 677 Washington Blvd. 677 Washington Blvd.
 Stamford, CT 06901 Stamford, CT 06901
 Attn: Gregory Raue Attn: Gregory Raue
 T: (203) 719-3896 T: (203) 719-3896
 F: (203) 719-3898 F: (203) 719-3898

TOTAL OF \$ 1,250,000,000
COMMITMENTS

THIRD AMENDED AND RESTATED CREDIT AGREEMENT
(FIVE-YEAR FACILITY)

Dated as of April 26, 2001

UNITED PARCEL SERVICE, INC., a Delaware corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (collectively, the "Initial Lenders") party hereto, Citibank, N.A., as administrative agent (together with any successor thereto appointed pursuant to Article VII of the Existing Credit Agreement referred to below, in such capacity, the "Administrative Agent") and as syndication agent (in such capacity, the "Syndication Agent") for the Lenders (as defined in the Existing Credit Agreement referred to below), Bank of America, N.A., as documentation agent (in such capacity, the "Documentation Agent") for such Lenders, and Salomon Smith Barney Inc. and Banc of America Securities LLC, as co-arrangers (in such capacity, the "Co-Arrangers") under the Loan Documents (as defined in the Existing Credit Agreement described below), hereby agree as follows:

PRELIMINARY STATEMENTS

(1) United Parcel Service of America, Inc., a Delaware corporation and a wholly owned subsidiary of the Borrower (the "Existing Borrower"), is party to a Second Amended and Restated Credit Agreement (Five-Year Facility) dated as of April 27, 2000 (as amended, supplemented or otherwise modified from time to time to, but not including, the date hereof, the "Existing Credit Agreement") with the banks, financial institutions and other institutional lenders party thereto (the "Existing Lenders"), Citibank, N.A., as Administrative Agent and as Syndication Agent for the Existing Lenders, Bank of America N.A., as Documentation Agent for the Existing Lenders, and Salomon Smith Barney Inc. and Banc of America Securities LLC, as Co-Arrangers for the Existing Lenders. Capitalized terms not otherwise defined in this Third Amended and Restated Credit Agreement (Five-Year Facility) (the "Amendment and Restatement") shall have the same meanings as specified in the Existing Credit Agreement.

(2) The Borrower has requested that the Lenders agree to extend credit to it from time to time in an aggregate principal amount of up to \$ 1,250,000,000 for general corporate purposes of the Borrower and its Subsidiaries not otherwise prohibited under the terms of this Amendment and Restatement. The Lenders have indicated their willingness to agree to extend credit to the Borrower from time to time in such amount on the terms and conditions of this Amendment and Restatement.

(3) The parties to this Amendment and Restatement desire to amend the Existing Credit Agreement as set forth herein and to restate the Existing Credit Agreement in its entirety to read as set forth in the Existing Credit Agreement with the following amendments.

SECTION 1. Amendments to the Existing Credit Agreement. Effective as of the date of this Amendment and Restatement and subject to the satisfaction of the conditions precedent set forth in Section 2 hereof:

(a) The recital of parties to the Existing Credit Agreement is amended in full to read as follows:

"UNITED PARCEL SERVICE, INC., a Delaware corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (collectively, the "Initial Lenders") party hereto, Citibank, N.A., as administrative agent (in such capacity, the "Administrative Agent") and as syndication agent (in such capacity, the "Syndication Agent") for the Lenders (as hereinafter defined), Bank of America, N.A., as documentation agent (in such capacity, the "Documentation Agent") for such Lenders, and Salomon Smith Barney Inc. and Banc of America Securities LLC, as co-arrangers (in such capacity, the "Co-Arrangers") under the Loan Documents (as hereinafter defined), hereby agree as follows:"

(b) Section 1.01 of the Existing Credit Agreement is hereby amended by (i) deleting the definitions of "Existing Credit Facilities", "Information Memorandum" and "Parent" set forth therein and (ii) replacing them with the following new definition:

"Existing Credit Facilities" means the credit facilities provided pursuant to (a) the Second Amended and Restated Credit Agreement (Five-Year Facility) and (b) the Fourth Amended and Restated Credit Agreement (364-Day Facility), each dated as of April 27, 2000, as amended, supplemented or otherwise modified from time to time prior to the date hereof, among United Parcel Service of America, Inc., a Delaware corporation, the banks, financial institutions and other institutional lenders parties thereto, Citibank, as administrative agent and syndication agent, and Salomon Smith Barney Inc. and Banc of America Securities LLC, as co-arrangers thereunder.

(c) Section 4.01(e) of the Existing Credit Agreement is amended in full to read as follows:

"(e) The Consolidated balance sheet of the Borrower and its Subsidiaries as at December 31, 2000, and the related Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for the Fiscal Year then ended, all audited and certified by Deloitte & Touche LLP, independent public accountants, copies of which have been furnished to each Lender, fairly present the Consolidated financial condition of the Borrower and its Subsidiaries at such dates and the Consolidated results of the operations of the Borrower and its Subsidiaries for the periods ended on such dates, all in accordance with GAAP consistently applied. Such balance sheets and the notes thereto disclose all material liabilities, direct or contingent, of the Borrower and its Subsidiaries on a Consolidated basis as of the dates thereof."

(d) Section 4.01(f) of the Existing Credit Agreement is amended by replacing the words "December 31, 1999" with the words "December 31, 2000."

