

**United States  
Securities and Exchange Commission  
Washington, D.C. 20549**

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**Form 10-Q**

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

For the quarterly period ended March 31, 2010, or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-15451

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**United Parcel Service, Inc.**

*(Exact name of registrant as specified in its charter)*

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**Delaware**  
*(State or Other Jurisdiction of  
Incorporation or Organization)*

**55 Glenlake Parkway, NE Atlanta, Georgia**  
*(Address of Principal Executive Offices)*

**58-2480149**  
*(IRS Employer  
Identification No.)*

**30328**  
*(Zip Code)*

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

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*Former name, former address and former 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 Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "accelerated filer", "large accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Check one: Large accelerated filer  Accelerated filer  Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

There were 270,136,836 Class A shares, and 720,339,087 Class B shares, with a par value of \$0.01 per share, outstanding at April 29, 2010.

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UNITED PARCEL SERVICE, INC.  
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## PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements*UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
March 31, 2010 (unaudited) and December 31, 2009  
(In millions)

	March 31, 2010	December 31, 2009
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,544	\$ 1,542
Marketable securities	571	558
Accounts receivable, net	5,077	5,369
Finance receivables, net	277	287
Deferred income tax assets	563	585
Income tax receivable	245	266
Other current assets	783	668
Total Current Assets	10,060	9,275
Property, Plant and Equipment, Net	17,758	17,979
Goodwill	2,070	2,089
Intangible Assets, Net	628	596
Non-Current Finance Receivables, Net	337	337
Other Non-Current Assets	1,651	1,607
Total Assets	<u>\$32,504</u>	<u>\$ 31,883</u>
<b>LIABILITIES AND SHAREOWNERS' EQUITY</b>		
Current Liabilities:		
Current maturities of long-term debt and commercial paper	\$ 1,406	\$ 853
Accounts payable	1,788	1,766
Accrued wages and withholdings	1,788	1,416
Self-insurance reserves	774	757
Income taxes accrued	348	258
Other current liabilities	1,262	1,189
Total Current Liabilities	7,366	6,239
Long-Term Debt	8,548	8,668
Pension and Postretirement Benefit Obligations	4,954	5,457
Deferred Income Tax Liabilities	1,494	1,293
Self-Insurance Reserves	1,702	1,732
Other Non-Current Liabilities	827	798
Shareowners' Equity:		
Class A common stock (275 and 285 shares issued in 2010 and 2009)	3	3
Class B common stock (717 and 711 shares issued in 2010 and 2009)	7	7
Additional paid-in capital	—	2
Retained earnings	12,692	12,745
Accumulated other comprehensive loss	(5,155)	(5,127)
Deferred compensation obligations	99	108
Less: Treasury stock (2 shares in 2010 and 2009)	(99)	(108)
Total Equity for Controlling Interests	7,547	7,630
Total Equity for Non-Controlling Interests	66	66
Total Shareowners' Equity	<u>7,613</u>	<u>7,696</u>
Total Liabilities and Shareowners' Equity	<u>\$32,504</u>	<u>\$ 31,883</u>

See notes to unaudited consolidated financial statements.

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**UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES**  
**STATEMENTS OF CONSOLIDATED INCOME**  
**(In millions, except per share amounts)**  
**(unaudited)**

	Three Months Ended March 31,	
	2010	2009
Revenue	\$11,728	\$10,938
Operating Expenses:		
Compensation and benefits	6,539	6,332
Repairs and maintenance	274	276
Depreciation and amortization	451	430
Purchased transportation	1,501	1,212
Fuel	678	496
Other occupancy	262	272
Other expenses	981	1,202
Total Operating Expenses	<u>10,686</u>	<u>10,220</u>
Operating Profit	<u>1,042</u>	<u>718</u>
Other Income and (Expense):		
Investment income (loss)	(4)	13
Interest expense	<u>(85)</u>	<u>(82)</u>
Total Other Income and (Expense)	<u>(89)</u>	<u>(69)</u>
Income Before Income Taxes	953	649
Income Tax Expense	420	248
Net Income	<u>\$ 533</u>	<u>\$ 401</u>
Basic Earnings Per Share	<u>\$ 0.54</u>	<u>\$ 0.40</u>
Diluted Earnings Per Share	<u>\$ 0.53</u>	<u>\$ 0.40</u>

**STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME**  
**(In millions)**  
**(unaudited)**

	Three Months Ended March 31,	
	2010	2009
Net income	\$ 533	\$ 401
Change in foreign currency translation adjustment	(128)	(75)
Change in unrealized gain (loss) on marketable securities, net of tax	19	(3)
Change in unrealized gain (loss) on cash flow hedges, net of tax	39	42
Change in unrecognized pension and postretirement benefit costs, net of tax	42	39
Comprehensive income	<u>\$ 505</u>	<u>\$ 404</u>

See notes to unaudited consolidated financial statements.

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**UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES**  
**STATEMENTS OF CONSOLIDATED CASH FLOWS**  
**(In millions)**  
**(unaudited)**

	Three Months Ended	
	March 31,	
	2010	2009
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 533	\$ 401
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	451	430
Pension and postretirement benefit expense	224	218
Pension and postretirement benefit contributions	(656)	(24)
Self-insurance reserves	(13)	(72)
Deferred taxes, credits and other	139	(73)
Stock compensation expense	100	105
Asset impairment charges	—	181
Other (gains) losses	97	(69)
Changes in assets and liabilities, net of effect of acquisitions:		
Accounts receivable	177	750
Other current assets	(20)	118
Accounts payable	48	(114)
Accrued wages and withholdings	379	178
Other current liabilities	89	126
Other operating activities	1	41
Net cash from operating activities	<u>1,549</u>	<u>2,196</u>
<b>Cash Flows From Investing Activities:</b>		
Capital expenditures	(283)	(382)
Proceeds from disposals of property, plant and equipment	20	6
Purchases of marketable securities and short-term investments	(310)	(865)
Sales and maturities of marketable securities and short-term investments	334	763
Net (increase) decrease in finance receivables	—	60
Other investing activities	(11)	22
Net cash (used in) investing activities	<u>(250)</u>	<u>(396)</u>
<b>Cash Flows From Financing Activities:</b>		
Net change in short-term debt	628	(434)
Proceeds from long-term borrowings	52	3,016
Repayments of long-term borrowings	(206)	(346)
Purchases of common stock	(278)	(116)
Issuances of common stock	45	31
Dividends	(456)	(438)
Other financing activities	(42)	(256)
Net cash provided by (used in) financing activities	<u>(257)</u>	<u>1,457</u>
<b>Effect Of Exchange Rate Changes On Cash And Cash Equivalents</b>	<u>(40)</u>	<u>(26)</u>
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	1,002	3,231
<b>Cash And Cash Equivalents:</b>		
Beginning of period	1,542	507
End of period	<u>\$ 2,544</u>	<u>\$ 3,738</u>

See notes to unaudited consolidated financial statements.

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

**NOTE 1. BASIS OF PRESENTATION**

*Principles of Consolidation*

In our opinion, the accompanying interim, unaudited, consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. These consolidated financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly our financial position as of March 31, 2010, our results of operations for the three months ended March 31, 2010 and 2009, and cash flows for the three months ended March 31, 2010 and 2009. 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. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2009.

For interim consolidated financial statement purposes, we provide for accruals under our various employee benefit plans and self-insurance reserves for each three month period based on one quarter of the estimated annual expense.

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

*Fair Value of Financial Instruments*

The carrying amount of our cash and cash equivalents, accounts receivable, finance receivables, and accounts payable approximate fair values as of March 31, 2010. The fair value of our investment securities is disclosed in Note 4, our short and long-term debt in Note 8, and our derivative instruments in Note 13.

*Accounting Estimates*

The preparation of the accompanying interim, unaudited, consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Estimates have been prepared on the basis of the most current and best information and actual results could differ materially from those estimates.

**NOTE 2. RECENT ACCOUNTING PRONOUNCEMENTS**

*Adoption of New Accounting Standards*

There were no accounting standards adopted during the three months ended March 31, 2010 that had a material impact on our consolidated financial statements.

*Standards Issued But Not Yet Effective*

Other new pronouncements issued but not effective until after March 31, 2010, are not expected to have a significant effect on our consolidated financial position or results of operations.

**NOTE 3. STOCK-BASED COMPENSATION**

We issue employee share-based awards under the UPS Incentive Compensation Plan, which permits the grant of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, performance shares, performance units, and management incentive awards to eligible employees. The primary compensation programs offered under the UPS Incentive Compensation Plan include the UPS Management Incentive Awards Program, the UPS Long-Term Incentive Program and the UPS Long-Term Incentive Performance Award program. We also maintain an employee stock purchase plan which allows eligible employees to purchase shares of UPS class A common stock at a discount.

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

During the first quarter of 2010, we granted target restricted stock units (“RSUs”) under the UPS Long-Term Incentive Performance Award program to eligible management. Of the total 2010 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 2010 to 2012, using performance criteria targets established each year. For 2010, those targets consist of consolidated operating return on invested capital and growth in consolidated revenue. The remaining 10% of the total 2010 target award will be based upon our achievement of adjusted earnings per share for the three-year award cycle compared to a target established at the beginning of the award cycle.

The number of RSUs earned each year will be the target number adjusted for the percentage achievement of performance criteria targets for the year. The percentage of achievement used to determine the RSUs earned may be a percentage less than or more than 100% of the target RSUs for each tranche. Based on the date that the eligible management population and performance targets were approved for the 2010 performance tranches, we determined the award measurement date to be March 18, 2010, and therefore the target RSU grant was valued for stock compensation expense purposes using the closing New York Stock Exchange price of \$64.42 on that date.

Awards granted under the UPS Long-Term Incentive program are normally granted during the second quarter of each year, and awards granted under the Management Incentive Awards program are normally granted during the fourth quarter of each year. Compensation expense for share-based awards recognized in net income for the three months ended March 31, 2010 and 2009 was \$102 and \$105 million pre-tax, respectively.

**NOTE 4. CASH AND INVESTMENTS**

The following is a summary of marketable securities classified as available-for-sale as of March 31, 2010 and December 31, 2009 (in millions):

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Estimated Fair Value</u>
<b>March 31, 2010</b>				
Current marketable securities:				
U.S. government and agency debt securities	\$148	\$ 1	\$ (2)	\$ 147
Mortgage and asset-backed debt securities	164	3	(1)	166
Corporate debt securities	196	6	—	202
U.S. state and local municipal debt securities	22	—	—	22
Other debt and equity securities	27	7	—	34
Current marketable securities	<u>557</u>	<u>17</u>	<u>(3)</u>	<u>571</u>
Non-current marketable securities:				
Asset-backed debt securities	127	—	(18)	109
U.S. state and local municipal debt securities	107	—	(22)	85
Common equity securities	20	11	—	31
Preferred equity securities	16	2	(1)	17
Non-current marketable securities	<u>270</u>	<u>13</u>	<u>(41)</u>	<u>242</u>
Total marketable securities	<u>\$827</u>	<u>\$ 30</u>	<u>\$ (44)</u>	<u>\$ 813</u>

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

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Estimated Fair Value</u>
<b>December 31, 2009</b>				
Current marketable securities:				
U.S. government and agency debt securities	\$126	\$ —	\$ (1)	\$ 125
Mortgage and asset-backed debt securities	158	2	(1)	159
Corporate debt securities	213	6	—	219
U.S. state and local municipal debt securities	22	—	—	22
Other debt and equity securities	28	5	—	33
	<u>547</u>	<u>13</u>	<u>(2)</u>	<u>558</u>
Non-current marketable securities:				
Asset-backed debt securities	150	—	(38)	112
U.S. state and local municipal debt securities	115	—	(26)	89
Common equity securities	21	10	—	31
Preferred equity securities	16	—	(1)	15
Non-current marketable securities	<u>302</u>	<u>10</u>	<u>(65)</u>	<u>247</u>
<b>Total marketable securities</b>	<u><b>\$849</b></u>	<u><b>\$ 23</b></u>	<u><b>\$ (67)</b></u>	<u><b>\$ 805</b></u>

*Auction Rate Securities*

At March 31, 2010, we held \$250 million in principal value of investments in auction rate securities. Some of these investments take the form of debt securities, and are structured as direct obligations of local governments or agencies (classified as “U.S. state and local municipal securities”). Other auction rate security investments are structured as obligations of asset-backed trusts (classified as “Asset-backed debt securities”), generally all of which are collateralized by student loans and are guaranteed by the U.S. Government or through private insurance. The remaining auction rate securities take the form of preferred stock, and are collateralized by securities issued directly by large corporations or money market securities. Substantially all of our investments in auction rate securities maintain investment-grade ratings of BBB / Baa or higher by Standard & Poor’s Rating Service (“Standard & Poor’s”) and Moody’s Investors Service (“Moody’s”), respectively.

During the first quarter of 2008, market auctions, including auctions for substantially all of our auction rate securities portfolio, began to fail due to insufficient buyers. As a result of the persistent failed auctions, and the uncertainty of when these investments could successfully be liquidated at par, we have continued to classify all of our investments in auction rate securities as non-current marketable securities (which are reported in “Other Non-Current Assets” on the consolidated balance sheet), as noted in the table above, as of March 31, 2010. The securities for which auctions have failed will continue to accrue interest and be auctioned at each respective reset date until the auction succeeds, the issuer redeems the securities, or the securities mature. In the first quarter of 2010, auction rate securities with a par value of \$17 million were successfully auctioned.

Historically, the par value of the auction rate securities approximated fair value due to the frequent resetting of the interest rate. While we will continue to earn interest on these investments in failed auction rate securities (often at the maximum contractual interest rate), the estimated fair value of the auction rate securities no longer approximates par value due to the lack of liquidity. We estimated the fair value of these securities after considering several factors, including the credit quality of the securities, the rate of interest received since the failed auctions began, the yields of securities similar to the underlying auction rate securities, and the input of broker-dealers in these securities. As a result, we recorded an after-tax unrealized loss of approximately \$24 million on these securities as of March 31, 2010 in other comprehensive income (\$39 million pre-tax), reflecting the decline in the estimated fair value of these securities.



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

*Investment Other-Than-Temporary Impairments*

We have concluded that no other-than-temporary impairment losses existed as of March 31, 2010. In making this determination, we considered the financial condition and prospects of the issuer, the magnitude of the losses compared with the investments' cost, the length of time the investments have been in an unrealized loss position, the probability that we will be unable to collect all amounts due according to the contractual terms of the security, the credit rating of the security, and our ability and intent to hold these investments until the anticipated recovery in market value occurs.

*Maturity Information*

The amortized cost and estimated fair value of marketable securities and short-term investments at March 31, 2010, by contractual maturity, are shown below (in millions). Actual maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

	<u>Cost</u>	<u>Estimated Fair Value</u>
Due in one year or less	\$ 12	\$ 12
Due after one year through three years	225	227
Due after three years through five years	66	68
Due after five years	<u>469</u>	<u>432</u>
	772	739
Equity securities	<u>55</u>	<u>74</u>
	<u>\$827</u>	<u>\$ 813</u>

*Restricted Cash*

We had \$286 million of restricted cash related to our self-insurance requirements, as of March 31, 2010 and December 31, 2009, which is reported in "Other Non-Current Assets" on the consolidated balance sheet.

*Fair Value Measurements*

Marketable securities utilizing Level 1 inputs include active exchange-traded equity securities and equity index funds, and most U.S. Government debt securities, as these securities all have quoted prices in active markets. Marketable securities utilizing Level 2 inputs include non-auction rate asset-backed securities, corporate bonds, and municipal bonds. These securities are valued using market corroborated pricing, matrix pricing, or other models that utilize observable inputs such as yield curves.

We have classified our auction rate securities portfolio as utilizing Level 3 inputs, as their valuation requires substantial judgment and estimation of factors that are not currently observable in the market due to the lack of trading in the securities. The valuation may be revised in future periods as market conditions evolve. These securities were valued as of March 31, 2010 considering several factors, including the credit quality of the securities, the rate of interest received since the failed auctions began, the yields of securities similar to the underlying auction rate securities, and the input of broker-dealers in these securities.

We maintain holdings in certain investment partnerships that are measured at fair value utilizing Level 3 inputs (classified as "other investments" in the tables below, and as "Other Non-Current Assets" in the

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

consolidated balance sheet). These partnership holdings do not have any quoted prices, nor can they be valued using inputs based on observable market data. These investments are valued internally using a discounted cash flow model based on each partnership's financial statements and cash flow projections.

The following table presents information about our investments measured at fair value on a recurring basis as of March 31, 2010 and December 31, 2009, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value (in millions).

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of March 31, 2010
<b>March 31, 2010</b>				
Marketable Securities:				
U.S. Government and Agency Debt Securities	\$ 138	\$ 9	\$ —	\$ 147
Mortgage and Asset-Backed Debt Securities	—	166	109	275
Corporate Debt Securities	—	202	—	202
U.S. State and Local Municipal Debt Securities	—	22	85	107
Other Debt and Equity Securities	57	8	17	82
Other investments	—	—	290	290
Total	<u>\$ 195</u>	<u>\$ 407</u>	<u>\$ 501</u>	<u>\$ 1,103</u>

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2009
<b>December 31, 2009</b>				
Marketable Securities:				
U.S. Government and Agency Debt Securities	\$ 125	\$ —	\$ —	\$ 125
Mortgage and Asset-Backed Debt Securities	—	159	112	271
Corporate Debt Securities	—	219	—	219
U.S. State and Local Municipal Debt Securities	—	22	89	111
Other Debt and Equity Securities	54	10	15	79
Other investments	—	—	301	301
Total	<u>\$ 179</u>	<u>\$ 410</u>	<u>\$ 517</u>	<u>\$ 1,106</u>

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

The following table presents the changes in the above Level 3 instruments measured on a recurring basis for the three months ended March 31, 2010 (in millions).

	Marketable Securities	Other Investments	Total
Balance on January 1, 2010	\$ 216	\$ 301	\$517
Transfers into (out of) Level 3	—	—	—
Net realized and unrealized gains (losses):			
Included in earnings (in investment income)	(7)	(11)	(18)
Included in accumulated other comprehensive income (pre-tax)	26	—	26
Purchases, issuances, and settlements	(24)	—	(24)
Balance on March 31, 2010	<u>\$ 211</u>	<u>\$ 290</u>	<u>\$501</u>

**NOTE 5. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment as of March 31, 2010 and December 31, 2009 consists of the following (in millions):

	2010	2009
Vehicles	\$ 5,421	\$ 5,480
Aircraft (including aircraft under capitalized leases)	13,928	13,777
Land	1,073	1,079
Buildings	3,065	3,076
Building and leasehold improvements	2,800	2,800
Plant equipment	6,359	6,371
Technology equipment	1,567	1,591
Equipment under operating leases	142	145
Construction-in-progress	453	488
	34,808	34,807
Less: Accumulated depreciation and amortization	<u>(17,050)</u>	<u>(16,828)</u>
	<u>\$ 17,758</u>	<u>\$ 17,979</u>

We continually monitor our aircraft fleet utilization in light of current and projected volume levels, aircraft fuel prices, and other factors. In 2008, we had announced that we were in negotiations with DHL to provide air transportation services for all of DHL's express, deferred and international package volume within the United States, as well as air transportation services between the United States, Canada and Mexico. In early April 2009, UPS and DHL mutually agreed to terminate further discussions on providing these services. Additionally, our U.S. Domestic Package air delivery volume had declined for several quarters as a result of persistent economic weakness and shifts in product mix from our premium air services to our lower cost ground services. As a result of these factors, the utilization of certain aircraft fleet types had declined and was expected to be lower in the future.

Based on the factors noted above, as well as FAA aging aircraft directives that would require significant future maintenance expenditures, we determined that a triggering event had occurred that required an impairment assessment of our McDonnell-Douglas DC-8-71 and DC-8-73 aircraft fleets. We conducted an impairment analysis as of March 31, 2009, and determined that the carrying amount of these fleets was not recoverable due to the accelerated expected retirement dates of the aircraft. Based on anticipated residual values for the airframes,

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engines, and parts, we recognized an impairment charge of \$181 million in the first quarter of 2009. This charge is included in the caption "Other expenses" in the Statement of Consolidated Income, and impacted our U.S. Domestic Package segment. The DC-8 fleets were subsequently retired from service. We currently continue to utilize and operate all of our other aircraft fleets.

The impaired airframes, engines, and parts had a net carrying value of \$192 million, and were written down to an aggregate fair value of \$11 million. The fair values for the impaired airframes, engines, and parts were determined using unobservable inputs (Level 3).

**NOTE 6. EMPLOYEE BENEFIT PLANS**

Information about net periodic benefit cost for our pension and postretirement benefit plans is as follows for the three month period ended March 31, 2010 and 2009 (in millions):

	U.S. Pension Benefits		U.S. Postretirement Medical Benefits		International Pension Benefits	
	2010	2009	2010	2009	2010	2009
<b>Net Periodic Cost:</b>						
Service cost	\$ 181	\$ 172	\$ 22	\$ 21	\$ 6	\$ 5
Interest cost	300	283	53	53	8	7
Expected return on assets	(400)	(372)	(5)	(7)	(9)	(6)
Amortization of:						
Transition obligation	—	1	—	—	—	—
Prior service cost	43	45	1	2	—	—
Actuarial (gain) loss	19	11	4	3	1	—
Settlements / curtailments	—	—	—	—	—	—
Net periodic benefit cost	<u>\$ 143</u>	<u>\$ 140</u>	<u>\$ 75</u>	<u>\$ 72</u>	<u>\$ 6</u>	<u>\$ 6</u>

During the first three months of 2010, we contributed \$633 and \$23 million to our company-sponsored pension and postretirement medical benefit plans, respectively. We expect to contribute \$405 and \$66 million over the remainder of the year to the pension and postretirement medical benefit plans, respectively.

**NOTE 7. GOODWILL AND INTANGIBLE ASSETS**

The following table indicates the allocation of goodwill by reportable segment as of March 31, 2010 and December 31, 2009 (in millions):

	U.S. Domestic Package	International Package	Supply Chain & Freight	Consolidated
December 31, 2009 balance	\$ —	\$ 374	\$ 1,715	\$ 2,089
Acquired	—	—	—	—
Currency / Other	—	(10)	(9)	(19)
March 31, 2010 balance	<u>—</u>	<u>\$ 364</u>	<u>\$ 1,706</u>	<u>\$ 2,070</u>

The decrease in goodwill in the International Package and Supply Chain & Freight segments was due to the impact of the strengthening U.S. Dollar on the translation of non-U.S. Dollar goodwill balances.

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The following is a summary of intangible assets as of March 31, 2010 and December 31, 2009 (in millions):

	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Value</u>
<b>March 31, 2010:</b>			
Trademarks, licenses, patents, and other	\$ 187	\$ (18)	\$ 169
Customer lists	107	(55)	52
Franchise rights	109	(48)	61
Capitalized software	1,843	(1,497)	346
Total Intangible Assets, Net	<u>\$ 2,246</u>	<u>\$ (1,618)</u>	<u>\$ 628</u>
<b>December 31, 2009:</b>			
Trademarks, licenses, patents, and other	\$ 132	\$ (9)	\$ 123
Customer lists	107	(52)	55
Franchise rights	109	(46)	63
Capitalized software	1,812	(1,457)	355
Total Intangible Assets, Net	<u>\$ 2,160</u>	<u>\$ (1,564)</u>	<u>\$ 596</u>

**NOTE 8. DEBT AND FINANCING ARRANGEMENTS**

The carrying value of our outstanding debt as of March 31, 2010 and December 31, 2009 consists of the following (in millions):

	<u>Maturity</u>	<u>2010</u>	<u>2009</u>
Commercial paper	2010	\$ 1,276	\$ 672
4.50% senior notes	2013	1,783	1,773
3.875% senior notes	2014	1,044	1,023
5.50% senior notes	2018	762	758
5.125% senior notes	2019	998	991
6.20% senior notes	2038	1,480	1,480
8.375% debentures	2020-2030	739	739
Floating rate senior notes	2049-2053	397	409
Facility notes and bonds	2015-2036	320	320
Pound Sterling notes	2031-2050	736	791
Capital lease obligations	2010-2021	343	369
UPS Notes	2010-2021	55	175
Other debt	2010-2012	21	21
Total debt		9,954	9,521
Less current maturities		(1,406)	(853)
Long-term debt		<u>\$ 8,548</u>	<u>\$ 8,668</u>

*Sources of Credit*

We are authorized to borrow up to \$10.0 billion under the U.S. commercial paper program we maintain. We had \$1.276 billion outstanding under this program as of March 31, 2010, with an average interest rate of 0.12%. As of March 31, 2010, we have classified the entire commercial paper balance as a current liability in our consolidated balance sheet. We also maintain a European commercial paper program under which we are authorized to borrow up to €1.0 billion in a variety of currencies, however there were no amounts outstanding under this program as of March 31, 2010.

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We maintain two credit agreements with a consortium of banks. One of these agreements provides revolving credit facilities of \$1.5 billion, and expires on April 14, 2011. Interest on any amounts we borrow under this facility would be charged at 90-day LIBOR plus a percentage determined by quotations from Markit Group Ltd. for our 1-year credit default swap spread, subject to certain minimum rates and maximum rates based on our public debt ratings from Standard & Poor's and Moody's. If our public debt ratings are A / A2 or above, the minimum applicable margin is 0.50% and the maximum applicable margin is 1.50%; if our public debt ratings are lower than A / A2, the minimum applicable margin is 1.00% and the maximum applicable margin is 2.50%.

The second agreement provides revolving credit facilities of \$1.0 billion, and expires on April 19, 2012. Interest on any amounts we borrow under this facility would be charged at 90-day LIBOR plus 15 basis points. At March 31, 2010, there were no outstanding borrowings under either of these facilities.

In addition to these credit facilities, we have an automatically effective registration statement on Form S-3 filed with the SEC that is available for registered offerings of short or long-term debt securities.

In March 2009, we completed an offering of \$1.0 billion of 3.875% senior notes due April 2014, and \$1.0 billion of 5.125% senior notes due April 2019. These notes pay interest semiannually, and we may redeem the notes at any time by paying the greater of the principal amount or a "make-whole" amount, plus accrued interest. After pricing and underwriting discounts, we received a total of \$1.989 billion in cash proceeds from the offering. The proceeds from the offering were used for general corporate purposes, including the reduction of our outstanding commercial paper balance.

*Debt Covenants*

Our existing debt instruments and credit facilities do not have cross-default or ratings triggers, however these debt instruments and credit facilities do subject us to certain financial covenants. As of March 31, 2010 and for all prior periods, we have satisfied these financial covenants. These covenants limit the amount of secured indebtedness that we may incur, and limit the amount of attributable debt in sale-leaseback transactions, to 10% of net tangible assets. As of March 31, 2010, 10% of net tangible assets is equivalent to \$2.244 billion, however we have no covered sale-leaseback transactions or secured indebtedness outstanding. Additionally, we are required to maintain a minimum net worth, as defined, of \$5.0 billion on a quarterly basis. As of March 31, 2010, our net worth, as defined, was equivalent to \$12.702 billion. We do not expect these covenants to have a material impact on our financial condition or liquidity.

*Fair Value of Debt*

Based on the borrowing rates currently available to the Company for long-term debt with similar terms and maturities, the fair value of long-term debt, including current maturities, is approximately \$11.253 and \$10.216 billion as of March 31, 2010 and December 31, 2009, respectively.

**NOTE 9. LEGAL PROCEEDINGS AND CONTINGENCIES**

We are a defendant in a number of lawsuits filed in state and federal courts containing various class-action allegations under state wage-and-hour laws. In one of these cases, Marlo v. UPS, which was certified as a class action in a California federal court in September 2004, plaintiffs allege that they improperly were denied overtime, and seek penalties for missed meal and rest periods, and interest and attorneys' fees. Plaintiffs purport to represent a class of 1,300 full-time supervisors. In August 2005, the court granted summary judgment in favor of UPS on all claims, and plaintiffs appealed the ruling. In October 2007, the appeals court reversed the lower

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court's ruling. In April 2008, the Court decertified the class and vacated the trial scheduled for that month. After decertification, some plaintiffs filed individual lawsuits raising the same allegations as in the underlying class action. These individual lawsuits are in various stages. We have denied any liability with respect to these claims and intend to vigorously defend ourselves in these cases. At this time, we have not determined the amount of any liability that may result from these matters or whether such liability, if any, would have a material adverse effect on our financial condition, results of operations, or liquidity.

In another case, *Hohider v. UPS*, which in July 2007 was certified as a class action in a Pennsylvania federal court, plaintiffs have challenged certain aspects of the Company's interactive process for assessing requests for reasonable accommodation under the Americans with Disabilities Act. Plaintiffs purport to represent a class of over 35,000 current and former employees, and seek back-pay, and compensatory and punitive damages, as well as attorneys' fees. In August 2007, the Third Circuit Court of Appeals granted our petition to hear the appeal of the trial court's certification order. In July 2009, the Third Circuit issued its decision decertifying the class and remanding the case to the trial court for further proceedings. We have denied any liability with respect to these claims and intend to vigorously defend ourselves in this case. At this time, we have not determined the amount of any liability that may result from this matter or whether such liability, if any, would have a material adverse effect on our financial condition, results of operations, or liquidity.

UPS and our subsidiary Mail Boxes Etc., Inc. are defendants in various lawsuits brought by franchisees who operate Mail Boxes Etc. centers and The UPS Store locations. These lawsuits relate to the rebranding of Mail Boxes Etc. centers to The UPS Store, The UPS Store business model, the representations made in connection with the rebranding and the sale of The UPS Store franchises, and UPS's sale of services in the franchisees' territories. In one of the actions, which is pending in California state court, the court certified a class consisting of all Mail Boxes Etc. branded stores that rebranded to The UPS Store in March 2003. We have denied any liability with respect to these claims and intend to defend ourselves vigorously. At this time, we have not determined the amount of any liability that may result from these matters or whether such liability, if any, would have a material adverse effect on our financial condition, results of operations, or liquidity.

In *Barber Auto Sales v. UPS*, which a federal court in Alabama certified as a class action in September 2009, the plaintiff asserts a breach of contract claim arising from UPS's assessment of shipping charge corrections when UPS determines that the "dimensional weight" of packages is greater than reported by the shipper. We have denied any liability with respect to these claims and intend to vigorously defend ourselves in this case. At this time, we have not determined the amount of any liability that may result from this matter or whether such liability, if any, would have a material adverse effect on our financial condition, results of operations, or liquidity.

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

As of December 31, 2009, we had approximately 254,000 employees employed under a national master agreement and various supplemental agreements with local unions affiliated with the International Brotherhood of Teamsters ("Teamsters"). These agreements run through July 31, 2013. We have approximately 2,800 pilots who are employed under a collective bargaining agreement with the Independent Pilots Association ("IPA"), which becomes amendable at the end of 2011. Beginning May 23, 2010, we will begin the process of furloughing 170 of our airline pilots. Any additional furloughs will be phased in based on prevailing economic conditions. Our airline mechanics are covered by a collective bargaining agreement with Teamsters Local 2727, which became amendable in November 2006. We began formal negotiations with Teamsters Local 2727 in October

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2006, and have been under the guidance of the National Mediation Board since January 2008. These talks are currently in recess. In addition, the majority (approximately 3,400) of our ground mechanics who are not employed under agreements with the Teamsters are employed under collective bargaining agreements with the International Association of Machinists and Aerospace Workers ("IAM"). Our agreement with the IAM runs through July 31, 2014.

We participate in a number of trustee-managed multi-employer pension and health and welfare plans for employees covered under collective bargaining agreements. Several factors could cause us to make significantly higher future contributions to these plans, including unfavorable investment performance, changes in demographics, and increased benefits to participants. At this time, we are unable to determine the amount of additional future contributions, if any, or whether any material adverse effect on our financial condition, results of operations, or liquidity would result from our participation in these plans.

In January 2008, a class action complaint was filed in the United States District Court for the Eastern District of New York alleging price-fixing activities relating to the provision of freight forwarding services. UPS was not named in this case. On July 21, 2009, the plaintiffs filed a first amended complaint naming numerous global freight forwarders as defendants. UPS and UPS Supply Chain Solutions are among the 60 defendants named in the amended complaint. We intend to vigorously defend ourselves in this case. At this time, we have not determined the amount of any liability that may result from these matters or whether such liability, if any, would have a material adverse effect on our financial condition, results of operations, or liquidity.

*Other Matters*

We received grand jury subpoenas from the Antitrust Division of the U.S. Department of Justice ("DOJ") regarding the DOJ's investigations into certain pricing practices in the air cargo industry in July 2006, and into certain pricing practices in the freight forwarding industry in December 2007.

In October 2007, June 2008, and February 2009, we received information requests from the European Commission ("Commission") relating to its investigation of certain pricing practices in the freight forwarding industry, and subsequently responded to each request. On February 9, 2010, UPS received a Statement of Objections by the Commission. This document contains the Commission's preliminary view with respect to alleged anticompetitive behavior in the freight forwarding industry by 18 freight forwarders, including UPS. Although it alleges anticompetitive behavior, it does not prejudice the Commission's final decision, as to facts or law (which is subject to appeal to the European courts). The options available to the Commission include taking no action or imposing a monetary fine; the range of any potential action by the Commission is not reasonably estimable. Any decision imposing a fine would be subject to appeal. UPS has responded to the Statement of Objections and we intend to vigorously defend ourselves in this proceeding.

We also received and responded to related information requests from competition authorities in other jurisdictions.

We are cooperating with each of these inquiries. At this time, we are unable to determine the amount of any liability that may result from these matters or whether any such liability would have a material adverse effect on our financial condition, results of operations, or liquidity.



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**NOTE 10. SHAREOWNERS' EQUITY**

*Capital Stock, Additional Paid-In Capital, and Retained Earnings*

We maintain two classes of common stock, which are distinguished from each other primarily by their respective voting rights. Class A shares are entitled to 10 votes per share, whereas Class B shares are entitled to one vote per share. Class A shares are primarily held by UPS employees and retirees, and these shares are fully convertible into Class B shares at any time. Class B shares are publicly traded on the New York Stock Exchange (NYSE) under the symbol "UPS". Class A and B shares both have a \$0.01 par value, and as of March 31, 2010, there were 4.6 billion Class A shares and 5.6 billion Class B shares authorized to be issued. Additionally, there are 200 million preferred shares, with a \$0.01 par value, authorized to be issued; as of March 31, 2010, no preferred shares had been issued.

The following is a roll-forward of our common stock, additional paid-in capital, and retained earnings accounts for the three months ended March 31, 2010 and 2009 (in millions, except per share amounts):

	2010		2009	
	Shares	Dollars	Shares	Dollars
<b>Class A Common Stock</b>				
Balance at beginning of period	285	\$ 3	314	\$ 3
Common stock purchases	(1)	—	(3)	—
Stock award plans	—	—	1	—
Common stock issuances	1	—	1	—
Conversions of Class A to Class B common stock	(10)	—	(10)	—
Class A shares issued at end of period	<u>275</u>	<u>\$ 3</u>	<u>303</u>	<u>\$ 3</u>
<b>Class B Common Stock</b>				
Balance at beginning of period	711	\$ 7	684	\$ 7
Common stock purchases	(4)	—	—	—
Conversions of Class A to Class B common stock	10	—	10	—
Class B shares issued at end of period	<u>717</u>	<u>\$ 7</u>	<u>694</u>	<u>\$ 7</u>
<b>Additional Paid-In Capital</b>				
Balance at beginning of period		\$ 2		\$ —
Stock award plans		95		111
Common stock purchases		(145)		(113)
Common stock issuances		48		48
Balance at end of period		<u>\$ —</u>		<u>\$ 46</u>
<b>Retained Earnings</b>				
Balance at beginning of period		\$12,745		\$12,412
Net income		533		401
Dividends (\$0.47 and \$0.45 per share)		(469)		(450)
Common stock purchases		(117)		—
Balance at end of period		<u>\$12,692</u>		<u>\$12,363</u>

We currently intend to repurchase shares in 2010 at a rate that will at least offset the dilution from our stock compensation programs. We repurchased a total of 4.5 million shares of Class A and Class B common stock for \$262 million during the three months ended March 31, 2010, and 2.5 million shares for \$113 million for the three months ended March 31, 2009. As of March 31, 2010, we had \$5.741 billion of our share repurchase authorization remaining.

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In February 2010, we entered into an accelerated share repurchase program with a large financial institution, which allowed us to repurchase \$186 million of shares (3.0 million shares). The program was completed in April 2010.

*Accumulated Other Comprehensive Income (Loss)*

We experience activity in AOCI for unrealized holding gains and losses on available-for-sale securities, foreign currency translation adjustments, unrealized gains and losses from derivatives that qualify as hedges of cash flows, and unrecognized pension and postretirement benefit costs. The activity in AOCI for the three months ended March 31, 2010 and 2009 is as follows (in millions):

	<u>2010</u>	<u>2009</u>
<b>Foreign currency translation gain (loss):</b>		
Balance at beginning of period	\$ 37	\$ (38)
Aggregate adjustment for the period	<u>(128)</u>	<u>(75)</u>
Balance at end of period	<u>(91)</u>	<u>(113)</u>
<b>Unrealized gain (loss) on marketable securities, net of tax:</b>		
Balance at beginning of period	(27)	(60)
Current period changes in fair value (net of tax effect of \$10, and \$(16))	16	(2)
Reclassification to earnings (net of tax effect of \$1 and \$0)	<u>3</u>	<u>(1)</u>
Balance at end of period	<u>(8)</u>	<u>(63)</u>
<b>Unrealized gain (loss) on cash flow hedges, net of tax:</b>		
Balance at beginning of period	(200)	(107)
Current period changes in fair value (net of tax effect of \$10 and \$80)	17	132
Reclassification to earnings (net of tax effect of \$13 and \$(54))	<u>22</u>	<u>(90)</u>
Balance at end of period	<u>(161)</u>	<u>(65)</u>
<b>Unrecognized pension and postretirement benefit costs, net of tax:</b>		
Balance at beginning of period	(4,937)	(5,437)
Reclassification to earnings (net of tax effect of \$26 and \$23)	<u>42</u>	<u>39</u>
Balance at end of period	<u>(4,895)</u>	<u>(5,398)</u>
Accumulated other comprehensive income (loss) at end of period	<u><u>\$(5,155)</u></u>	<u><u>\$(5,639)</u></u>

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*Deferred Compensation Obligations and Treasury Stock*

Activity in the deferred compensation program for the three months ended March 31, 2010 and 2009 is as follows (in millions):

	2010		2009	
	Shares	Dollars	Shares	Dollars
<b>Deferred Compensation Obligations</b>				
Balance at beginning of period		\$ 108		\$ 121
Reinvested dividends		1		1
Benefit payments		(10)		(16)
Balance at end of period		<u>\$ 99</u>		<u>\$ 106</u>
<b>Treasury Stock</b>				
Balance at beginning of period	(2)	\$(108)	(2)	\$(121)
Reinvested dividends	—	(1)	—	(1)
Benefit payments	—	10	—	16
Balance at end of period	<u>(2)</u>	<u>\$ (99)</u>	<u>(2)</u>	<u>\$(106)</u>

*Noncontrolling Interests*

We have noncontrolling interests in certain consolidated subsidiaries in our International Package and Supply Chain & Freight segments. The noncontrolling interests currently on our balance sheet primarily relate to a joint venture in Dubai that operates in the Middle East, Turkey, and portions of the Central Asia region, which was formed in the third quarter of 2009. The activity related to our noncontrolling interests is presented below for the three months ended March 31, 2010 and 2009 (in millions):

	2010	2009
<b>Noncontrolling Interests</b>		
Balance at beginning of period	\$ 66	\$—
Acquired noncontrolling interests	—	—
Dividends attributable to noncontrolling interests	—	—
Net income attributable to noncontrolling interests	—	—
Balance at end of period	<u>\$ 66</u>	<u>\$—</u>

**NOTE 11. SEGMENT INFORMATION**

We report our operations in three segments: U.S. Domestic Package operations, International Package operations, and Supply Chain & Freight operations. Package operations represent our most significant business and are broken down into regional operations around the world. Regional operations managers are responsible for both domestic and export operations within their geographic area.

*U.S. Domestic Package*

Domestic Package operations include the time-definite delivery of letters, documents, and packages throughout the United States.

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*International Package*

International Package operations include delivery to more than 200 countries and territories worldwide, including shipments wholly outside the United States, as well as shipments with either origin or distribution outside the United States. Our International Package reporting segment includes the operations of our Europe, Asia, and Americas operating segments.

*Supply Chain & Freight*

Supply Chain & Freight includes our forwarding and logistics operations, UPS Freight, and other aggregated business units. Our forwarding and logistics business provides services in more than 175 countries and territories worldwide, and includes supply chain design and management, freight distribution, customs brokerage, mail and consulting services. UPS Freight offers a variety of less-than-truckload ("LTL") and truckload ("TL") services to customers in North America. Other aggregated business units within this segment include Mail Boxes, Etc. (the franchisor of Mail Boxes, Etc. and The UPS Store) and UPS Capital.

In evaluating financial performance, we focus on operating profit as a segment's measure of profit or loss. Operating profit is before investment income, interest expense, and income taxes. The accounting policies of the reportable segments are the same as those described in the summary of accounting policies included in the financial statements in our Annual Report on Form 10-K for the year ended December 31, 2009, with certain expenses allocated between the segments using activity-based costing methods. Unallocated assets are comprised primarily of cash, marketable securities, short-term investments, and investments in limited partnerships.

Segment information for the three months ended March 31, 2010 and 2009 is as follows (in millions):

	<u>2010</u>	<u>2009</u>
Revenue:		
U.S. Domestic Package	\$ 7,102	\$ 6,949
International Package	2,639	2,240
Supply Chain & Freight	1,987	1,749
Consolidated	<u>\$ 11,728</u>	<u>\$ 10,938</u>
Operating Profit:		
U.S. Domestic Package	\$ 562	\$ 384
International Package	427	294
Supply Chain & Freight	53	40
Consolidated	<u>\$ 1,042</u>	<u>\$ 718</u>

As discussed in Note 5, the U.S. Domestic Package segment operating profit was adversely impacted by a \$181 million impairment charge in the first quarter of 2009, related to our McDonnell-Douglas DC-8-71 and DC-8-73 airframes, engines, and related parts. As discussed in Note 14, the U.S. Domestic Package segment operating profit was adversely impacted by a \$98 million restructuring charge in the first quarter of 2010, while the Supply Chain & Freight segment operating profit was negatively impacted by a \$38 million loss on the sale of a specialized transportation business unit in Germany.

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**NOTE 12. EARNINGS PER SHARE**

The following table sets forth the computation of basic and diluted earnings per share for the three months ended March 31, 2010 and 2009 (in millions, except per share amounts):

	<u>2010</u>	<u>2009</u>
Numerator:		
Net income	\$ 533	\$ 401
Denominator:		
Weighted average shares	992	995
Deferred compensation obligations	2	2
Vested portion of restricted shares	1	—
Denominator for basic earnings per share	<u>995</u>	<u>997</u>
Effect of dilutive securities:		
Restricted performance units	3	3
Restricted stock units	6	3
Stock options	—	—
Denominator for diluted earnings per share	<u>1,004</u>	<u>1,003</u>
Basic earnings per share	<u>\$ 0.54</u>	<u>\$ 0.40</u>
Diluted earnings per share	<u>\$ 0.53</u>	<u>\$ 0.40</u>

Diluted earnings per share for the three months ended March 31, 2010 and 2009 exclude the effect of 14.9 and 18.1 million shares of common stock, respectively, that may be issued upon the exercise of employee stock options because such effect would be antidilutive.

**NOTE 13. DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT**

*Risk Management Policies*

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

*Credit Risk Management*

The forward contracts, swaps, and options discussed below contain an element of risk that the counterparties may be unable to meet the terms of the agreements. However, we minimize such risk exposures for these instruments by limiting the counterparties to banks and financial institutions that meet established credit guidelines, and monitoring counterparty credit risk to prevent concentrations of credit risk with any single counterparty. Additionally, the majority of our master agreements for derivatives provide for the early

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termination of any derivative transactions in the event that either the bank counterparty or UPS receives a credit rating below BBB by Standard & Poor's or Baa2 by Moody's, or ceases to be rated by either firm. We do not have any credit-risk triggers in our outstanding master agreements that require UPS or the bank counterparties to post collateral.

We have not historically incurred, and do not expect to incur in the future, any losses as a result of counterparty default.

*Accounting Policy for Derivative Instruments*

We recognize all derivative instruments as assets or liabilities in the balance sheet at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the derivative, based upon the exposure being hedged, as a cash flow hedge, a fair value hedge, or a hedge of a net investment in a foreign operation.

A cash flow hedge refers to hedging the exposure to variability in expected future cash flows that is attributable to a particular risk. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of AOCI, and reclassified into earnings in the same period during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, or hedge components excluded from the assessment of effectiveness, are recognized in the income statement during the current period.

A fair value hedge refers to hedging the exposure to changes in the fair value of an existing asset or a liability on the balance sheet that is attributable to a particular risk. For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative instrument is recognized in the income statement during the current period, as well as the offsetting gain or loss on the hedged item.

A net investment hedge refers to the use of cross currency swaps, forward contracts, or foreign currency denominated debt to hedge portions of our net investments in foreign operations. For hedges that meet the effectiveness requirements, the net gains or losses attributable to changes in spot exchange rates are recorded in the cumulative translation adjustment within other AOCI. The remainder of the change in value of such instruments is recorded in earnings.

*Types of Hedges:*

*Commodity Risk Management:*

Currently, the fuel surcharges that we apply to our domestic and international package and LTL services are the primary means of reducing the risk of adverse fuel price changes on our business. We periodically enter into option contracts on energy commodity products to manage the price risk associated with forecasted transactions involving refined fuels, principally jet-A, diesel, and unleaded gasoline. The objective of the hedges is to reduce the variability of cash flows, due to changing fuel prices, associated with the forecasted transactions involving those products. We have designated and account for these contracts as cash flow hedges of the underlying forecasted transactions involving these fuel products and, therefore, the resulting gains and losses from these hedges are recognized as a component of fuel expense or revenue when the underlying transactions occur.

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*Foreign Currency Risk Management:*

To protect against the reduction in value of forecasted foreign currency cash flows from our international package business, we maintain a foreign currency cash flow hedging program. Our most significant foreign currency exposures relate to the Euro, the British Pound Sterling, and the Canadian Dollar. We hedge portions of our forecasted revenue denominated in foreign currencies with option contracts. We have designated and account for these contracts as cash flow hedges of anticipated foreign currency denominated revenue and, therefore, the resulting gains and losses from these hedges are recognized as a component of international package revenue when the underlying sales transactions occur.

We have foreign currency denominated debt obligations and capital lease obligations associated with our aircraft. For some of these debt obligations and leases, we hedge the foreign currency denominated contractual payments using cross-currency interest rate swaps, which effectively convert the foreign currency denominated contractual payments into U.S. Dollar denominated payments. We have designated and account for these swaps as cash flow hedges of the forecasted contractual payments and, therefore, the resulting gains and losses from these hedges are recognized in the income statement when the currency remeasurement gains and losses on the underlying debt obligations and leases are incurred.

*Interest Rate Risk Management:*

Our indebtedness under our various financing arrangements creates interest rate risk. We use a combination of derivative instruments, including interest rate swaps and cross-currency interest rate swaps, as part of our program to manage the fixed and floating interest rate mix of our total debt portfolio and related overall cost of borrowing. The notional amount, interest payment, and maturity dates of the swaps match the terms of the associated debt being hedged. Interest rate swaps allow us to maintain a target range of floating rate debt within our capital structure.

We have designated and account for interest rate swaps that convert fixed rate interest payments into floating rate interest payments as hedges of the fair value of the associated debt instruments. Therefore, the gains and losses resulting from fair value adjustments to the interest rate swaps and fair value adjustments to the associated debt instruments are recorded to interest expense in the period in which the gains and losses occur. We have designated and account for interest rate swaps that convert floating rate interest payments into fixed rate interest payments as cash flow hedges of the forecasted payment obligations. The gains and losses resulting from fair value adjustments to the interest rate swap are recorded to AOCI.

We periodically hedge the forecasted fixed-coupon interest payments associated with anticipated debt offerings, using forward starting interest rate swaps, interest rate locks, or similar derivatives. These agreements effectively lock a portion of our interest rate exposure between the time the agreement is entered into and the date when the debt offering is completed, thereby mitigating the impact of interest rate changes on future interest expense. These derivatives are settled commensurate with the issuance of the debt, and any gain or loss upon settlement is amortized as an adjustment to the effective interest yield on the debt.

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*Outstanding Positions:*

As of March 31, 2010, the notional amounts of our outstanding derivative positions were as follows:

	<u>Notional Value (in millions)</u>
<b>Currency Hedges:</b>	
Euro	€ 1,013
British Pound Sterling	£ 633
Canadian Dollar	C\$ 179
<b>Interest Rate Hedges:</b>	
Fixed to Floating Interest Rate Swaps	\$ 3,901
Floating to Fixed Interest Rate Swaps	\$ 28

As of March 31, 2010, we had no outstanding commodity hedge positions. The maximum term over which we are hedging exposures to the variability of cash flow is 40 years.

*Balance Sheet Recognition and Fair Value Measurements:*

The following table indicates the location on the balance sheet in which our derivative assets and liabilities have been recognized, the fair value hierarchy level applicable to each derivative type, and the related fair values of those derivatives (in millions). The table is segregated between those derivative instruments that qualify and are designated as hedging instruments and those that are not, as well as by type of contract and whether the derivative is in an asset or liability position.

<u>Asset Derivatives</u>	<u>Balance Sheet Location</u>	<u>Fair Value Hierarchy Level</u>	<u>March 31, 2010 Fair Value</u>	<u>December 31, 2009 Fair Value</u>
<b>Derivatives designated as hedges:</b>				
Foreign exchange contracts	Other current assets	Level 2	\$ 82	\$ 63
Interest rate contracts	Other non-current assets	Level 2	109	74
Total Asset Derivatives			<u>\$ 191</u>	<u>\$ 137</u>
<u>Liability Derivatives</u>	<u>Balance Sheet Location</u>		<u>March 31, 2010 Fair Value</u>	<u>December 31, 2009 Fair Value</u>
<b>Derivatives designated as hedges:</b>				
Foreign exchange contracts	Other current liabilities	Level 2	\$ (1)	\$ —
Foreign exchange contracts	Other non-current liabilities	Level 2	(76)	(51)
Interest rate contracts	Other non-current liabilities	Level 2	(7)	(13)
<b>Derivatives not designated as hedges:</b>				
Interest rate contracts	Other non-current liabilities	Level 2	(2)	(2)
Total Liability Derivatives			<u>\$ (86)</u>	<u>\$ (66)</u>



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Our foreign currency, interest rate, and energy derivatives are largely comprised of over-the-counter derivatives, which are primarily valued using pricing models that rely on market observable inputs such as yield curves, currency exchange rates, and commodity forward prices, and therefore are classified as Level 2.

*Income Statement Recognition:*

The following table indicates the amount and location in the income statement for the three months ended March 31, 2010 and 2009 in which derivative gains and losses, as well as the related amounts reclassified from AOCI, have been recognized for those derivatives designated as cash flow hedges (in millions).

<u>Derivative Instruments in Cash Flow Hedging Relationships</u>	<u>2010 Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)</u>	<u>2009 Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)</u>	<u>Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)</u>	<u>2010 Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)</u>	<u>2009 Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)</u>
Interest rate contracts	\$ 1	\$ 126	Interest Expense	\$ (4)	\$ (2)
Foreign exchange contracts	(25)	(3)	Interest Expense	(55)	(3)
Foreign exchange contracts	51	89	Revenue	24	67
Commodity contracts	—	—	Revenue	—	82
<b>Total</b>	<u>\$ 27</u>	<u>\$ 212</u>		<u>\$ (35)</u>	<u>\$ 144</u>

As of March 31, 2010, \$41 million of pre-tax gains related to cash flow hedges that are currently deferred in AOCI are expected to be reclassified to income over the 12 month period ended March 31, 2011. The actual amounts that will be reclassified to income over the next 12 months will vary from this amount as a result of changes in market conditions.

The amount of ineffectiveness recognized in income on derivative instruments designated in cash flow hedging relationships was immaterial for the three months ended March 31, 2010 and 2009.

The following table indicates the amount and location in the income statement in which derivative gains and losses, as well as the associated gains and losses on the underlying exposure, have been recognized for those derivatives designated as fair value hedges for the three months ended March 31, 2010 and 2009 (in millions).

<u>Derivative Instruments in Fair Value Hedging Relationships</u>	<u>Location of Gain (Loss) Recognized in Income</u>	<u>Amount of Gain (Loss) Recognized in Income</u>	<u>Hedged Items in Fair Value Hedging Relationships</u>	<u>Location of Gain (Loss) Recognized in Income</u>	<u>Amount of Gain (Loss) Recognized in Income</u>
<b>3 Months Ended March 31, 2010:</b>					
Interest rate contracts	Interest Expense	\$ 41	Fixed-Rate Debt and Capital Leases	Interest Expense	\$ (41)
<b>3 Months Ended March 31, 2009:</b>					
Interest rate contracts	Interest Expense	\$ —	Fixed-Rate Debt and Capital Leases	Interest Expense	\$ —

Additionally, we maintain some interest rate swap and foreign exchange forward contracts that are not designated as hedges. These interest rate swap contracts are intended to provide an economic hedge of a portfolio

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of interest bearing receivables. These foreign exchange forward contracts are intended to provide an economic offset to foreign currency remeasurement risks for certain assets and liabilities in our balance sheet. For the three months ended March 31, 2010 and 2009, we recognized \$18 and \$20 million in gains, respectively, on the fair value of the foreign exchange forward contracts, which were reported in "other operating expenses" in the consolidated income statement, while the impact of the interest rate swap contracts was not material. The foreign exchange forward contracts are settled at the end of each month, and therefore no asset or liability was recorded on the balance sheet at March 31, 2010.

**NOTE 14. RESTRUCTURING COSTS AND RELATED EXPENSES**

In the first quarter of 2010, we incurred restructuring costs associated with the termination of employees, facility consolidations and other costs directly related to restructuring initiatives. These initiatives have resulted from the integration of acquired companies, as well as restructuring activities associated with cost containment and operational efficiency programs.

*Supply Chain & Freight—Germany*

In February 2010, we completed the sale of a specialized transportation and express freight business in Germany within our Supply Chain & Freight segment. As part of the sale transaction, we incurred certain costs associated with employee severance payments, other employee benefits, transition services, and leases on operating facilities and equipment. Additionally, we have provided a guarantee for a period of two years for certain employee benefit payments being assumed by the buyer. We recorded a pre-tax loss of \$38 million (\$35 million after-tax) for this transaction in the first quarter of 2010, which included the costs associated with the sale transaction and the fair value of the guarantee.

*U.S. Domestic Package Restructuring*

In an effort to improve performance in the U.S. Domestic Package segment, we announced a program to streamline our domestic management structure in January 2010. As part of this restructuring, we are reducing the number of domestic districts and regions in our U.S. small package operation, in order to better align our operations geographically and allow more local decision-making and resources to be deployed for our customers. Effective in April 2010, we reduced our U.S. regions from five to three and our U.S. districts from 46 to 20. The restructuring will eliminate approximately 1,800 management and administrative positions in the U.S. To facilitate this goal, approximately 1,100 employees were offered voluntary severance packages. Other impacted employees received severance benefits and access to support programs based on length of service. We recorded a pre-tax charge of \$98 million (\$64 million after-tax) in the first quarter of 2010 related to the costs of this program, which reflects the value of voluntary retirement benefits, severance benefits and unvested stock compensation. Throughout the remainder of 2010, we will incur additional costs related to relocation of employees and other restructuring activities, however we believe those costs will be approximately offset by savings from the staffing reductions.

**NOTE 15. INCOME TAXES**

In the first quarter of 2010, we changed the tax status of a German subsidiary that was taxable in the U.S. and its local jurisdiction to one that is taxed solely in its local jurisdiction. This change was made primarily to allow for more flexibility in funding this subsidiary's operations with local liquidity sources, improve the cash flow position in the U.S., and help mitigate future currency re-measurement risk. As a result of this change in tax status, we recorded a non-cash charge of \$76 million, which resulted primarily from the write-off of related deferred tax assets which will not be realizable following the change in tax status.

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We file income tax returns in the U.S. federal jurisdiction, most U.S. state and local jurisdictions, and many non-U.S. jurisdictions. We have substantially resolved all U.S. federal income tax matters for tax years prior to 2003. During the third quarter of 2009, we received a refund of \$271 million as a result of the resolution of tax years 1999 through 2002 with the Internal Revenue Service ("IRS") Appeals Office. For the tax years 2003 through 2004, we anticipate concluding the limited number of unagreed issues with the IRS Appeals Office by the end of the second quarter of 2010. Along with the audit for tax years 2005 through 2007, the IRS is currently examining non-income based taxes, including employment and excise taxes, which could lead to proposed assessments. The IRS has not presented an official position with regard to these taxes at this time, and therefore we are not able to determine the technical merit of any potential assessment. We anticipate receipt of the IRS reports on these matters by the end of the second quarter of 2010. We have filed all required U.S. state and local returns reporting the result of the resolution of the U.S. federal income tax audit of the tax years 1999 through 2002. A limited number of U.S. state and local matters are the subject of ongoing audits, administrative appeals or litigation.

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### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

#### **Cautionary Statement About Forward-Looking Statements**

This report includes certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in the future tense, and all statements accompanied by terms such as "believe," "project," "expect," "estimate," "assume," "intend," "anticipate," "target," "plan," and variations thereof and similar terms are intended to be forward-looking statements. We intend that all forward-looking statements we make will be subject to safe harbor protection of the federal securities laws pursuant to Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

Our disclosure and analysis in this report, in our Annual Report to Shareholders and in our other filings with the Securities and Exchange filings contain some forward-looking statements regarding our intent, belief and current expectations about our strategic direction, prospects and future results. From time to time, we also provide forward-looking statements in other materials we release as well as oral forward-looking statements. Such statements give our current expectations or forecasts of future events; they do not relate strictly to historical or current facts. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when made.

Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or anticipated results. These risks and uncertainties include, but are not limited to, those described in our Annual Report on Form 10-K for the year ended December 31, 2009 and those described from time to time in our future reports filed with the Securities and Exchange Commission. You should consider the limitations on, and risks associated with, forward-looking statements and not unduly rely on the accuracy of predictions contained in such forward-looking statements. We do not undertake any obligation to update forward-looking statements to reflect events, circumstances, changes in expectations, or the occurrence of unanticipated events after the date of those statements.

#### *Overview*

Our U.S. Domestic Package, International Package, and Supply Chain & Freight segments were all impacted by the improving worldwide economic situation in early 2010 compared with 2009, leading to improvements in volume, revenue, and operating profit. Significant portions of the world economy are experiencing improved economic growth, international trade, inventory rebuilding, and retail sales. These trends allow us to leverage our transportation network, and provided for strong operating results in the first quarter of 2010.

In addition to the improved volume and revenue trends, cost containment initiatives and better network efficiencies undertaken over the last several quarters also positively impacted our results. We have continued undertaking initiatives to improve our transportation network. During the first quarter of 2010, we opened the second phase of our Worldport expansion which will allow the use of larger and more fuel-efficient aircraft, and further improve network efficiencies. We opened our new intra-Asia air hub in Shenzhen, China, which will allow us to better serve our customers by reducing time in transit for shipments in the region. We have also streamlined our domestic management structure, sold a non-core supply chain business, and continued to better align our cost structure with current volume levels.

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Our consolidated results are presented in the table below:

	Three Months Ended		Change %
	March 31,		
	2010	2009	
Revenue (in millions)	\$11,728	\$10,938	7.2%
Operating Expenses (in millions)	10,686	10,220	4.6%
Operating Profit (in millions)	\$ 1,042	\$ 718	45.1%
Operating Margin	8.9%	6.6%	
Average Daily Package Volume (in thousands)	14,926	14,537	2.7%
Average Revenue Per Piece	\$ 10.23	\$ 9.94	2.9%
Net Income (in millions)	\$ 533	\$ 401	32.9%
Basic Earnings Per Share	\$ 0.54	\$ 0.40	35.0%
Diluted Earnings Per Share	\$ 0.53	\$ 0.40	32.5%

*Items Affecting Comparability*

The year-over-year comparisons of our financial results are affected by the following items (amounts in millions):

	Three Months Ended	
	March 31,	
	2010	2009
Operating Expenses:		
Aircraft impairment charge	\$ —	\$ 181
U.S. Domestic Package restructuring charge	98	—
Loss on sale of Supply Chain & Freight business in Germany	38	—
Income Tax Expense (Benefit) from the Items Above	(37)	(65)
Income Tax Expense:		
Change in tax filing status for German subsidiary	76	—

*Aircraft Impairment Charges*

In the first quarter of 2009, we completed an impairment assessment of our McDonnell-Douglas DC-8 aircraft fleet, and recorded a pre-tax impairment charge of \$181 million (\$116 million after-tax), which affected our U.S. Domestic Package segment.

*Restructuring Charge*

In the first quarter of 2010, we began to reorganize the management structure in our U.S. Domestic Package segment, and incurred a restructuring charge associated with this reorganization. This pre-tax charge totaled \$98 million (\$64 million after-tax), and reflects the value of voluntary retirement benefits, severance benefits and unvested stock compensation.

*Loss on Sale of Business*

In the first quarter of 2010, we sold a specialized transportation business in Germany within our Supply Chain & Freight segment, and incurred a pre-tax loss on the sale of \$38 million (\$35 million after-tax).

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*Income Tax Charge for the Change in Tax Filing Status for German Subsidiary*

In the first quarter of 2010, we changed the tax status of a German subsidiary that was taxable in the U.S. and its local jurisdiction to one that is solely taxed in its local jurisdiction. As a result of this change in tax status, we recorded a non-cash charge of \$76 million, which resulted primarily from the write-off of related deferred tax assets which will not be realizable following the change in tax status.

*Results of Operations – Segment Review*

The results and discussions that follow are reflective of how our executive management monitors the performance of our reporting segments. We supplement the reporting of our financial information determined under generally accepted accounting principles (“GAAP”) with certain non-GAAP financial measures, including operating profit, operating margin, pre-tax income, effective tax rate, net income and earnings per share adjusted for the non-comparable items discussed previously. We believe that these adjusted measures provide meaningful information to assist investors and analysts in understanding our financial results and assessing our prospects for future performance. We believe these adjusted financial measures are important indicators of our results of operations because they exclude items that may not be indicative of, or are unrelated to, our core operating results, and provide a better baseline for analyzing trends in our underlying businesses.

*U.S. Domestic Package Operations*

	Three Months Ended March 31,		Change %
	2010	2009	
Revenue (in millions):			
Next Day Air	\$ 1,382	\$ 1,381	0.1%
Deferred	694	693	0.1%
Ground	<u>5,026</u>	<u>4,875</u>	3.1%
Total Revenue	<u>\$ 7,102</u>	<u>\$ 6,949</u>	2.2%
Average Daily Package Volume (in thousands):			
Next Day Air	1,145	1,191	(3.9)%
Deferred	899	900	(0.1)%
Ground	<u>10,683</u>	<u>10,585</u>	0.9%
Total Avg. Daily Package Volume	<u>12,727</u>	<u>12,676</u>	0.4%
Average Revenue Per Piece:			
Next Day Air	\$ 19.16	\$ 18.41	4.1%
Deferred	12.25	12.22	0.2%
Ground	7.47	7.31	2.2%
Total Avg. Revenue Per Piece	<u>\$ 8.86</u>	<u>\$ 8.70</u>	1.8%
Operating Profit (in millions):			
Operating Profit	\$ 562	\$ 384	46.4%
Impact of Aircraft Impairment Charge	—	181	
Impact of Restructuring Charge	<u>98</u>	<u>—</u>	
Adjusted Operating Profit	<u>\$ 660</u>	<u>\$ 565</u>	16.8%
Operating Margin	7.9%	5.5%	
Adjusted Operating Margin	9.3%	8.1%	
Operating Days in Period	63	63	

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*Volume*

In the first quarter of 2010, our overall volume increased as improvements in industrial production and retail sales increased overall demand in the U.S. small package market. Overall average daily package volume increased slightly, as ground volume increased while air volume declined. Among our air products, letter volume declined largely due to weakness in the financial and other service industries. However, our air package volume performed relatively better as inventory rebuilding in the manufacturing and retailing sectors impacted volume. Within our ground product, basic and residential volume continued to increase faster than commercial ground volume, however the difference in the growth rates narrowed when compared with previous quarters, reflecting the impact of the strengthening economy.

*Revenue Per Piece*

Overall revenue per piece increased for our ground and air products in 2010 at the strongest rate since the third quarter of 2008, due to a combination of base price increases and fuel surcharge rate changes. The revenue per piece increase for our air products improved due to higher average package weights, but was negatively impacted by a mix shift toward lower yielding products such as Next Day Air Saver and Three Day Select. The increase in revenue per piece for our ground products was adversely affected by slightly lower average package weights and a mix shift towards lower yielding products.

Revenue per piece for our ground and air products was also impacted by an increase in base rates that took effect on January 4, 2010. We increased the base rates 6.9% on UPS Next Day Air, UPS 2nd Day Air, and UPS 3 Day Select, and 4.9% on UPS Ground. Other pricing changes included an increase in the residential surcharge, and an increase in the delivery area surcharge on both residential and commercial services to certain ZIP codes. These rate changes are customary and occur on an annual basis.

*Fuel Surcharges*

UPS applies a fuel surcharge on our domestic air and ground services. The air fuel surcharge is based on the U.S. Energy Department's Gulf Coast spot price for a gallon of kerosene-type jet fuel, while the ground fuel surcharge is based on the U.S. Energy Department's On-Highway Diesel Fuel Price. Based on published rates, the average fuel surcharge for domestic air and ground products was as follows:

	Three Months Ended		Change %
	March 31,		
	2010	2009	
Next Day Air / Deferred	7.0%	3.7%	3.3%
Ground	5.2%	3.6%	1.6%

On January 4, 2010, we modified the fuel surcharge on air services by reducing the index used to determine the fuel surcharge by 2%. Additionally, we adjusted the fuel surcharge tables to better align the surcharges between our air and ground products, and to reduce the volatility of air surcharges when fuel prices fluctuate. The 2010 increase in the air and ground fuel surcharges was due to the significant increase in jet and diesel fuel prices, but partially offset by the reduction in the index on the air surcharge. Total domestic fuel surcharge revenue, net of the impact of hedging, increased by \$49 million in 2010, primarily due to the higher fuel surcharge rates discussed above, as well as the increase in volume for our ground products.

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*Operating Profit and Margin*

Operating profit in 2010 was positively impacted by the overall economic growth in the U.S., which drove increased volume and yields. Combined with increased network efficiencies and cost containment initiatives, this resulted in strong operating leverage. Network efficiencies have been gained over the last several quarters, as we adjusted our air and ground networks to better match volume levels, and utilized our expanded Worldport facility to utilize larger aircraft as well as increase package sorting efficiency. These changes have resulted in reductions in aircraft block hours, labor hours in our operations, and the overall numbers of employees, resulting in cost savings. The combination of these factors led to an increase in the operating margin in 2010 compared with the corresponding period in 2009. Operating profit was negatively impacted by lower fuel hedging gains in 2010 compared with 2009.

*International Package Operations*

	Three Months Ended March 31,		Change %
	2010	2009	
Revenue (in millions):			
Domestic	\$ 584	\$ 464	25.9%
Export	1,932	1,686	14.6%
Cargo	123	90	36.7%
Total Revenue	\$2,639	\$2,240	17.8%
Average Daily Package Volume (in thousands):			
Domestic	1,364	1,097	24.3%
Export	835	764	9.3%
Total Avg. Daily Package Volume	2,199	1,861	18.2%
Average Revenue Per Piece:			
Domestic	\$ 6.80	\$ 6.71	1.3%
Export	36.73	35.03	4.9%
Total Avg. Revenue Per Piece	\$18.16	\$18.34	(1.0)%
Operating Profit (in millions)	\$ 427	\$ 294	45.2%
Operating Margin	16.2%	13.1%	
Operating Days in Period	63	63	
Currency Translation Benefit / (Cost)— (in millions)*:			
Revenue	\$ 76		
Operating Profit	\$ (9)		

\* Net of currency hedging; amount represents the change compared to the prior year.

*Volume*

Export volume increased, primarily due to strong growth in Asia, where volume growth exceeded 20%. The Europe and U.S. export lanes also had strong volume growth compared with the prior year, as the worldwide economy and world trade began to improve. In 2010, we experienced an overall lengthening of trade lanes, as inter-regional trade increased (including 37% volume growth in our Asia-to-Europe export lane), leading to relatively stronger growth for our higher yielding products.



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Non-U.S. domestic volume increased for the quarter, largely due to the acquisition of Unsped Paket Servisi San ve Ticaret A.S. ("Unsped") in Turkey in the third quarter of 2009. Excluding the acquisition of Unsped, domestic volume growth increased 13%, powered by strength in core European markets.

*Revenue Per Piece*

Export revenue per piece increased, largely due to the favorable impact of currency exchange rates, higher fuel surcharge rates, and product mix, as well as base rate increases. Currency-adjusted export revenue per piece increased 2.9% for 2010. Domestic revenue per piece increased slightly, primarily due to favorable currency exchange rate fluctuations, as well as the impact of higher fuel surcharge rates. Domestic revenue per piece declined 7.5% on a currency-adjusted basis, largely due to the impact of product mix changes and lower-yielding domestic packages from the Unsped acquisition. Total average revenue per piece decreased 4.4% for the year on a currency-adjusted basis, largely due to the greater volume growth among lower-yielding domestic products.

On January 4, 2010, we increased the base rates 6.9% for international shipments originating in the United States (Worldwide Express, Worldwide Express Plus, UPS Worldwide Expedited and UPS International Standard service). Rate changes for shipments originating outside the U.S. were made throughout the year and varied by geographic market.

*Fuel Surcharges*

On January 4, 2010, we modified the fuel surcharge on certain U.S.-related international air services by reducing the index used to determine the fuel surcharge by 2%. Additionally, we adjusted the fuel surcharge tables to reduce the volatility of air surcharges when fuel prices fluctuate. The fuel surcharges for products originating outside the United States continue to be indexed to fuel prices in the international region where the shipment takes place. Total international fuel surcharge revenue increased by \$65 million in 2010, due to higher fuel surcharge rates caused by increased fuel prices as well as an increase in international air volume.

*Operating Profit and Margin*

The increase in operating profit for the quarter was primarily driven by volume increases in all major regions and trade lanes worldwide. Additionally, network efficiencies and cost containment initiatives created operating leverage which contributed to the increase in operating profits. These factors led to an increase in the operating margin in 2010 compared with the corresponding period in 2009.

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**UNITED PARCEL SERVICE, INC. AND SUBSIDIARIES**  
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*Supply Chain & Freight Operations*

	Three Months Ended		Change %
	2010	March 31, 2009	
<b>Revenue (in millions):</b>			
Forwarding and Logistics	\$1,391	\$ 1,197	16.2%
Freight	492	454	8.4%
Other	104	98	6.1%
<b>Total Revenue</b>	<b>\$1,987</b>	<b>\$ 1,749</b>	<b>13.6%</b>
<b>Freight LTL Statistics:</b>			
Revenue (in millions)	\$ 447	\$ 423	5.7%
Revenue Per Hundredweight	\$18.94	\$ 17.29	9.5%
Shipments (in thousands)	2,297	2,344	(2.0)%
Shipments Per Day (in thousands)	36.5	37.2	(2.0)%
Gross Weight Hauled (in millions of lbs)	2,363	2,448	(3.5)%
Weight Per Shipment (in lbs)	1,029	1,045	(1.5)%
Operating Days in Period	63	63	
<b>Operating Profit (in millions):</b>			
Operating Profit	\$ 53	\$ 40	32.5%
Impact of Loss on Sale of Supply Chain & Freight Business in Germany	38	—	
<b>Adjusted Operating Profit</b>	<b>\$ 91</b>	<b>\$ 40</b>	<b>127.5%</b>
Operating Margin	2.7%	2.3%	
Adjusted Operating Margin	4.6%	2.3%	
<b>Currency Translation Benefit / (Cost) – (in millions)*:</b>			
Revenue	\$ 76		
Operating Profit	3		

\* Net of currency hedging; amount represents the change compared to the prior year.

*Revenue*

Forwarding and logistics revenue increased in the first quarter of 2010, primarily due to growth in the demand for forwarding as a result of the expansion of the global economy, inventory rebuilding and international trade. International air freight and ocean freight experienced solid revenue growth, and were impacted by higher volumes, fuel surcharges, and other accessorial charges. In our logistics products, we experienced growth in mail services, distribution and post-sales services revenue, with solid growth being achieved in the healthcare and technology sectors.

Freight revenue increased, primarily due to higher fuel surcharge rates and a base rate increase that took effect in January 2010. Average LTL shipments per day and weight per shipment declined modestly, as market share gains were more than offset by the overall decline in the LTL market. LTL revenue per hundredweight increased, primarily as a result of the higher fuel surcharge rates, as total fuel surcharge revenue increased \$24 million for the quarter primarily resulting from higher diesel fuel prices. An increase in base prices took effect on January 4, 2010, as UPS Freight increased minimum charge, LTL and TL rates an average of 5.7%, covering non-contractual shipments in the United States, Canada, and Mexico.

The other businesses within Supply Chain & Freight experienced an increase in revenue. A primary driver of this increase was our contract to provide air transportation services to the U.S. Postal Service.

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*Operating Profit and Margin*

Operating profit in the forwarding unit increased slightly in the first quarter of 2010, largely due to tonnage increases and lessening margin pressures. During the latter half of 2009, capacity constraints led to rapidly escalating rates on air freight which could not be passed on to customers, resulting in a negative impact to our operating profit and margin. This situation began to improve in the first quarter of 2010, as capacity constraints lessened slightly and we were able to implement revenue management plans which better matched customer pricing with market conditions. The operating profit for our logistics unit strengthened, as margins in our distribution, post-sales services, and mail units expanded.

Our UPS Freight unit incurred an operating loss in the first quarter of 2010, however these results were an improvement compared with the prior year, due to better productivity, increases in base pricing, and the impact of fuel. Productivity metrics increased, including increases in pickup and delivery stops per hour and linehaul utilization. The comparison between 2010 and 2009 operating results was positively impacted by the price of fuel, as surcharge revenue increased at a faster pace than the increase in fuel expense.

The combined operating income for all of our other businesses in this segment increased during the quarter primarily due to improved results at our financial services business unit.

*Operating Expenses*

	Three Months Ended March 31,		Change %
	2010	2009	
Operating Expenses (in millions):			
Compensation and Benefits	\$ 6,539	\$ 6,332	3.3%
Impact of Domestic Package Restructuring Charge	(98)	—	
Adjusted Compensation and Benefits	6,441	6,332	1.7%
Repairs and Maintenance	274	276	(0.7)%
Depreciation and Amortization	451	430	4.9%
Purchased Transportation	1,501	1,212	23.8%
Fuel	678	496	36.7%
Other Occupancy	262	272	(3.7)%
Other Expenses	981	1,202	(18.4)%
Impact of Aircraft Impairment Charges	—	(181)	
Impact of Loss on Sale of Supply Chain & Freight Business in Germany	(38)	—	
Adjusted Other Expenses	943	1,021	(7.6)%
Total Operating Expenses	\$10,686	\$10,220	4.6%
Adjusted Total Operating Expenses	10,550	10,039	5.1%
Currency Translation (Benefit) Cost	\$ 158		

*Compensation and Benefits*

The increase in compensation and benefits expense during 2010 compared with 2009 was impacted by several items. A large component of this increase was related to benefits expense, which increased primarily due to higher employee health and welfare costs and pension expense. Employee health and welfare program costs were impacted by higher union contribution rates and lower employee turnover in the union workforce. Pension

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expense increases resulted from higher union contribution rates for multi-employer pension plans, combined with increased service and interest costs, and the amortization of actuarial losses for company-sponsored plans. The interest cost grew due to continued service accruals, while the actuarial losses were primarily due to the negative asset returns experienced in 2008.

These cost increases were partially offset by reductions in certain employee payroll costs, as union labor hours declined, and management payroll decreased as a result of a reduction in the total number of management employees through attrition combined with a wage freeze.

*Repairs and Maintenance*

Repairs and maintenance expense declined in 2010, largely due to reduced building and facility repairs and maintenance.

*Depreciation and Amortization*

Depreciation and amortization expense increased in 2010, primarily as a result of higher depreciation expense on equipment and facilities, as certain Worldport assets added in the recent expansion began to be depreciated. Amortization of intangible assets also increased as a result of new intangibles recognized related to the Unsped acquisition in Turkey in 2009, as well as corporate sponsorships entered into in 2010.

*Purchased Transportation*

The increase in purchased transportation in 2010 was driven by a combination of higher volume in our international package and forwarding businesses, currency fluctuations, and increased fuel surcharge rates charged to us by third-party carriers as a result of higher fuel prices.

*Fuel*

The increase in fuel expense in 2010 was impacted by higher prices for jet-A fuel, diesel, and unleaded gasoline, but was slightly offset by lower usage of these products in our operations.

*Other Occupancy*

The decrease in other occupancy expense in 2010 was primarily caused by lower natural gas costs, due to commodity price fluctuations.

*Other Expenses*

The decline in other expenses in the first quarter of 2010 was largely due to cost containment programs, as we experienced reductions in telecom expenses, employee expense reimbursements, office supplies, and printing costs. We also incurred lower expense associated with customer claims for lost or damaged packages, and lower bad debt expense.

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*Investment Income and Interest Expense*

	Three Months Ended		Change %
	March 31,		
	2010	2009	
Investment Income and Interest Expense (in millions):			
Investment Income (Loss)	\$ (4)	\$ 13	N/A
Interest Expense	\$ (85)	\$ (82)	3.7%

*Investment Income*

The decline in investment income in 2010 was largely due to a significantly lower yield earned on our invested assets as a result of declines in short-term interest rates in the United States, a loss on the fair value adjustments of certain investment partnerships, and a loss realized on the sale of investment securities. These factors were partially offset by a higher average balance of interest-earning investments in our portfolio in the first quarter of 2010 compared with the same period of 2009.

*Interest Expense*

The increase in interest expense was largely due to lower capitalized interest, due to the recent completion of several large construction projects, including our Worldport expansion. This was partially offset by a lower average balance of outstanding debt in the first quarter of 2010 compared with the same period of 2009.

*Income Tax Expense*

	Three Months Ended		Change %
	March 31,		
	2010	2009	
Income Tax Expense	\$ 420	\$ 248	69.4%
Impact of Change in Tax Filing Status for German Subsidiary	(76)	—	
Impact of Sale of Supply Chain & Freight Business in Germany	3	—	
Impact of Domestic Package Restructuring Charge	34	—	
Impact of Aircraft Impairment Charge	—	65	
Adjusted Income Tax Expense	\$ 381	\$ 313	21.7%
Effective Tax Rate	44.1%	38.2%	
Adjusted Effective Tax Rate	35.0%	37.7%	

Income tax expense increased primarily due to higher pre-tax income. The increase in our effective tax rate in 2010 compared with 2009 was primarily due to the change in the tax filing status of a German subsidiary, and because we are currently unable to recognize the entire potential tax benefit of tax loss carryforwards generated from the sale of a Supply Chain & Freight business in Germany. Our first quarter 2009 income tax provision increased as a result of providing a valuation allowance of \$14 million against certain deferred tax assets in our International Package business.

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*Liquidity and Capital Resources*

*Net Cash From Operating Activities*

Net cash provided by operating activities decreased to \$1.549 billion in the first three months of 2010 from \$2.196 billion during the same period of 2009. The decrease in operating cash flow was impacted by higher contributions to our company-sponsored pension plans.

	Three months ended March 31,	
	2010	2009
Net income	\$ 533	\$ 401
Non-cash operating activities(a)	998	720
Pension and postretirement plan contributions (UPS-sponsored plans)	(656)	(24)
Income tax receivables and payables	111	306
Changes in working capital and other noncurrent assets and liabilities	562	752
Other operating activities	1	41
Net cash from operating activities	<u>\$ 1,549</u>	<u>\$ 2,196</u>

- (a) Represents depreciation and amortization, gains and losses on derivative transactions and foreign exchange, deferred income taxes, provisions for uncollectible accounts, pension and postretirement benefit expense, stock compensation expense, impairment charges, and other non-cash items.

Contributions to our company-sponsored pension plans have varied based primarily on whether any minimum funding requirements are present for individual pension plans. The increase in contributions in 2010 was largely due to minimum funding requirements related to the UPS IBT Pension Plan. As discussed in Note 6 to the unaudited consolidated financial statements, we expect to contribute \$405 million to our company-sponsored pension plans over the remainder of 2010.

Operating cash flow increased in 2010 due to higher net income. Partially offsetting this were changes in our working capital position, as the collection of accounts receivable had a larger impact in the first three months of 2009 compared with the same period in 2010. Accounts receivable normally decline in the first quarter each year, due to the collection of receivables generated in the seasonally strong fourth quarter, however the decline was larger in the first quarter of 2009 as a result of the decrease in revenue among all three of our business segments. Cash flow also benefits in the first quarter of each year as a result of the lack of any required U.S. Federal estimated income tax payments.

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*Net Cash Used In Investing Activities*

Our primary uses of cash flows for investing activities were for capital expenditures, as follows (amounts in millions):

	Three months ended	
	March 31,	
	2010	2009
Net cash used in investing activities	\$ (250)	\$ (396)
<b>Capital Expenditures:</b>		
Buildings and facilities	\$ 86	\$ 192
Aircraft and parts	100	83
Vehicles	49	43
Information technology	48	64
	<u>\$ 283</u>	<u>\$ 382</u>
Capital Expenditures as a % of Revenue	2.4%	3.5%
<b>Other Investing Activities:</b>		
Net (increase) decrease in finance receivables	\$ —	\$ 60
Net (purchases) sales of marketable securities	\$ 24	\$ (102)
Other sources (uses) of cash from investing activities	\$ 9	\$ 28

We have commitments for the purchase of aircraft, vehicles, equipment and real estate to provide for the replacement of existing capacity and anticipated future growth. We generally fund our capital expenditures with our cash from operations. In 2010, capital spending on buildings and facilities declined, as a result of completion of the most recent expansion of our Worldport facility in Louisville, KY and our intra-Asia hub in Shenzhen, China. Future capital spending for anticipated growth and replacement assets will depend on a variety of factors, including economic and industry conditions.

The net change in finance receivables is primarily due to customer paydowns and new loan origination activity, primarily in our commercial lending, asset-based lending and leasing portfolios. The purchases and sales of marketable securities are largely determined by liquidity needs, and will therefore fluctuate from period to period. Other investing activities include the cash settlement of derivative contracts used in our energy and currency hedging programs, the timing of aircraft purchase contract deposits on our Boeing 767-300 and Boeing 747-400 aircraft orders, and changes in restricted cash balances.

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*Net Cash Provided By (Used In) Financing Activities*

Our primary uses of cash flows for financing activities are to repurchase shares, pay cash dividends, and repay debt principal, as follows (amounts in millions, except per share data):

	Three months ended	
	March 31,	
	2010	2009
Net cash provided by (used in) financing activities	\$ (257)	\$ 1,457
<b>Share Repurchases:</b>		
Cash expended for shares repurchased	\$ (278)	\$ (116)
Number of shares repurchased	(4.5)	(2.5)
Shares outstanding at period-end	990	995
Percent reduction in shares outstanding	(0.4)%	(0.1)%
<b>Dividends:</b>		
Dividends declared per share	\$ 0.47	\$ 0.45
Cash expended for dividend payments	\$ (456)	\$ (438)
<b>Borrowings:</b>		
Net borrowings (repayments) of debt principal	\$ 474	\$ 2,236
<b>Other Financing Activities:</b>		
Cash received for common stock issuances	\$ 45	\$ 31
Other sources (uses) of cash from financing activities	\$ (42)	\$ (256)
<b>Capitalization (as of March 31 of each year):</b>		
Total debt outstanding at period end	\$ 9,954	\$12,083
Total shareowners' equity at period end	7,613	6,780
Total capitalization	\$17,567	\$18,863
Debt to Total Capitalization %	56.7%	64.1%

As a result of the uncertain economic environment, we have slowed our share repurchase activity during the 2009 and 2010 periods. We currently intend to repurchase shares in 2010 at a rate that will at least offset the dilution from our stock compensation programs. As of March 31, 2010, we had \$5.741 billion of our existing share repurchase authorization remaining.

The declaration of dividends is subject to the discretion of the Board of Directors and will depend on various factors, including our net income, financial condition, cash requirements, future prospects, and other relevant factors. We increased our quarterly cash dividend payment to \$0.47 per share in the first quarter of 2010, compared with the previous \$0.45 quarterly dividend rate. We expect to continue the practice of paying regular cash dividends.

Issuances of debt in 2010 consisted primarily of commercial paper, while in 2009 issuances consisted primarily of commercial paper and an offering of fixed rate senior notes (discussed further below). Repayments of debt consisted primarily of paydowns of commercial paper, scheduled principal payments on our capitalized lease obligations and early redemptions of certain tranches of UPS Notes. We consider the overall fixed and floating interest rate mix of our portfolio and the related overall cost of borrowing when planning for future issuances and non-scheduled repayments of debt.



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In March 2009, we completed an offering of \$1.0 billion of 3.875% senior notes due April 2014, and \$1.0 billion of 5.125% senior notes due April 2019. These notes pay interest semiannually, and we may redeem the notes at any time by paying the greater of the principal amount or a "make-whole" amount, plus accrued interest. After pricing and underwriting discounts, we received a total of \$1.989 billion in cash proceeds from the offering. The proceeds from the offering were used for general corporate purposes, including the reduction of our outstanding commercial paper balance.

The cash outflows in other financing activities primarily relate to hedging activities. In conjunction with the senior fixed rate debt offering in the first quarter of 2009, we settled several interest rate derivatives that were designated as hedges of these debt offerings, which resulted in a cash outflow of \$243 million.

*Sources of Credit*

We are authorized to borrow up to \$10.0 billion under our U.S. commercial paper program. We had \$1.276 billion outstanding under this program as of March 31, 2010, with an average interest rate of 0.12%. All of this commercial paper was classified as a current liability as of March 31, 2010. We also maintain a European commercial paper program under which we are authorized to borrow up to €1.0 billion in a variety of currencies, however no amounts were outstanding under this program as of March 31, 2010.

We maintain two credit agreements with a consortium of banks. One of these agreements provides revolving credit facilities of \$1.5 billion, and expires on April 14, 2011. Interest on any amounts we borrow under this facility would be charged at 90-day LIBOR plus a percentage determined by quotations from Markit Group Ltd. for our 1-year credit default swap spread, subject to certain minimum rates and maximum rates based on our public debt ratings from Standard & Poor's and Moody's. If our public debt ratings are A / A2 or above, the minimum applicable margin is 0.50% and the maximum applicable margin is 1.50%; if our public debt ratings are lower than A / A2, the minimum applicable margin is 1.00% and the maximum applicable margin is 2.50%.

The second agreement provides revolving credit facilities of \$1.0 billion, and expires on April 19, 2012. Interest on any amounts we borrow under this facility would be charged at 90-day LIBOR plus 15 basis points. At March 31, 2010, there were no outstanding borrowings under either of these facilities.

In addition to these credit facilities, we have an automatically effective registration statement on Form S-3 filed with the SEC that is available for registered offerings of short or long-term debt securities.

Our Moody's and Standard & Poor's short-term credit ratings are P-1 and A-1+, respectively. Our Moody's and Standard & Poor's long-term credit ratings are Aa3 and AA-, respectively. We have a stable outlook from Moody's, and a negative outlook from Standard & Poor's.

Our existing debt instruments and credit facilities do not have cross-default or ratings triggers, however these debt instruments and credit facilities do subject us to certain financial covenants. As of March 31, 2010 and for all prior periods, we have satisfied these financial covenants. These covenants limit the amount of secured indebtedness that we may incur, and limit the amount of attributable debt in sale-leaseback transactions, to 10% of net tangible assets. As of March 31, 2010, 10% of net tangible assets is equivalent to \$2.244 billion, however we have no covered sale-leaseback transactions or secured indebtedness outstanding. Additionally, we are required to maintain a minimum net worth, as defined, of \$5.0 billion on a quarterly basis. As of March 31, 2010, our net worth, as defined, was equivalent to \$12.702 billion. We do not expect these covenants to have a material impact on our financial condition or liquidity.

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Except as described in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments, and other liabilities as of March 31, 2010 have not materially changed from those at December 31, 2009, as described in our Annual Report on Form 10-K for the year ended December 31, 2009.

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

*Guarantees and Other Off-Balance Sheet Arrangements*

We do not have guarantees or other off-balance sheet financing arrangements, including variable interest entities, which we believe could have a material impact on our financial condition or liquidity.

*Contingencies*

We are a defendant in a number of lawsuits filed in state and federal courts containing various class-action allegations under state wage-and-hour laws. In one of these cases, *Marlo v. UPS*, which was certified as a class action in a California federal court in September 2004, plaintiffs allege that they improperly were denied overtime, and seek penalties for missed meal and rest periods, and interest and attorneys' fees. Plaintiffs purport to represent a class of 1,300 full-time supervisors. In August 2005, the court granted summary judgment in favor of UPS on all claims, and plaintiffs appealed the ruling. In October 2007, the appeals court reversed the lower court's ruling. In April 2008, the Court decertified the class and vacated the trial scheduled for that month. After decertification, some plaintiffs filed individual lawsuits raising the same allegations as in the underlying class action. These individual lawsuits are in various stages. We have denied any liability with respect to these claims and intend to vigorously defend ourselves in these cases. At this time, we have not determined the amount of any liability that may result from these matters or whether such liability, if any, would have a material adverse effect on our financial condition, results of operations, or liquidity.

In another case, *Hohider v. UPS*, which in July 2007 was certified as a class action in a Pennsylvania federal court, plaintiffs have challenged certain aspects of the Company's interactive process for assessing requests for reasonable accommodation under the Americans with Disabilities Act. Plaintiffs purport to represent a class of over 35,000 current and former employees, and seek back-pay, and compensatory and punitive damages, as well as attorneys' fees. In August 2007, the Third Circuit Court of Appeals granted our petition to hear the appeal of the trial court's certification order. In July 2009, the Third Circuit issued its decision decertifying the class and remanding the case to the trial court for further proceedings. We have denied any liability with respect to these claims and intend to vigorously defend ourselves in this case. At this time, we have not determined the amount of any liability that may result from this matter or whether such liability, if any, would have a material adverse effect on our financial condition, results of operations, or liquidity.

UPS and our subsidiary Mail Boxes Etc., Inc. are defendants in various lawsuits brought by franchisees who operate Mail Boxes Etc. centers and The UPS Store locations. These lawsuits relate to the rebranding of Mail Boxes Etc. centers to The UPS Store, The UPS Store business model, the representations made in connection with the rebranding and the sale of The UPS Store franchises, and UPS's sale of services in the franchisees' territories. In one of the actions, which is pending in California state court, the court certified a class consisting of all Mail Boxes Etc. branded stores that rebranded to The UPS Store in March 2003. We have denied any liability with respect to these claims and intend to defend ourselves vigorously. At this time, we have not determined the amount of any liability that may result from these matters or whether such liability, if any, would have a material adverse effect on our financial condition, results of operations, or liquidity.

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In *Barber Auto Sales v. UPS*, which a federal court in Alabama certified as a class action in September 2009, the plaintiff asserts a breach of contract claim arising from UPS's assessment of shipping charge corrections when UPS determines that the "dimensional weight" of packages is greater than reported by the shipper. We have denied any liability with respect to these claims and intend to vigorously defend ourselves in this case. At this time, we have not determined the amount of any liability that may result from this matter or whether such liability, if any, would have a material adverse effect on our financial condition, results of operations, or liquidity.

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

As of December 31, 2009, we had approximately 254,000 employees employed under a national master agreement and various supplemental agreements with local unions affiliated with the International Brotherhood of Teamsters ("Teamsters"). These agreements run through July 31, 2013. We have approximately 2,800 pilots who are employed under a collective bargaining agreement with the Independent Pilots Association ("IPA"), which becomes amendable at the end of 2011. Beginning May 23, 2010, we will begin the process of furloughing 170 of our airline pilots. Any additional furloughs will be phased in based on prevailing economic conditions. Our airline mechanics are covered by a collective bargaining agreement with Teamsters Local 2727, which became amendable in November 2006. We began formal negotiations with Teamsters Local 2727 in October 2006, and have been under the guidance of the National Mediation Board since January 2008. These talks are currently in recess. In addition, the majority (approximately 3,400) of our ground mechanics who are not employed under agreements with the Teamsters are employed under collective bargaining agreements with the International Association of Machinists and Aerospace Workers ("IAM"). Our agreement with the IAM runs through July 31, 2014.

We participate in a number of trustee-managed multi-employer pension and health and welfare plans for employees covered under collective bargaining agreements. Several factors could cause us to make significantly higher future contributions to these plans, including unfavorable investment performance, changes in demographics, and increased benefits to participants. At this time, we are unable to determine the amount of additional future contributions, if any, or whether any material adverse effect on our financial condition, results of operations, or liquidity would result from our participation in these plans.

In January 2008, a class action complaint was filed in the United States District Court for the Eastern District of New York alleging price-fixing activities relating to the provision of freight forwarding services. UPS was not named in this case. On July 21, 2009, the plaintiffs filed a first amended complaint naming numerous global freight forwarders as defendants. UPS and UPS Supply Chain Solutions are among the 60 defendants named in the amended complaint. We intend to vigorously defend ourselves in this case. At this time, we have not determined the amount of any liability that may result from these matters or whether such liability, if any, would have a material adverse effect on our financial condition, results of operations, or liquidity.

*Other Matters*

We received grand jury subpoenas from the Antitrust Division of the U.S. Department of Justice ("DOJ") regarding the DOJ's investigations into certain pricing practices in the air cargo industry in July 2006, and into certain pricing practices in the freight forwarding industry in December 2007.

In October 2007, June 2008, and February 2009, we received information requests from the European Commission ("Commission") relating to its investigation of certain pricing practices in the freight forwarding

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industry, and subsequently responded to each request. On February 9, 2010, UPS received a Statement of Objections by the Commission. This document contains the Commission's preliminary view with respect to alleged anticompetitive behavior in the freight forwarding industry by 18 freight forwarders, including UPS. Although it alleges anticompetitive behavior, it does not prejudge the Commission's final decision, as to facts or law (which is subject to appeal to the European courts). The options available to the Commission include taking no action or imposing a monetary fine; the range of any potential action by the Commission is not reasonably estimable. Any decision imposing a fine would be subject to appeal. UPS has responded to the Statement of Objections and we intend to vigorously defend ourselves in this proceeding.

We also received and responded to related information requests from competition authorities in other jurisdictions.

We are cooperating with each of these inquiries. At this time, we are unable to determine the amount of any liability that may result from these matters or whether any such liability would have a material adverse effect on our financial condition, results of operations, or liquidity.

*Recent Accounting Pronouncements*

*Adoption of New Accounting Standards*

There were no accounting standards adopted during the three months ended March 31, 2010 that had a material impact on our consolidated financial statements.

*Standards Issued But Not Yet Effective*

Other new pronouncements issued but not effective until after March 31, 2010, are not expected to have a significant effect on our consolidated financial position or results of operations.

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### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risk from changes in foreign currency exchange rates, interest rates, equity prices, and certain commodity prices. 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.

The total fair value asset (liability) of our derivative financial instruments is summarized in the following table (in millions):

	March 31, 2010	December 31, 2009
Energy Derivatives	\$ —	\$ —
Currency Derivatives	5	12
Interest Rate Derivatives	100	59
	<u>\$ 105</u>	<u>\$ 71</u>

Our market risks, hedging strategies, and financial instrument positions at March 31, 2010 have not materially changed from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2009.

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

The information concerning market risk under the caption “Quantitative and Qualitative Disclosures about Market Risk” on pages 49-50 of our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2009, is hereby incorporated by reference in this Quarterly Report on Form 10-Q.

### **Item 4. Controls and Procedures**

#### *Evaluation of Disclosure Controls and Procedures:*

As of the end of the period covered by this report, management, including our chief executive officer and chief financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (“Exchange Act”). Based upon that evaluation, our chief executive officer and chief financial officer concluded that the disclosure controls and procedures were effective to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) accumulated and communicated to our management to allow their timely decisions regarding required disclosure.

#### *Changes in Internal Control over Financial Reporting:*

There were no changes in the Company’s internal controls over financial reporting during the quarter ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

**PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

For a discussion of legal proceedings affecting us and our subsidiaries, please see the information under the sub-caption “Contingencies” of the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this report.

**Item 1A. Risk Factors**

There have been no material changes to the risk factors described in Part 1, Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2009.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

(c) A summary of our repurchases of our Class A and Class B common stock during the first quarter of 2010 is as follows (in millions, except per share amounts):

	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program
January 1 – January 31, 2010	0.7	\$ 59.53	0.6	\$ 5,966
February 1 – February 28, 2010	3.8	58.11	3.8	5,744
March 1 – March 31, 2010	0.2	65.22	0.1	5,741
Total January 1 – March 31, 2010	4.7	\$ 58.37	4.5	

(1) Includes shares repurchased through our publicly announced share repurchase program and shares tendered to pay the exercise price and tax withholding on employee stock options.

In January 2008, the Board of Directors authorized an increase in our share repurchase authorization to \$10.0 billion. Share repurchases may take the form of accelerated share repurchases, open market purchases, or other such methods as we deem appropriate. The timing of our share repurchases will depend upon market conditions. Unless terminated earlier by the resolution of our Board, the program will expire when we have purchased all shares authorized for repurchase under the program.

In February 2010, we entered into an accelerated share repurchase program with a large financial institution, which allowed us to repurchase \$186 million of shares (3.0 million shares). The program was completed in April 2010.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Reserved****Item 5. Other Information**

None.

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### **Item 6. Exhibits**

These exhibits are either incorporated by reference into this report or filed with this report as indicated below.

#### Index to Exhibits:

- 3.1 — Form of Restated Certificate of Incorporation of United Parcel Service, Inc. (incorporated by reference to Exhibit 3.2 to Form 10-Q for the Quarter Ended September 30, 2002).
- 3.2 — Form of Bylaws of United Parcel Service, Inc. (incorporated by reference to Exhibit 3.1 to Form 8-K, filed on November 12, 2008).
- †10.1 — Credit Agreement (364-Day Facility) dated April 15, 2010 among United Parcel Service, Inc., the initial lenders named therein, Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. as joint arrangers and book managers, Barclays Bank PLC and BNP Paribas as co-documentation agents, Citibank, N.A. as administrative agent, and JPMorgan Chase Bank, N.A., as syndication agent.
- †10.2 — Form of Non-Management Director Restricted Stock Award Agreement.
- 10.3 — Form of Restricted Stock Unit Award Agreement for the 2010 Long-Term Incentive Performance (LTIP) Awards (incorporated by reference to Exhibit 10.1 to Form 8-K, filed on March 3, 2010).
- 11 — Statement regarding Computation of per Share Earnings (incorporated by reference to Note 12 to “Item 1. Financial Statements” of this quarterly report on Form 10-Q).
- †12 — Computation of Ratio of Earnings to Fixed Charges.
- †31.1 — Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- †31.2 — Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- †32.1 — Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- †32.2 — Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- ††101 — The following financial information from the Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Cash Flows, and (v) the Notes to the Consolidated Financial Statements, tagged as blocks of text.

† Filed herewith.

†† Furnished electronically herewith

**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 7, 2010

By: \_\_\_\_\_ /s/ **KURT P. KUEHN**  
**Kurt P. Kuehn**  
*Senior Vice President,  
Chief Financial Officer and Treasurer  
(Duly Authorized Officer and  
Principal Accounting Officer)*



U.S. \$1,500,000,000

**364-DAY CREDIT AGREEMENT**

Dated as of April 15, 2010

Among

**UNITED PARCEL SERVICE, INC.**  
as Borrower

**THE INITIAL LENDERS NAMED HEREIN**  
as Initial Lenders

and

**CITIGROUP GLOBAL MARKETS INC.**

and

**J.P. MORGAN SECURITIES INC.**  
as Joint Lead Arrangers and Joint Bookrunners

**BARCLAYS CAPITAL**

and

**BNP PARIBAS SECURITIES CORP.**  
as Co-Lead Arrangers

**J.P. MORGAN SECURITIES INC.**  
as Syndication Agent

**BARCLAYS CAPITAL**

and

**BNP PARIBAS**  
as Co-Documentation Agents

and

**CITIBANK, N.A.**  
as Administrative Agent

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**EXHIBITS**

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Exhibit B-1 -	Form of Notice of Revolving Credit Borrowing
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Exhibit C -	Form of Assignment and Acceptance
Exhibit D -	Form of Designation Agreement
Exhibit E -	Form of Opinion of Counsel for the Borrower
Exhibit F -	Debenture Indenture

364-DAY CREDIT AGREEMENT

Dated as of April 15, 2010

UNITED PARCEL SERVICE, INC., a Delaware corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (collectively, the "Initial Lenders") listed on the signature pages hereof, Citibank, N.A. ("Citibank"), as administrative agent (in such capacity, the "Agent") for the Lenders (as hereinafter defined), agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms.

As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Advance" means a Revolving Credit Advance or a Competitive Bid Advance, as the context may require.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person; provided, however, that Overseas Partners shall not be deemed to be an Affiliate of the Borrower.

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

"Agent's Account" means (a) in the case of Advances denominated in Dollars, the account of the Agent maintained by the Agent at Citibank at its office at Building #3, 1615 Brett Road, Account No. 36852248, Attention: Bank Loan Syndications, (b) in the case of Advances denominated in any Foreign Currency, the account of the Sub-Agent designated in writing from time to time by the Agent to the Borrower and the Lenders for such purpose and (c) in any such case, such other account of the Agent as is designated in writing from time to time by the Agent to the Borrower and the Lenders for such purpose.

"Applicable Fee Percentage" means, as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

<u>Public Debt Rating</u>	<u>Applicable Fee Percentage</u>
<u>Level 1</u> A / A2 or above	0.080%
<u>Level 2</u> Lower than Level 1	0.130%

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's

Eurocurrency Lending Office in the case of a Eurocurrency Rate Advance and, in the case of a Competitive Bid Advance, the office of such Lender notified by such Lender to the Agent and the Borrower as its Applicable Lending Office with respect to such Competitive Bid Advance.

“Applicable Margin” means (a) (i) for Eurocurrency Rate Advances as of any date prior to the Term Loan Conversion Date, a percentage per annum equal to the Market Rate Spread on the Spread Determination Date in relation to such Advances and (ii) for Eurocurrency Rate Advances as of any date on and after the Term Loan Conversion Date, the maximum rate applicable on such date as determined under the definition of “Market Rate Spread” and (b) for Base Rate Advances as of any date, a rate per annum that is 100 basis points lower than the rate determined in accordance with clause (a) above; provided that in no event shall the Applicable Margin for Base Rate Advances be lower than 0.00%.

“Arrangers” means Citigroup Global Markets Inc. and J.P. Morgan Securities Inc.

“Assignment and Acceptance” means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Agent, in substantially the form of Exhibit C hereto.

“Attributable Debt” has the meaning specified in the Debenture Indenture.

“Base Rate” means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the highest of:

(a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank’s base rate;

(b) 1/2 of 1% per annum above the Federal Funds Rate; and

(c) the British Bankers Association Interest Settlement Rate applicable to Dollars for a period of one month (“One Month LIBOR”) plus 1.00% (for the avoidance of doubt, the One Month LIBOR for any day shall be based on the rate appearing on Reuters LIBOR01 Page (or other commercially available source providing such quotations as designated by the Agent from time to time) at approximately 11:00 a.m. London time on such day).

“Base Rate Advance” means a Revolving Credit Advance denominated in Dollars that bears interest as provided in Section 2.07(a)(i).

“Beneficial Ownership” means beneficial ownership as determined in accordance with Rule 13d-3 of the Securities and Exchange Commission under the Exchange Act, as in effect on the date hereof.

“Borrower” has the meaning specified in the recital of parties to this Agreement.

“Borrower’s Account” means an account of the Borrower designated in writing by the Borrower to the Agent.

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“**Borrowing**” means a Revolving Credit Borrowing or a Competitive Bid Borrowing, as the context may require.

“**Business Day**” means a day of the year on which banks are not required or authorized by law to close in New York City and, if the applicable Business Day relates to any Eurocurrency Rate Advances or LIBO Rate Advances, on which dealings are carried on in the London interbank market and banks are open for business in London and in the country of issue of the currency of such Eurocurrency Rate Advance or LIBO Rate Advance (or, in the case of an Advance denominated in Euro, on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open) and, if the applicable Business Day relates to any Local Rate Advances, on which banks are open for business in the country of issue of the currency of such Local Rate Advance.

“**Capital Lease Obligations**” of any Person means all obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP.

“**Change of Control**” means the occurrence of either of the following:

(a) any Person or two or more Persons acting in concert other than a Permitted Person shall have acquired Beneficial Ownership, directly or indirectly, through a purchase, merger or other transaction or series of transactions or otherwise, of Voting Stock of the Borrower to which 10% or more of the total Voting Power of the Borrower is attributable; or

(b) Permitted Persons shall have Beneficial Ownership of (i) less than 75% of the shares of common stock of the Borrower and (ii) Voting Stock of the Borrower to which less than 75% of the total Voting Power of the Borrower is attributable.

“**Citibank**” has the meaning specified in the recital of parties to this Agreement.

“**Commitment**” has the meaning specified in Section 2.01.

“**Committed Currencies**” means lawful currency of the United Kingdom of Great Britain and Northern Ireland, lawful currency of The Swiss Federation, lawful currency of Japan and Euros.

“**Competitive Bid Advance**” means an advance by a Lender to the Borrower as part of a Competitive Bid Borrowing resulting from the auction bidding procedure described in Section 2.03 and refers to a Fixed Rate Advance, a LIBO Rate Advance or a Local Rate Advance, as the context may require.

“**Competitive Bid Borrowing**” means a borrowing consisting of simultaneous Competitive Bid Advances from each of the Lenders whose offer to make one or more Competitive Bid Advances as part of such borrowing has been accepted by the Borrower under the auction bidding procedure described in Section 2.03.

“Competitive Bid Note” means a promissory note of the Borrower payable to the order of any Lender, in substantially the form of Exhibit A-2 hereto, evidencing the indebtedness of the Borrower to such Lender resulting from a Competitive Bid Advance made by such Lender.

“Competitive Bid Reduction” has the meaning specified in Section 2.01.

“Consolidated” refers to the consolidation of accounts in accordance with GAAP.

“Consolidated Net Tangible Assets” has the meaning specified in the Debenture Indenture.

“Consolidated Net Worth” means the sum of the Borrower’s Consolidated common and preferred stock par value, additional paid-in capital, retained earnings, and deferred compensation obligations (if reported in shareowners’ equity), and reduced by the amount of any treasury stock. Such amounts shall be determined, in the case of each quarter end, by reference to the Borrower’s Consolidated balance sheet in its periodic filings with the U.S. Securities and Exchange Commission on Form 10-Q or Form 10-K, as applicable, with respect to such quarter end, and in the case of each date of Borrowing, in accordance with normal business practices as would appear on the Borrower’s Consolidated balance sheet as of such date. For the avoidance of doubt, “Consolidated Net Worth” excludes any elements of accumulated other comprehensive income or loss, including without limitation, foreign currency translation gains and losses, unrealized gains and losses on marketable securities, unrealized gains and losses on cash flow hedges, and unrecognized pension and postretirement benefit costs.

“Convert”, “Conversion” and “Converted” each refers to a conversion of Revolving Credit Advances of one Type into Revolving Credit Advances of the other Type pursuant to Section 2.08 or 2.09.

“Debenture Indenture” means the Indenture, dated as of December 1, 1989, between United Parcel Service of America, Inc. and Chemical Bank pursuant to which the 8-3/8% Debentures Due April 1, 2020 were issued, as in effect on the date of this Agreement (without giving effect to any amendment, supplement or other modification thereto, any repayment or covenant defeasance thereunder or any termination thereof), a copy of which is attached as Exhibit F hereto.

“Debt” of any Person means, without duplication, (a) all obligations of such Person for borrowed money, or with respect to deposits with or advances of any kind to such Person, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property or assets purchased by such Person, (e) all obligations of such Person issued or assumed as the deferred purchase price of property or services (excluding payables incurred in the ordinary course of business), (f) all Debt of others secured by (or for which the holder of such Debt has an existing right,



contingent or otherwise, to be secured by) any Lien on property or assets owned or acquired by such Person (other than Non-Recourse Debt), (g) all Guarantees by such Person of Debt of others, (h) all Capital Lease Obligations of such Person and (i) all obligations of such Person in respect of Hedge Agreements; provided, however, that at any given time the term “obligations” as used in this clause (i) shall only include the net amounts due and payable at such time under any such agreements or arrangements. The Debt of any Person shall include the Debt of any partnership in which such Person is a general partner.

“Declining Lender” has the meaning specified in Section 2.16(a).

“Default” means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

“Default Excess” means, with respect to any Defaulting Lender, the excess, if any, of such Defaulting Lender’s ratable portion of the aggregate outstanding principal amount of the Advances of all Lenders (calculated as if all Defaulting Lenders had funded all of their respective Defaulted Advances) over the aggregate outstanding principal amount of all Advances actually funded by such Defaulting Lender.

“Default Period” means, with respect to any Defaulting Lender, the period commencing on the date of the applicable Defaulted Advance and ending on the earlier of the following dates: (i) the date on which (a) the Default Excess with respect to such Defaulting Lender has been reduced to zero (whether by the funding of any Defaulted Advances by such Defaulting Lender or by the non-pro-rata application of any prepayment pursuant to Section 2.19) and (b) such Defaulting Lender shall have delivered to the Borrower and the Agent a written reaffirmation of its intention to honor its obligations hereunder with respect to its Commitment; and (ii) the date on which the Borrower, the Agent and the Required Lenders waive in writing all defaults relating to the failure of such Defaulting Lender to fund.

“Defaulted Advance” means any Advance that a Defaulting Lender has failed to make.

“Defaulting Lender” means any Lender that (a) has failed to fund any portion of the Revolving Credit Advances required to be funded by it hereunder within three Business Days of the date required to be funded by it hereunder, and such failure is continuing, (b) has otherwise failed to pay over to the Agent or any other Lender any other amount required to be paid by it hereunder within three Business Days of the date when due, and such failure is continuing, unless the subject of a good faith dispute, (c) has notified the Borrower or the Agent in writing, or has otherwise indicated through a written statement or public announcement, that it does not intend to fund Revolving Credit Advances as required hereunder or that it does not intend to comply with its funding obligations generally under agreements in which it commits to extend credit, (d) has failed to confirm in writing to the Borrower and the Agent such Lender’s intention and ability to fund Revolving Credit Advances as required hereunder within five (5) Business Days after receipt of a written request for such confirmation from the Borrower or the Agent, provided that any such Lender shall cease to be a Defaulting Lender under this clause (d) upon receipt of such confirmation by the Borrower or the Agent or (e) is

subject to a bankruptcy, insolvency or similar proceeding or to the appointment of the Federal Deposit Insurance Corporation or other receiver, custodian, conservator, trustee or similar official with respect to such Lender's business or properties; provided that, for the avoidance of doubt, a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in such Lender by a Government Authority or an instrumentality thereof.

"Designated Bidder" means (a) an Eligible Assignee or (b) a special purpose corporation that is engaged in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business and that issues (or the parent of which issues) commercial paper rated at least "Prime-1" (or the then equivalent grade) by Moody's or "A-1" (or the then equivalent grade) by S&P that, in either case, (i) is organized under the laws of the United States or any state thereof or the District of Columbia or any jurisdiction that issues the applicable Foreign Currency, (ii) shall have become a party to this Agreement pursuant to Section 8.07(d), (e) and (f) and (iii) is not otherwise a Lender.

"Designation Agreement" means a designation agreement entered into by a Lender (other than a Designated Bidder) and a Designated Bidder, and accepted by the Agent, in substantially the form of Exhibit D hereto.

"Dollars" and the sign "\$" mean lawful currency of the United States of America.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agent.

"Effective Date" has the meaning specified in Section 3.01.

"Eligible Assignee" means (i) a Lender; (ii) an Affiliate of a Lender that is otherwise an Eligible Assignee; (iii) a commercial bank organized under the laws of the United States, or any state thereof, and having total assets in excess of \$1,000,000,000, calculated in accordance with the accounting principles prescribed by the regulatory authority applicable to such bank in its jurisdiction of organization; (iv) a commercial bank organized under the laws of any other country that is a member of the OECD, or a political subdivision of any such country, and having total assets in excess of \$1,000,000,000, calculated in accordance with the accounting principles prescribed by the regulatory authority applicable to such bank in its jurisdiction of organization, so long as such bank is acting through a branch or agency located in the country in which it is organized or another country that is described in this clause (iv); (v) the central bank of any country that is a member of the OECD; or (vi) a finance company, insurance company or other financial institution or fund (whether a corporation, partnership, trust or other entity) organized under the laws of the United States, or any state thereof, that is engaged in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business and having total assets in excess of \$1,000,000,000, calculated in accordance with the accounting principles prescribed by the regulatory authority applicable to such entity in its jurisdiction of organization; provided, however, that neither the Borrower nor an Affiliate of the Borrower shall qualify as an Eligible Assignee.

“Equivalent” in Dollars of any Foreign Currency on any date means the equivalent in Dollars of such Foreign Currency determined by using the quoted spot rate at which the Sub-Agent’s principal office in London offers to exchange Dollars for such Foreign Currency in London prior to 4:00 P.M. (London time) (unless otherwise indicated by the terms of this Agreement) on such date as is required pursuant to the terms of this Agreement, and the “Equivalent” in any Foreign Currency of Dollars means the equivalent in such Foreign Currency of Dollars determined by using the quoted spot rate at which the Sub-Agent’s principal office in London offers to exchange such Foreign Currency for Dollars in London prior to 4:00 P.M. (London time) (unless otherwise indicated by the terms of this Agreement) on such date as is required pursuant to the terms of this Agreement.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

“ERISA Affiliate” means any trade or business (whether or not incorporated) that is a member of a group of which the Borrower is a member and which is treated as a single employer under Section 414 of the Internal Revenue Code.

“EURIBO Rate” means, for any Interest Period, the rate appearing on Reuters EURIBOR01 Page (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Agent from time to time for purposes of providing quotations of interest rates applicable to deposits in Euro by reference to the Banking Federation of the European Union Settlement Rates for deposits in Euro) at approximately 10:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for deposits in Euro with a maturity comparable to such Interest Period or, if for any reason such rate is not available, the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the respective rates per annum at which deposits in Euros are offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal (x) in the case of Revolving Credit Borrowings, to such Reference Bank’s Eurocurrency Rate Advance comprising part of such Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period (subject, however, to the provisions of Section 2.08(e)) or (y) in the case of Competitive Bid Borrowings, to the amount that would be the Reference Banks’ respective ratable shares of such Borrowing if such Borrowing were to be a Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period (subject, however, to the provisions of Section 2.08(e)).

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“Euro” means the lawful currency of the European Union as constituted by the Treaty of Rome which established the European Community, as such treaty may be amended from time to time and as referred to in the EMU legislation.

“Eurocurrency Lending Office” means, with respect to any Lender, the office of such Lender specified as its “Eurocurrency Lending Office” opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agent.

“Eurocurrency Liabilities” has the meaning assigned to that term in Regulation D.

“Eurocurrency Rate” means, for any Interest Period for each Eurocurrency Rate Advance comprising part of the same Revolving Credit Borrowing, an interest rate per annum equal to the rate per annum obtained by dividing (a)(i) in the case of any Revolving Credit Advance denominated in Dollars or any Committed Currency other than Euro, the rate per annum (rounded upward to the nearest whole multiple of 1/16 of 1% per annum) appearing on Reuters Screen LIBOR01 Page (or any successor page) as the London interbank offered rate for deposits in Dollars or the applicable Committed Currency at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period or, if for any reason such rate is not available, the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in Dollars or the applicable Committed Currency is offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to such Reference Bank’s Eurocurrency Rate Advance comprising part of such Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period or, (ii) in the case of any Revolving Credit Advance denominated in Euros, the EURIBO Rate by (b) a percentage equal to 100% minus the Eurocurrency Rate Reserve Percentage for such Interest Period. If the Reuters Screen LIBOR01 Page (or any successor page) is unavailable, the Eurocurrency Rate for any Interest Period for each Eurocurrency Rate Advance comprising part of the same Revolving Credit Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.08(e).

“Eurocurrency Rate Advance” means a Revolving Credit Advance denominated in Dollars or a Committed Currency that bears interest as provided in Section 2.07(a)(ii).

“Eurocurrency Rate Reserve Percentage” means, for any Interest Period for all Eurocurrency Rate Advances or LIBO Rate Advances comprising part of the same Borrowing, the reserve percentage applicable two Business Days before the first day of such Interest Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency,

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supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate on Eurocurrency Rate Advances or LIBO Rate Advances is determined) having a term equal to such Interest Period.

“Event of Default” has the meaning specified in Section 6.01.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

“Extending Lender” has the meaning specified in Section 2.16(a).

“Federal Funds Rate” means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three federal funds brokers of recognized standing selected by it.

“Final Maturity Date” means, at any time (a) the then scheduled Termination Date or (b) if extended pursuant to Section 2.16(b), the date requested by the Borrower pursuant to Section 2.16(b), but in no event shall such date be later than the first anniversary of the then scheduled Termination Date.

“Financial Officer” of any corporation means the chief financial officer, principal accounting officer, treasurer, assistant treasurer or controller of such corporation.

“Fiscal Year” means, with respect to any Person, the period commencing on January 1 and ending on December 31 of any calendar year.

“Fixed Rate Advances” has the meaning specified in Section 2.03(a)(i), which Advances may be denominated in Dollars or in any Foreign Currency, bear interest at a fixed rate, and with respect to any Fixed Rate Advances denominated in Foreign Currency, may either be sourced or not sourced from the jurisdiction of issuance of such Foreign Currency.

“Foreign Currency” means any Committed Currency, the lawful currency of Canada, the lawful currency of Norway, the lawful currency of Sweden, the lawful currency of Denmark, the lawful currency of Hong Kong, the lawful currency of Singapore, the lawful currency of Australia, the lawful currency of New Zealand and any other lawful currency (other than Dollars) that is freely transferable or convertible into Dollars.

“GAAP” has the meaning specified in Section 1.03.

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“Governmental Authority” means any federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

“Guarantee” of or by any Person means any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Debt of any other Person (the “primary obligor”) in any manner, whether directly or indirectly, and including, without limitation, any obligation of such Person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Debt, (b) to purchase property, securities or services for the purpose of assuring the owner of such debt of the payment of such Debt or (c) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt; provided, however, that the term “Guarantee” shall not include endorsements for collection or deposit, in either case in the ordinary course of business.

“Hedge Agreements” means interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts and other similar agreements.

“Incurrence” has the meaning specified in Section 5.02(a).

“Indemnified Party” has the meaning specified in Section 8.04(b).

“Indemnified Matters” has the meaning specified in Section 8.04(b).

“Information” has the meaning specified in Section 8.08.

“Initial Lender” has the meaning specified in the recital of parties to this Agreement.

“Interest Period” means, for each Eurocurrency Rate Advance comprising part of the same Revolving Credit Borrowing and each LIBO Rate Advance comprising part of the same Competitive Bid Borrowing, the period commencing on the date of such Eurocurrency Rate Advance (or the continuation thereof) or LIBO Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurocurrency Rate Advance and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be (a) in the case of Eurocurrency Rate Advances, one, two, three or six months, or, subject to clause (iii) below, nine or twelve months, as the Borrower may, upon notice received by the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, select and (b) in the case of LIBO Rate Advances, a minimum of seven days; provided, however, that:

(i) the Borrower may not select any Interest Period that ends after the Termination Date or, if the Borrower has made a request pursuant to Section 2.16(b), that ends after the Final Maturity Date;

(ii) Interest Periods commencing on the same date for Eurocurrency Rate Advances comprising part of the same Revolving Credit Borrowing or for LIBO Rate Advances comprising part of the same Competitive Bid Borrowing shall be of the same duration;

(iii) in respect of any Eurocurrency Rate Advances, the Borrower shall not be entitled to select an Interest Period having a duration of nine or twelve months unless, by 2:00 P.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, each Lender notifies the Agent that such Lender will be providing funding for such Borrowing with such Interest Period (the failure of any Lender to so respond by such time being deemed for all purposes of this Agreement as an objection by such Lender to the requested duration of such Interest Period); provided that, if any or all of the Lenders object to the requested duration of such Interest Period, the duration of the Interest Period for such Borrowing shall be one, two, three or six months, as specified by the Borrower in the applicable Notice of Borrowing as the desired alternative to an Interest Period of nine or twelve months;

(iv) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, however, that, if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(v) whenever the first day of (A) any Interest Period in respect of Eurocurrency Rate Advances or (B) any Interest Period in respect of LIBO Rate Advances the durations of which are one, two, three or six months, occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

“Lenders” means the Initial Lenders and each Person that shall become a party hereto pursuant to Section 8.07(a), (b) and (c) and, except when used in reference to a Revolving Credit Advance, a Revolving Credit Borrowing, a Revolving Credit Note, a Commitment or a related term, each Designated Bidder.

“LIBO Rate” means, for any Interest Period for all LIBO Rate Advances comprising part of the same Competitive Bid Borrowing, an interest rate per annum equal to the rate per annum obtained by dividing (a)(i) in the case of any Competitive Bid Borrowing denominated in Dollars or any Foreign Currency other than Euros, the rate per annum (rounded upward to the nearest whole multiple of 1/16 of 1% per annum) appearing on Reuters Screen LIBOR01 Page (or any successor page) as the London interbank offered rate for deposits in Dollars or the applicable Foreign Currency at

approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period or, if for any reason such rate is not available, the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in Dollars or the applicable Foreign Currency is offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to the amount that would be the Reference Banks' respective ratable shares of such Borrowing if such Borrowing were to be a Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period or (ii) in the case of any Competitive Bid Borrowing denominated in Euros, the EURIBO Rate by (b) a percentage equal to 100% minus the Eurocurrency Rate Reserve Percentage for such Interest Period. If the Reuters Screen LIBOR01 Page (or any successor page) is unavailable, the LIBO Rate for any Interest Period for each LIBO Rate Advance comprising part of the same Competitive Bid Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.08(e).

“LIBO Rate Advances” means a Competitive Bid Advance denominated in Dollars or in any Foreign Currency and bearing interest based on the LIBO Rate.

“Lien” means any lien, security interest or other charge or encumbrance of any kind, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property and, in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

“Local Rate Advance” means a Competitive Bid Advance denominated in any Foreign Currency sourced from the jurisdiction of issuance of such Foreign Currency and bearing interest at a fixed rate.

“Margin Stock” means all “margin stock” within the meaning of Regulation U.

“Market Rate Spread” means the Borrower’s 1-year credit default swap spread based on the mid-rate spread specified by Markit Group Ltd. (or any successor), determined as of the close of business on the Spread Determination Date, subject to a minimum rate and a maximum rate as determined by reference to the Public Debt Rating in effect on such date as set forth below:

<u>Public Debt Rating</u>	<u>Minimum Rate</u>	<u>Maximum Rate</u>
<u>Level 1</u> A / A2 or above	0.500%	1.500%
<u>Level 2</u> Lower than Level 1	1.000%	2.500%



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If the Borrower's 1-year credit default swap spread, as specified by Markit Group Ltd. (or any successor) is unavailable, the Borrower and the Lenders shall negotiate in good faith (for a period of up to thirty days after such spread becomes unavailable (such thirty-day period, the "Negotiation Period")) to agree on an alternative method for establishing the Applicable Margin. The Applicable Margin at any determination date thereof which falls during the Negotiation Period shall be based upon the then most recently available quote of the Market Rate Spread. If no such alternative method is agreed upon during the Negotiation Period, the Applicable Margin at any determination date subsequent to the end of the Negotiation Period shall be a rate per annum equal to the maximum rate applicable from time to time as determined in the immediately preceding paragraph. If the Borrower's 1-year credit default swap spread again becomes available through Markit Group Ltd. (or any successor), then Market Rate Spread shall be determined on the basis of such credit default swap spread as set forth above.

"Material Adverse Change" means any material adverse change in the business, assets, operations or financial condition of the Borrower and its Subsidiaries, taken as a whole. For purposes hereof, it is understood and agreed that the occurrence of a labor dispute shall not in and of itself constitute a Material Adverse Change.

"Material Adverse Effect" means (a) a material adverse effect on the business, assets, operations or financial condition of the Borrower and its Subsidiaries, taken as a whole, (b) material impairment of the ability of the Borrower to perform any of its obligations under this Agreement or any Notes or (c) material impairment of the rights of or benefits available to the Lenders under this Agreement or any Notes. For purposes hereof, it is understood and agreed that the occurrence of a labor dispute shall not in and of itself constitute a Material Adverse Effect.

"Material Subsidiary" means any Subsidiary of the Borrower having (a) 5% or more of the Consolidated Net Tangible Assets or (b) 5% or more of the total revenues appearing on the most recently prepared Consolidated income statements of the Borrower and its Subsidiaries as of the end of the immediately preceding fiscal quarter of the Borrower.

"Moody's" means Moody's Investors Service, Inc.

"Non-Recourse Debt" means, with respect to any Person, Debt for which such Person neither (a) provides credit support nor (b) is directly or indirectly liable.

"Note" means a Revolving Credit Note or a Competitive Bid Note, as the context may require.

"Notice of Competitive Bid Borrowing" has the meaning specified in Section 2.03(a).

"Notice of Revolving Credit Borrowing" has the meaning specified in Section 2.02(a).

"OECD" means the Organization for Economic Cooperation and Development and any successor.

“Overseas Partners” means Overseas Partners Ltd., a Bermuda corporation.

“Patriot Act” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. 107-56, signed into law October 26, 2001.

“Payment Office” means, for any Foreign Currency, such office of Citibank as shall be from time to time selected by the Agent and notified by the Agent to the Borrower and the Lenders.

“PBGC” means the Pension Benefit Guaranty Corporation and any successor.

“Permitted Person” means the UPS Managers Stock Trust, the UPS Stock Trust, the UPS Savings Plan, the UPS Qualified Stock Ownership Plan (QSOP), the Annie E. Casey Foundation, any retiree or present or former employee of the Borrower or any of its Subsidiaries or their respective present or former spouse, relatives (by consanguinity or law), estate or heirs (or their respective spouse’s estate or heirs) or any other Person that has Beneficial Ownership of the common stock of the Borrower on the date of this Agreement, or any Person that is created for the benefit of any of the foregoing after the date of this Agreement.

“Person” means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

“Plan” means any pension plan subject to the provisions of Title IV of ERISA or Section 412 of the Internal Revenue Code that is maintained for employees of the Borrower or any ERISA Affiliate.

“Public Debt Rating” means, as of any date, the higher rating that has been most recently announced by either S&P or Moody’s, as the case may be, for any class of non-credit enhanced long-term senior unsecured debt issued by the Borrower. For purposes of the foregoing, (a) if only one of S&P and Moody’s shall have in effect a Public Debt Rating, the Applicable Fee Percentage and the Market Rate Spread shall be determined by reference to the available rating; (b) if neither S&P nor Moody’s shall have in effect a Public Debt Rating, the Applicable Fee Percentage and the Market Rate Spread will be set in accordance with Level 2 under the definition of “Applicable Fee Percentage” or “Market Rate Spread”, as the case may be; (c) if the ratings established by S&P and Moody’s shall fall within Level 1 and Level 2 under the definition of “Applicable Fee Percentage” or “Market Rate Spread”, as the case may be, the Applicable Fee Percentage and the Market Rate Spread will be set in accordance with Level 1 under the definition of “Applicable Fee Percentage” or “Market Rate Spread”, as the case may be; (d) if any rating established by S&P or Moody’s shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change; and (e) if S&P or Moody’s shall change the basis on which ratings are established, each reference to the Public Debt Rating announced by S&P or Moody’s, as the case may be, shall refer to the then equivalent rating by S&P or Moody’s, as the case may be; provided, however, that if prior thereto the Borrower has selected, and the

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Required Lenders have approved, a rating agency to replace S&P or Moody's, as the case may be, such selection shall be deemed to be S&P or Moody's, as the case may be, for all purposes hereof.

"Reference Banks" means Citibank, Barclays Bank PLC and JPMorgan Chase Bank, N.A. or if any such Lender assigns all of its Commitment, the Advances owing to it and any Note or Notes held by it pursuant to Section 8.07(a), such other Lender as may be designated by the Required Lenders and approved by the Borrower (such approval not to be unreasonably withheld).

"Register" has the meaning specified in Section 8.07(g).

"Regulation A", "Regulation D", "Regulation T", "Regulation U" or "Regulation X" means Regulation A, Regulation D, Regulation T, Regulation U or Regulation X, respectively, of the Board of Governors of the Federal Reserve System, in each case as in effect from time to time, and all official rulings and interpretations thereunder or thereof, respectively.

"Related Parties" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

"Replacement Lender" has the meaning specified in Section 2.16(a).

"Reportable Event" means any reportable event as defined in Section 4043(b) of ERISA or the regulations issued thereunder with respect to a Plan (other than a Plan maintained by an ERISA Affiliate that is considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Section 414 of the Internal Revenue Code).

"Required Lenders" means at any time Lenders owed greater than 50% of the then aggregate unpaid principal amount (based on the Equivalent in Dollars at such time) of the Revolving Credit Advances owing to Lenders, or, if no such principal amount is then outstanding, Lenders having greater than 50% of the Commitments; provided that the Commitment of, and the portion of the Revolving Credit Advances held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

"Restricted Subsidiary" has the meaning specified in the Debenture Indenture.

"Revolving Credit Advance" means an advance by a Lender to the Borrower as part of a Revolving Credit Borrowing and refers to a Base Rate Advance or a Eurocurrency Rate Advance (each of which shall be a "Type" of Revolving Credit Advance), as the context may require.

"Revolving Credit Borrowing" means a borrowing consisting of simultaneous Revolving Credit Advances of the same Type made by each of the Lenders pursuant to Section 2.01.

“Revolving Credit Borrowing Minimum” means, in respect of Revolving Credit Advances denominated in Dollars, \$25,000,000, in respect of Revolving Credit Advances denominated in Sterling, £25,000,000, in respect of Revolving Credit Advances denominated in Swiss Francs, CHF25,000,000, in respect of Revolving Credit Advances denominated in Yen, ¥2,500,000,000 and, in respect of Revolving Credit Advances denominated in Euros, €25,000,000.

“Revolving Credit Borrowing Multiple” means, in respect of Revolving Credit Advances denominated in Dollars, \$1,000,000, in respect of Revolving Credit Advances denominated in Sterling, £1,000,000, in respect of Revolving Credit Advances denominated in Swiss Francs, CHF1,000,000, in respect of Revolving Credit Advances denominated in Yen, ¥100,000,000 and, in respect of Revolving Credit Advances denominated in Euros, €1,000,000.

“Revolving Credit Note” means a promissory note of the Borrower payable to the order of any Lender, delivered pursuant to a request made under Section 2.18 in substantially the form of Exhibit A-1 hereto, evidencing the aggregate indebtedness of the Borrower to such Lender resulting from the Revolving Credit Advances made by such Lender.

“Revolving Credit Prepay Minimum” means, in respect of Revolving Credit Advances denominated in Dollars, \$10,000,000, in respect of Revolving Credit Advances denominated in Sterling, £10,000,000, in respect of Revolving Credit Advances denominated in Swiss Francs, CHF10,000,000, in respect of Revolving Credit Advances denominated in Yen, ¥1,000,000,000 and, in respect of Revolving Credit Advances denominated in Euros, €10,000,000.

“S&P” means Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc.

“Sale and Leaseback Transaction” has the meaning specified in the Debenture Indenture.

“SEC” means the Securities and Exchange Commission, and any successor thereto and any analogous Governmental Authority.

“Secured Indebtedness” has the meaning specified in the Debenture Indenture.

“Spread Determination Date” means, at any time, (a) for any Eurocurrency Advance, (i) the date that is two Business Days before the commencement of the Interest Period applicable to such Advance and (ii) in the case of an Interest Period of more than three months’ duration, the date that is the last Business Day of each successive three-month period during such Interest Period, and (b) for any Base Rate Advance, (i) the Effective Date and (ii) the first day (or if such day is not a Business Day, the immediately preceding Business Day) of each calendar month after the Effective Date.

“Sterling” means the lawful currency of the United Kingdom.

“Sub-Agent” means Citibank International plc.

“Subsidiary” of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the Voting Power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such partnership or joint venture or (c) the beneficial interest in such trust or estate is at the time owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person’s other Subsidiaries; provided, however, that Overseas Partners shall not be deemed to be a Subsidiary of the Borrower.

“Swiss Francs” means the lawful currency of Switzerland.

“Term Loan Conversion Date” means the date on which the Borrower requests the extension of the then scheduled Termination Date to the Final Maturity Date pursuant to Section 2.16(b).

“Termination Date” means the earlier of (a) April 14, 2011, subject to the extension thereof pursuant to Section 2.16(a), and (b) the date of termination in whole of the Commitments pursuant to Section 2.05 or 6.01; provided, however, that the Termination Date of any Lender that is a Declining Lender to any requested extension pursuant to Section 2.16 shall be the earlier of (x) the Termination Date in effect immediately prior to such extension and (y) the date of termination in whole of the Commitments pursuant to Section 2.05 or 6.01 for all purposes of this Agreement.

“Type” has the meaning specified in the definition of “Revolving Credit Advance”.

“Voting Power” means, with respect to any Voting Stock of any Person at any time, the number of votes entitled to vote generally in the election of directors of such Person that are attributable to such Voting Stock at such time divided by the number of votes entitled to vote generally in the election of directors of such Person that are attributable to all shares of capital stock of such Person (including such Voting Stock) at such time.

“Voting Stock” means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

“Yen” means the lawful currency of Japan.

SECTION 1.02. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” each means “to but excluding”.

SECTION 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 4.01(e) (“GAAP”).

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ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01. The Revolving Credit Advances Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make Revolving Credit Advances to the Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an aggregate amount (based in respect of any Revolving Credit Advances to be denominated in a Committed Currency by reference to the Equivalent thereof in Dollars determined on the date of delivery of the applicable Notice of Revolving Credit Borrowing) not to exceed at any time outstanding the Dollar amount set forth opposite such Lender's name on Schedule I hereto or, if such Lender has entered into any Assignment and Acceptance, set forth for such Lender in the Register maintained by the Agent pursuant to Section 8.07(c), as such amount may be reduced pursuant to Section 2.05 (such Lender's "Commitment"), provided that the aggregate amount of the Commitments of the Lenders shall be deemed used from time to time to the extent of the aggregate amount (based in respect of any Competitive Bid Advance denominated in a Foreign Currency by reference to the Equivalent thereof in Dollars at such time) of the Competitive Bid Advances then outstanding and such deemed use of the aggregate amount of the Commitments shall be allocated among the Lenders ratably according to their respective Commitments (such deemed use of the aggregate amount of the Commitments being a "Competitive Bid Reduction"). Each Revolving Credit Borrowing shall be in an amount not less than the Revolving Credit Borrowing Minimum or the Revolving Credit Borrowing Multiple in excess thereof (or, if less, an amount equal to the remaining aggregate amount of unused Commitments or equal to the amount by which the aggregate amount of a proposed Competitive Bid Borrowing requested by the Borrower exceeds the aggregate amount of Competitive Bid Advances offered to be made by the Lenders and accepted by the Borrower in respect of such Competitive Bid Borrowing, if such Competitive Bid Borrowing is made on the same date as such Revolving Credit Borrowing) and shall consist of Revolving Credit Advances of the same Type and in the same currency made on the same day by the Lenders ratably according to their respective Commitments. Within the limits of each Lender's Commitment, the Borrower may borrow under this Section 2.01, prepay pursuant to Section 2.10 and, unless the Borrower has delivered a request pursuant to the provisions of Section 2.16(b), reborrow under this Section 2.01.

SECTION 2.02. Making the Revolving Credit Advances (a) Each Revolving Credit Borrowing shall be made on notice, given not later than (x) 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances denominated in Dollars, (y) 4:00 P.M. (London time) on the third Business Day prior to the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances denominated in any Committed Currency, or (z) 11:00 A.M. (New York City time) on the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Base Rate Advances, by the Borrower to the Agent (and, in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances denominated in any Committed Currency, simultaneously to the Sub-Agent), which

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shall give to each Lender prompt notice thereof by telecopier. Each such notice of a Revolving Credit Borrowing (a "Notice of Revolving Credit Borrowing") shall be by telephone, confirmed promptly in writing, or by telecopier, in substantially the form of Exhibit B-1 hereto, specifying therein the requested (i) date of such Revolving Credit Borrowing, (ii) Type of Advances comprising such Revolving Credit Borrowing, (iii) aggregate amount of such Revolving Credit Borrowing, (iv) location of the Borrower's Account to which funds are to be advanced and (v) in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances, initial Interest Period and currency for each such Revolving Credit Advance. Each Lender shall, before 1:00 P.M. (New York City time) on the date of such Revolving Credit Borrowing, in the case of a Revolving Credit Borrowing consisting of Advances denominated in Dollars, and before 4:00 P.M. (London time) on the date of such Revolving Credit Borrowing, in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances denominated in any Committed Currency, make available for the account of its Applicable Lending Office to the Agent at the applicable Agent's Account, in same day funds, such Lender's ratable portion of such Revolving Credit Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower in same day funds at the applicable Borrower's Account located in the United States or United Kingdom of Great Britain and Northern Ireland (or in such other jurisdiction as shall be acceptable to all Lenders).

(b) Anything in subsection (a) of this Section 2.02 to the contrary notwithstanding, the Borrower may not select Eurocurrency Rate Advances for any Revolving Credit Borrowing if the aggregate amount of such Revolving Credit Borrowing is less than the Revolving Credit Borrowing Minimum or if the obligation of the Lenders to make Eurocurrency Rate Advances shall then be suspended pursuant to Section 2.08 or 2.12.

(c) Each Notice of Revolving Credit Borrowing shall be irrevocable and binding on the Borrower. In the case of any Revolving Credit Borrowing that the related Notice of Revolving Credit Borrowing specifies is to be comprised of Eurocurrency Rate Advances, the Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure by the Borrower to fulfill on or before the date specified in such Notice of Revolving Credit Borrowing for such Revolving Credit Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Revolving Credit Advance to be made by such Lender as part of such Revolving Credit Borrowing when such Revolving Credit Advance, as a result of such failure, is not made on such date.

(d) Unless the Agent shall have received notice from a Lender prior to the time of any Revolving Credit Borrowing that such Lender will not make available to the Agent such Lender's ratable portion of such Revolving Credit Borrowing, the Agent may assume that such Lender has made such portion available to the Agent on the date of such Revolving Credit Borrowing in accordance with subsection (a) of this Section 2.02 and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Agent, such Lender and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at

(i) in the case of the Borrower, the higher of (A) the interest rate applicable at the time to Revolving Credit Advances comprising such Revolving Credit Borrowing and (B) the cost of funds incurred by the Agent in respect of such amount and (ii) in the case of such Lender, the higher of (A) the Federal Funds Rate in the case of Advances denominated in Dollars or (B) the cost of funds incurred by the Agent in respect of such amount in the case of Advances denominated in Committed Currencies. If such Lender shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Lender's Revolving Credit Advance as part of such Revolving Credit Borrowing for purposes of this Agreement.

(e) The failure of any Lender to make the Revolving Credit Advance to be made by it as part of any Revolving Credit Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Revolving Credit Advance on the date of such Revolving Credit Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Revolving Credit Advance to be made by such other Lender on the date of any Revolving Credit Borrowing.

SECTION 2.03. The Competitive Bid Advances. (a) Each Lender severally agrees that the Borrower may make Competitive Bid Borrowings under this Section 2.03 from time to time on any Business Day during the period from the date hereof until the date occurring prior to the Termination Date in the manner set forth below; provided that, following the making of each Competitive Bid Advance, the aggregate amount of the Advances then outstanding (based, in respect of any Advance denominated in a Foreign Currency, on the Equivalent in Dollars at the time such Competitive Bid Borrowing is requested) shall not exceed the aggregate amount of the Commitments of the Lenders (computed without regard to any Competitive Bid Reduction).

(i) The Borrower may request a Competitive Bid Borrowing under this Section 2.03 by delivering to the Agent (and, in the case of a Competitive Bid Borrowing not consisting of Fixed Rate Advances or LIBO Rate Advances to be denominated in Dollars, simultaneously to the Sub-Agent), by telephone, promptly confirmed in writing, or by telecopier, a notice of a Competitive Bid Borrowing (a "Notice of Competitive Bid Borrowing"), in substantially the form of Exhibit B-2 hereto, specifying therein the requested (A) date of such proposed Competitive Bid Borrowing, (B) aggregate amount of such proposed Competitive Bid Borrowing, (C) interest rate basis and day count convention to be offered by the Lenders, (D) currency of such proposed Competitive Bid Borrowing, (E) maturity date for repayment of each Competitive Bid Advance to be made as part of such Competitive Bid Borrowing (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), (F) interest payment date or dates relating thereto, (G) location of the Borrower's Account to which funds are to be advanced and (H) any other terms to be applicable to such Competitive Bid Borrowing, not later than (w) 10:00 A.M. (New York City time) at least one Business Day prior to the date of the proposed Competitive Bid Borrowing, if the Borrower shall specify in the Notice of Competitive Bid Borrowing that the rates of interest to be offered by the Lenders shall be fixed rates per annum (the Advances comprising any such Competitive Bid Borrowing being referred to herein as "Fixed Rate Advances") and that the Advances comprising such



proposed Competitive Bid Borrowing shall be denominated in Dollars, (x) 10:00 A.M. (New York City time) at least four Business Days prior to the date of the proposed Competitive Bid Borrowing, if the Borrower shall specify in the Notice of Competitive Bid Borrowing that the Advances comprising such Competitive Bid Borrowing shall be LIBO Rate Advances denominated in Dollars, (y) 10:00 A.M. (London time) at least two Business Days prior to the date of the proposed Competitive Bid Borrowing, if the Borrower shall specify in the Notice of Competitive Bid Borrowing that the Advances comprising such proposed Competitive Bid Borrowing shall be either Fixed Rate Advances denominated in any Foreign Currency or Local Rate Advances denominated in any Foreign Currency and (z) 10:00 A.M. (London time) at least four Business Days prior to the date of the proposed Competitive Bid Borrowing, if the Borrower shall instead specify in the Notice of Competitive Bid Borrowing that the Advances comprising such Competitive Bid Borrowing shall be LIBO Rate Advances denominated in any Foreign Currency. The Agent or the Sub-Agent, as the case may be, shall in turn promptly notify each Lender of each request for a Competitive Bid Borrowing received by it from the Borrower by sending such Lender a copy of the related Notice of Competitive Bid Borrowing.

(ii) Each Lender may, if, in its sole discretion, it elects to do so, irrevocably offer to make one or more Competitive Bid Advances to the Borrower as part of such proposed Competitive Bid Borrowing at a rate or rates of interest (including default rates not to exceed 1% per annum above the rate per annum required to be paid on such Competitive Bid Advance) specified by such Lender in its sole discretion, by notifying the Agent or the Sub-Agent, as the case may be (which shall give prompt notice thereof to the Borrower), (A) before 10:00 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances denominated in Dollars, (B) before 10:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, denominated in Dollars, (C) before 12:00 noon (London time) on the Business Day prior to the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of either Fixed Rate Advances denominated in any Foreign Currency or Local Rate Advances denominated in any Foreign Currency and (D) before 12:00 noon (London time) on the third Business Day prior to the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances denominated in any Foreign Currency, of the minimum amount and maximum amount of each Competitive Bid Advance which such Lender would be willing to make as part of such proposed Competitive Bid Borrowing (which amounts or the Equivalent thereof in Dollars, as the case may be, of such proposed Competitive Bid may, subject to the proviso to the first sentence of this Section 2.03(a), exceed such Lender's Commitment, if any), the rate or rates of interest therefor and such Lender's Applicable Lending Office with respect to such Competitive Bid Advance; provided that if the Agent in its capacity as a Lender shall, in its sole discretion, elect to make any such offer, it shall notify the Borrower of such offer at least 30 minutes before the time and on the date on which notice of such election is to be given to the Agent or to the Sub-Agent, as the case may be, by the other Lenders. If any Lender shall elect not to make such an offer, such Lender shall so notify the Agent before 10:00 A.M. (New York City time) or the Sub-Agent before 12:00 noon (London time) on

the date on which notice of such election is to be given to the Agent or to the Sub-Agent, as the case may be, by the other Lenders, and such Lender shall not be obligated to, and shall not, make any Competitive Bid Advance as part of such Competitive Bid Borrowing; provided that the failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Competitive Bid Advance as part of such proposed Competitive Bid Borrowing.

(iii) The Borrower shall, in turn, (A) before 11:00 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances denominated in Dollars, (B) before 11:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances denominated in Dollars, (C) before 3:00 P.M. (London time) on the Business Day prior to the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of either Fixed Rate Advances denominated in any Foreign Currency or Local Rate Advances denominated in any Foreign Currency and (D) before 3:00 P.M. (London time) on the third Business Day prior to the date of such Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances denominated in any Foreign Currency, either:

(x) cancel such Competitive Bid Borrowing by giving the Agent notice to that effect, or

(y) accept one or more of the offers made by any Lender or Lenders pursuant to subsection (a)(ii) of this Section 2.03, in its sole discretion, by giving notice to the Agent or to the Sub-Agent, as the case may be, of the amount of each Competitive Bid Advance (which amount shall be equal to or greater than the minimum amount, and equal to or less than the maximum amount, notified to the Borrower by the Agent or the Sub-Agent, as the case may be, on behalf of such Lender for such Competitive Bid Advance pursuant to subsection (a)(ii) of this Section 2.03) to be made by each Lender as part of such Competitive Bid Borrowing, and reject any remaining offers made by Lenders pursuant to subsection (a)(ii) of this Section 2.03, by giving the Agent or the Sub-Agent, as the case may be, notice to that effect. The Borrower shall accept the offers made by any Lender or Lenders to make Competitive Bid Advances in order of the lowest to the highest rates of interest offered by such Lenders; provided, however, that if the Borrower has a reasonable basis to believe that acceptance of the offer of any such Lender has a reasonable likelihood of subjecting the Borrower to additional costs pursuant to the provisions of Section 2.11, 2.12 or 2.14, the Borrower may reject the offer of such Lender and accept the offer of the Lender offering the next lowest rate of interest. Subject to the next preceding sentence, if two or more Lenders have offered the same interest rate, the amount to be borrowed at such interest rate will be allocated among such Lenders in proportion to the amount that each such Lender offered at such interest rate.

(iv) If the Borrower notifies the Agent or the Sub-Agent, as the case may be, that such Competitive Bid Borrowing is cancelled pursuant to subsection (a)(iii)(A)(x) of this Section 2.03, the Agent or the Sub-Agent, as the case may be, shall give prompt notice thereof to the Lenders and such Competitive Bid Borrowing shall not be made.

(v) If the Borrower accepts one or more of the offers made by any Lender or Lenders pursuant to subsection (a)(iii)(A)(y) of this Section 2.03, the Agent or the Sub-Agent, as the case may be, shall in turn promptly notify (A) each Lender that has made an offer as described in subsection (a)(ii) of this Section 2.03, of the date and aggregate amount of such Competitive Bid Borrowing and whether or not any offer or offers made by such Lender pursuant to subsection (a)(ii) of this Section 2.03 have been accepted by the Borrower, (B) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, of the amount of each Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing, and (C) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, upon receipt, that the Agent or the Sub-Agent, as the case may be, has received forms of documents appearing to fulfill the applicable conditions set forth in Article III. Each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing shall, before 12:00 noon (New York City time), in the case of Competitive Bid Advances to be denominated in Dollars or 11:00 A.M. (London time), in the case of Competitive Bid Advances to be denominated in any Foreign Currency, on the date of such Competitive Bid Borrowing specified in the notice received from the Agent or the Sub-Agent, as the case may be, pursuant to clause (A) of the next preceding sentence or any later time when such Lender shall have received notice from the Agent or the Sub-Agent, as the case may be pursuant to clause (C) of the next preceding sentence, make available for the account of its Applicable Lending Office to the Agent (x) in the case of a Competitive Bid Borrowing denominated in Dollars, at its address referred to in Section 8.02, in same day funds, such Lender's portion of such Competitive Bid Borrowing in Dollars and (y) in the case of a Competitive Bid Borrowing in a Foreign Currency, at the Payment Office for such Foreign Currency as shall have been notified by the Agent to the Lenders prior thereto, in same day funds, such Lender's portion of such Competitive Bid Borrowing in such Foreign Currency. Upon fulfillment of the applicable conditions set forth in Article III and after receipt by the Agent of such funds, the Agent will make such funds available to the Borrower at the location specified by the Borrower in its Notice of Competitive Bid Borrowing. Promptly after each Competitive Bid Borrowing the Agent will notify each Lender of the amount of the Competitive Bid Borrowing, the consequent Competitive Bid Reduction and the dates upon which such Competitive Bid Reduction commenced and is then scheduled to terminate.

(b) Each Competitive Bid Borrowing shall be in an aggregate amount of \$25,000,000 (or the Equivalent thereof in any Foreign Currency rounded up to the nearest 1,000,000 units of such Foreign Currency, determined as of the time of the applicable Notice of Competitive Bid Borrowing) or an integral multiple of \$1,000,000 (or the Equivalent thereof in any Foreign Currency rounded up to the nearest 100,000 units of such Foreign Currency, determined as of the time of the applicable Notice of Competitive Bid Borrowing) in excess thereof and, following the making of each Competitive Bid Borrowing, the Borrower shall be in compliance with the limitation set forth in the proviso to the first sentence of subsection (a) of this Section 2.03.

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(c) Within the limits and on the conditions set forth in this Section 2.03, the Borrower may from time to time borrow under this Section 2.03, repay pursuant to subsection (d) of this Section 2.03, and, unless the Borrower has delivered a request pursuant to the provisions of Section 2.16(b), reborrow under this Section 2.03, provided that a Competitive Bid Borrowing shall not be made within three Business Days of the date of any other Competitive Bid Borrowing.

(d) The Borrower shall repay to the Agent for the account of each Lender that has made a Competitive Bid Advance, on the maturity date of each Competitive Bid Advance (such maturity date being that specified by the Borrower for repayment of such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) of this Section 2.03 and provided in the Competitive Bid Note evidencing such Competitive Bid Advance), the then unpaid principal amount of such Competitive Bid Advance. The Borrower may prepay any principal amount of any Competitive Bid Advance, subject to the provisions of Sections 2.10 and 8.04(d), with the consent of the respective Lender of such Competitive Bid Advance.

(e) The Borrower shall pay interest on the unpaid principal amount of each Competitive Bid Advance from the date of such Competitive Bid Advance to the date the principal amount of such Competitive Bid Advance is repaid in full, at the rate of interest for such Competitive Bid Advance specified by the Lender making such Competitive Bid Advance in its notice with respect thereto delivered pursuant to subsection (a)(ii) of this Section 2.03, payable on the interest payment date or dates specified by the Borrower for such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) of this Section 2.03, as provided in the Competitive Bid Note evidencing such Competitive Bid Advance. Upon the occurrence and during the continuance of an Event of Default, the Borrower shall pay interest on the amount of unpaid principal of and interest on each Competitive Bid Advance owing to a Lender, payable in arrears on the date or dates interest is payable thereon, at a rate per annum equal to the default rate specified by the appropriate Lender in respect of such Competitive Bid Advance.

(f) The indebtedness of the Borrower resulting from each Competitive Bid Advance made to the Borrower as part of a Competitive Bid Borrowing shall be evidenced by a separate Competitive Bid Note of the Borrower payable to the order of the Lender making such Competitive Bid Advance. Upon repayment in full of each Competitive Bid Advance in accordance with the provisions of subsection (d) of this Section 2.03 and the terms of the Competitive Bid Note evidencing such Competitive Bid Advance, the Lender holding such Competitive Bid Note shall cancel such Note and return such Note to the Borrower.

SECTION 2.04. Fees. (a) Unused Commitment Fee. The Borrower agrees to pay to the Agent for the account of each Lender (other than the Designated Bidders and other than the Defaulting Lenders) an unused commitment fee on the amount equal to (i) such Lender's Commitment minus (ii) the aggregate principal amount of Revolving Credit Advances made by such Lender, from the Effective Date in the case of each Initial Lender and from the effective date specified in the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender until the Termination Date at a rate per annum equal to the Applicable Fee Percentage, payable in arrears quarterly on the last day of each March, June, September and December, commencing June 30, 2010, and on the Termination Date.

(b) Agent's Fees. The Borrower shall pay to the Agent for its own account such fees as may from time to time be agreed between the Borrower and the Agent.

SECTION 2.05. Termination or Reduction of the Commitments. (a) Ratable Reduction. The Borrower shall have the right, upon at least three Business Days' notice to the Agent, to terminate in whole or reduce ratably in part the unused portions of the respective Commitments of the Lenders, provided that each partial reduction shall be in the aggregate amount of \$25,000,000 or an integral multiple of \$1,000,000 in excess thereof and provided further that the aggregate amount of the Commitments of the Lenders shall not be reduced to an amount that is less than the aggregate principal amount of the Competitive Bid Advances denominated in Dollars then outstanding plus the Equivalent in Dollars (determined as of the date of the notice of prepayment) of the aggregate principal amount of the Competitive Bid Advances denominated in Foreign Currencies then outstanding.

(b) Non-Ratable Reduction. The Borrower shall have the right, at any time, upon at least three Business Days' notice to a Defaulting Lender (with a copy to the Agent), to terminate in whole such Defaulting Lender's Commitment. Such termination shall be effective with respect to such Defaulting Lender's unused Commitment on the date set forth in such notice, provided, however, that such date shall be no earlier than three Business Days after receipt of such notice. Upon termination of a Lender's Commitment under this Section 2.05(b), the Borrower will pay all principal of, and interest accrued to the date of such payment on, Advances owing to such Defaulting Lender and pay any accrued unused commitment fee payable to such Defaulting Lender pursuant to the provisions of Section 2.04(a), and all other amounts payable to such Defaulting Lender hereunder (including, but not limited to, any increased costs or other amounts owing under Section 2.11, any indemnification for taxes under Section 2.14, and any compensation payments due as provided in Section 8.04(d)); and upon such payments, the obligations of such Defaulting Lender hereunder shall, by the provisions hereof, be released and discharged; provided, however, that (i) such Defaulting Lender's rights under Sections 2.11, 2.14 and 8.04, and its obligations under Section 8.04 shall survive such release and discharge as to matters occurring prior to such date; and (ii) no claim that the Borrower may have against such Defaulting Lender arising out of such Defaulting Lender's default hereunder shall be released or impaired in any way. The aggregate amount of the Commitments of the Lenders once reduced pursuant to this Section 2.05(b) may not be reinstated; provided further, however, that if pursuant to this Section 2.05(b), the Borrower shall pay to a Defaulting Lender any principal of, or interest accrued on, the Revolving Credit Advances owing to such Defaulting Lender, then the Borrower shall either (x) confirm to the Agent that the conditions set forth in Section 3.02(a) and (b) are met on and as of such date of payment or (y) pay or cause to be paid a ratable payment of principal and interest to all Lenders who are not Defaulting Lenders.

SECTION 2.06. Repayment of Revolving Credit Advances. The Borrower shall repay to the Agent for the ratable account of the Lenders on the Final Maturity Date the aggregate principal amount of the Revolving Credit Advances then outstanding.

SECTION 2.07. Interest on Revolving Credit Advances. (a) Scheduled Interest. The Borrower shall pay interest on the unpaid principal amount of each Revolving Credit Advance owing to each Lender from the date of such Revolving Credit Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) Base Rate Advances. During such periods as such Revolving Credit Advance is a Base Rate Advance, a rate per annum equal at all times to the sum of (A) the Base Rate in effect from time to time plus (B) the Applicable Margin in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December during such periods and on the date such Base Rate Advance shall be Converted or paid in full.

(ii) Eurocurrency Rate Advances. During such periods as such Revolving Credit Advance is a Eurocurrency Rate Advance, a rate per annum equal at all times during each Interest Period for such Revolving Credit Advance to the sum of (A) the Eurocurrency Rate for such Interest Period for such Revolving Credit Advance plus (B) the Applicable Margin in effect from time to time, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurocurrency Rate Advance shall be Converted or paid in full.

(b) Default Interest. Upon the occurrence and during the continuance of an Event of Default, the Borrower shall pay interest on (i) the unpaid principal amount of each Revolving Credit Advance owing to each Lender, payable in arrears on the dates referred to in subsection (a)(i) or (a)(ii) of this Section 2.07, at a rate per annum equal at all times (after as well as before judgment) to 1% per annum above the rate per annum required to be paid on such Revolving Credit Advance pursuant to subsection (a)(i) or (a)(ii) of this Section 2.07 and (ii) the amount of any interest, fee or other amount payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 1% per annum above the rate per annum required to be paid on Base Rate Advances pursuant to subsection (a)(i) of this Section 2.07.

SECTION 2.08. Interest Rate Determination. (a) Each Reference Bank agrees, if requested by the Agent, to furnish to the Agent timely information for the purpose of determining each Eurocurrency Rate and each LIBO Rate. If any one or more of the Reference Banks shall not furnish such timely information to the Agent for the purpose of determining any such interest rate, the Agent shall determine such interest rate on the basis of timely information furnished by the remaining Reference Banks, subject to the provisions of subsection (e) of this Section 2.08. The Agent shall give prompt notice to the Borrower and the Lenders of the applicable interest rate determined by the Agent for purposes of Section 2.07(a)(i) or 2.07(a)(ii), and the rate, if any, furnished by each Reference Bank for the purpose of determining the interest rate under Section 2.07(a)(ii).

(b) If, with respect to any Eurocurrency Rate Advances, the Required Lenders notify the Agent that (i) they are unable to obtain matching deposits in the London inter-bank market at or about 11:00 A.M. (London time) on the second Business Day before the making of a Borrowing in sufficient amounts to fund their respective Revolving Credit Advances as a part of such Borrowing during its Interest Period or (ii) the Eurocurrency Rate for any Interest Period for such Advances will not adequately reflect the cost to such Required Lenders of making, funding or maintaining their respective Eurocurrency Rate Advances for such Interest Period, the Agent shall forthwith so notify the Borrower and the Lenders, whereupon (A) the Borrower will,

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on the last day of the then existing Interest Period therefor, (1) if such Eurocurrency Rate Advances are denominated in Dollars, either (x) prepay such Advances or (y) Convert such Advances into Base Rate Advances and (2) if such Eurocurrency Rate Advances are denominated in any Committed Currency, either (x) prepay such Advances or (y) exchange such Advances into an Equivalent amount of Dollars and Convert such Advances into Base Rate Advances and (B) the obligations of the Lenders to make, or to Convert Revolving Credit Advances into, Eurocurrency Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

(c) If the Borrower shall fail to select the duration of any Interest Period for any Eurocurrency Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Agent will forthwith so notify the Borrower and the Lenders and such Advances will automatically, on the last day of the then existing Interest Period therefor, (i) if such Eurocurrency Rate Advances are denominated in Dollars, Convert into Base Rate Advances and (ii) if such Eurocurrency Rate Advances are denominated in a Committed Currency, be exchanged for an Equivalent amount of Dollars and Convert into Base Rate Advances.

(d) On the date on which the aggregate unpaid principal amount of Eurocurrency Rate Advances comprising any Borrowing shall be reduced, by payment or prepayment or otherwise, to less than the Revolving Credit Borrowing Minimum, such Advances shall automatically (i) if such Eurocurrency Rate Advances are denominated in Dollars, Convert into Base Rate Advances and (ii) if such Eurocurrency Rate Advances are denominated in a Committed Currency, be exchanged for an Equivalent amount of Dollars and Convert into Base Rate Advances.

(e) Upon the occurrence and during the continuance of any Event of Default, (i) each Eurocurrency Rate Advance will automatically, on the last day of the then existing Interest Period therefor, (A) if such Eurocurrency Rate Advances are denominated in Dollars, be Converted into Base Rate Advances and (B) if such Eurocurrency Rate Advances are denominated in any Committed Currency, be exchanged for an Equivalent amount of Dollars and be Converted into Base Rate Advances and (ii) the obligation of the Lenders to make, or to Convert Advances into, Eurocurrency Rate Advances shall be suspended.

(f) If Reuters Screen LIBOR01 Page is unavailable and fewer than two Reference Banks furnish timely information to the Agent for determining the Eurocurrency Rate or LIBO Rate for any Eurocurrency Rate Advances or LIBO Rate Advances, as the case may be, after the Agent has requested such information,

(i) the Agent shall forthwith notify the Borrower and the Lenders that the interest rate cannot be determined for such Eurocurrency Rate Advances or LIBO Rate Advances, as the case may be,

(ii) with respect to Eurocurrency Rate Advances, each such Advance will automatically, on the last day of the then existing Interest Period therefor, (A) if such Eurocurrency Rate Advance is denominated in Dollars, Convert into a Base Rate Advance and (B) if such Eurocurrency Rate Advance is denominated in any Committed Currency, be prepaid by the Borrower or be automatically exchanged for an Equivalent amount of Dollars and be Converted into a Base Rate Advance (or if such Advance is then a Base Rate Advance, will continue as a Base Rate Advance), and

(iii) the obligations of the Lenders to make Eurocurrency Rate Advances or LIBO Rate Advances, or to Convert Revolving Credit Advances into Eurocurrency Rate Advances, shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.09. Optional Conversion of Revolving Credit Advances The Borrower may on any Business Day, upon notice given to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Sections 2.08, 2.12 and 8.04(d), Convert Revolving Credit Advances denominated in Dollars of one Type comprising the same Borrowing into Revolving Credit Advances denominated in Dollars of the other Type; provided, however, that any Conversion of Base Rate Advances into Eurocurrency Rate Advances shall be in an amount not less than the minimum amount specified in Section 2.02(b). Each such notice of a Conversion shall, within the restrictions specified above, specify (a) the date of such Conversion, (b) the Dollar denominated Revolving Credit Advances to be Converted, and (c) if such Conversion is into Eurocurrency Rate Advances, the duration of the initial Interest Period for each such Advance. Each notice of Conversion shall be irrevocable and binding on the Borrower.

SECTION 2.10. Prepayments of Advances. (a) Optional. The Borrower may, upon at least two Business Days' notice in the case of Eurocurrency Rate Advances and notice on the same Business Day in the case of Base Rate Advances to the Agent stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amount of such Advances comprising part of the same Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (a) each partial prepayment shall be in an aggregate principal amount of not less than the Revolving Credit Prepay Minimum or a Revolving Credit Borrowing Multiple in excess thereof and (b) in the event of any such prepayment of a Eurocurrency Rate Advance, the Borrower shall be obligated to reimburse the Lenders in respect thereof pursuant to Section 8.04(d).

(b) Mandatory. (i) If, on any date, the Agent notifies the Borrower that, on any interest payment date, the sum of (A) the aggregate principal amount of all Advances denominated in Dollars then outstanding plus (B) the Equivalent in Dollars (determined on the third Business Day prior to such interest payment date) of the aggregate principal amount of all Advances denominated in Foreign Currencies then outstanding exceeds 105% of the aggregate Commitments of the Lenders on such date, the Borrower shall, as soon as practicable and in any event within two Business Days after receipt of such notice, subject to the proviso to this sentence set forth below, prepay the outstanding principal amount of any Advances owing by the Borrower in an aggregate amount sufficient to reduce such sum to an amount not to exceed 100% of the aggregate Commitments of the Lenders on such date together with any interest accrued to the date of such prepayment on the aggregate principal amount of Advances prepaid; provided that if the aggregate principal amount of Base Rate Advances outstanding at the time of such required prepayment is less than the amount of such required prepayment, the portion of such required prepayment in excess of the aggregate principal amount of Base Rate Advances then outstanding shall be deferred until the earliest to occur of the last day of the Interest Period



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of the outstanding Eurocurrency Rate Advances or the outstanding LIBO Rate Advances and/or the maturity date of the outstanding Local Rate Advances or Fixed Rate Advances, as the case may be, in an aggregate amount equal to the excess of such required prepayment. The Agent shall give prompt notice of any prepayment required under this Section 2.10(b) to the Borrower and the Lenders, and shall provide prompt notice to the Borrower of any such notice of required prepayment received by it from any Lender.

(ii) Each prepayment made pursuant to this Section 2.10(b) shall be made together with any interest accrued to the date of such prepayment on the principal amounts prepaid and, in the case of any prepayment of a Eurocurrency Rate Advance, a LIBO Rate Advance, a Fixed Rate Advance or a Local Rate Advance on a date other than the last day of an Interest Period or at its maturity, any additional amounts which the Borrower shall be obligated to reimburse to the Lenders in respect thereof pursuant to Section 8.04(d). The Agent shall give prompt notice of any prepayment required under this Section 2.10(b) to the Borrower and the Lenders.

SECTION 2.11. Increased Costs. (a) If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements included in the Eurocurrency Rate Reserve Percentage) in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other Governmental Authority including, without limitation, any agency of the European Union or similar monetary or multinational authority (whether or not having the force of law), there shall be any increase in the cost as measured from the date hereof to any Lender of agreeing to make or making, funding or maintaining Eurocurrency Rate Advances or LIBO Rate Advances, then the Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to the Agent), promptly pay to the Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. A certificate as to the amount of such increased cost, submitted to the Borrower and the Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(b) If any Lender (other than the Designated Bidders) determines that compliance with any law or regulation or any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender and that the amount of such capital is increased by or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, then, upon demand by such Lender (with a copy of such demand to the Agent), the Borrower shall promptly pay to the Agent for the account of such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of such Lender's commitment to lend hereunder. A certificate as to such amounts submitted to the Borrower and the Agent by such Lender shall be conclusive and binding for all purposes, absent manifest error.

SECTION 2.12. Illegality. Notwithstanding any other provision of this Agreement, if any Lender shall notify the Agent that the introduction of or any change in or in the interpretation of any law or regulation by any governmental authority charged with such interpretation makes it unlawful, or any central bank or other Governmental Authority asserts

that it is unlawful, for any Lender or its Eurocurrency Lending Office to perform its obligations hereunder to make Eurocurrency Rate Advances or LIBO Rate Advances in Dollars or any Foreign Currency or to fund or maintain Eurocurrency Rate Advances in Dollars or any Committed Currency or LIBO Rate Advances in Dollars or any Foreign Currency hereunder, (a) each Eurocurrency Rate Advance or LIBO Rate Advance, as the case may be, will automatically, upon such demand (i) if such Eurocurrency Rate Advance or LIBO Rate Advance is denominated in Dollars, be Converted into a Base Rate Advance or an Advance that bears interest at the rate set forth in Section 2.07(a)(i), as the case may be, and (ii) if such Eurocurrency Rate Advance or LIBO Rate Advance is denominated in any Foreign Currency, be exchanged into an Equivalent amount of Dollars and be Converted into a Base Rate Advance or an Advance that bears interest at the rate set forth in Section 2.07(a)(i), as the case may be, and (b) the obligation of the Lenders to make Eurocurrency Rate Advances or LIBO Rate Advances or to Convert Revolving Credit Advances into Eurocurrency Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.13. Payments and Computations. (a) The Borrower shall make each payment hereunder (except with respect to principal of, interest on, and other amounts relating to, Advances denominated in a Foreign Currency) not later than 1:00 P.M. (New York City time) on the day when due, without setoff or counterclaim, in Dollars to the Agent at the applicable Agent's Account in same day funds. The Borrower shall make each payment hereunder with respect to principal of, interest on, and other amounts relating to, Advances denominated in a Foreign Currency not later than 11:00 A.M. (at the Payment Office for such Foreign Currency) on the day when due, without setoff or counterclaim, in such Foreign Currency to the Agent, by deposit of such funds to the applicable Agent's Account in same day funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or facility fees ratably (other than amounts payable pursuant to Section 2.03, 2.11, 2.14 or 8.04(d)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.07(d), from and after the effective date specified in such Assignment and Acceptance, the Agent shall make all payments hereunder and under any Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) The Borrower hereby authorizes the Agent, if and to the extent payment owed to any Lender is not made when due hereunder