(e) Section 5.01(h)(i) is amended in full to read as follows:

"(i) within 120 days after the end of each Fiscal Year of the Borrower, Consolidated balance sheets of the Borrower and its Subsidiaries showing the financial condition of the Borrower and its Subsidiaries as of the close of such Fiscal Year and the related statements of Consolidated income and statements of Consolidated cash flow as of and for such Fiscal Year, all such Consolidated financial statements of the Borrower and its Subsidiaries to be reported on by Deloitte & Touche or other independent accountants acceptable to the Required Lenders, and to be in form reasonably acceptable to the Required Lenders;"

SECTION 2. Conditions of Effectiveness of this Amendment and Restatement. This Amendment and Restatement shall become effective as of the date first above written (the "Restatement Effective Date") when and only if:

(a) The Administrative Agent shall have received counterparts of this Amendment and Restatement executed by the Borrower, the Existing Borrower, each of the Guarantors and all of the Initial Lenders or, as to any of the Initial Lenders, advice satisfactory to the Administrative Agent that such Initial Lender has executed this Amendment and Restatement.

(b) The Administrative Agent shall have received on or before the Restatement Effective Date the following, each dated such date and (unless otherwise specified below) in form and substance satisfactory to the Administrative Agent and (except for the Revolving Credit Notes) in sufficient copies for each Initial Lender:

(i) The new Revolving Credit Notes issued in connection with this Amendment and Restatement to the order of each of the Lenders, respectively.

(ii) Certified copies of the resolutions of the board of directors of the Borrower approving this Amendment and Restatement, the Notes and all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Amendment and Restatement and the Notes.

(iii) Certified copies of the resolutions of the board of directors of each of the Guarantors approving this Amendment and Restatement and all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Amendment and Restatement.

(iv) A certificate of the Secretary or an Assistant Secretary of each of the Guarantors certifying the names and true signatures of the officers of such Guarantor authorized to sign this Amendment and Restatement and the other documents to be delivered hereunder.

(v) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement, the Notes and the other documents to be delivered hereunder.

(vi) A favorable opinion of King & Spalding, counsel for the Borrower, in substantially the form of Exhibit G to the Existing Credit Agreement, but with such modifications as are required to address the Existing Credit Agreement, as amended by this Amendment and Restatement, in each such case in form and substance reasonably satisfactory to the Initial Lenders.

(vii) A favorable opinion of Shearman & Sterling, counsel for the Administrative Agent, in form and substance reasonably satisfactory to the Administrative Agent.

(c) The representations and warranties contained in Section 4.01 of the Existing Credit Agreement shall be correct on and as of the Restatement Effective Date, before and after giving effect to the Restatement Effective Date, as though made on and as of such date.

(d) No event shall have occurred and be continuing, or shall occur as a result of the occurrence of the Restatement Effective Date, that constitutes a Default.

(e) The Existing Borrower shall have paid all fees and amounts due and payable.

SECTION 3. Affirmation of Guaranty. Each of the Guarantors hereby consents to the execution and delivery of this Amendment and Restatement and ratifies and confirms its obligations under the Guaranty dated April 30, 1998, which obligations shall remain in full force and effect notwithstanding the provisions of this Amendment and Restatement or any other amendment and restatement thereto heretofore executed. Each of the Guarantors further agrees that all references to "the Borrower" in the above referenced Guaranty shall be deemed to be references to United Parcel Service, Inc.

SECTION 4. Reference to and Effect on the Existing Credit Agreement and the Notes. (a) On and after the effectiveness of this Amendment and Restatement, each reference in the Existing Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Existing Credit Agreement, and each reference in the Notes to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Existing Credit Agreement, shall mean and be a reference to the Existing Credit Agreement, as amended by this Amendment and Restatement.

(b) The Existing Credit Agreement and the Notes, as specifically amended by this Amendment and Restatement, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) Without limiting any of the other provisions of the Existing Credit Agreement, as amended by this Amendment and Restatement, any references in the Existing Credit Agreement to the phrases "on the date hereof", "on the date of this Agreement" or words of similar import shall mean and be a reference to the date of the Existing Credit Agreement (which is April 27, 2000).

SECTION 5. Costs and Expenses. The Borrower agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Administrative Agent in connection with the preparation, execution, delivery and administration, modification and amendment of this Amendment and Restatement, the Notes and the other documents to be delivered hereunder (including, without limitation, the reasonable and documented fees and expenses of counsel for the Administrative Agent with respect hereto and thereto) in accordance with the terms of Section 8.04 of the Existing Credit Agreement.

SECTION 6. Execution in Counterparts. This Amendment and Restatement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment and Restatement by telecopier shall be effective as delivery of an original executed counterpart of such signature page.

SECTION 7. Governing Law. This Amendment and Restatement shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment and Restatement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

UNITED PARCEL SERVICE, INC.,
as Borrower

By
Name:

Title:

UNITED PARCEL SERVICE OF AMERICA, INC.,
as Existing Borrower

By
Name:
Title:

UNITED PARCEL SERVICE, INC., a New York
corporation, as Guarantor

By
Name:
Title:

UNITED PARCEL SERVICE, INC., an Ohio
corporation, as Guarantor

By
Name:
Title:

UNITED PARCEL SERVICE CO., a Delaware
corporation, as Guarantor

By
Name:
Title:

THE AGENTS

CITIBANK, N.A.,
as Administrative Agent and Syndication Agent

By
Name:
Title:

BANK OF AMERICA, N.A.,
as Documentation Agent

By
Name:
Title:

SALOMON SMITH BARNEY INC.,
as Co-Arranger

By _____
Name:
Title:

BANC OF AMERICA SECURITIES LLC,
as Co-Arranger

By _____
Name:
Title:

FIRST UNION NATIONAL BANK
as Co-Agent

By
Name:
Title:

WACHOVIA BANK, N.A.
as Co-Agent

By _____
Name:
Title:

ROYAL BANK OF CANADA
as Co-Agent

By _____
Name:
Title:

THE CHASE MANHATTAN BANK
as Co-Agent

By _____
Name:
Title:

THE INITIAL LENDERS

[Print or type name of lender]

By _____
Name:
Title: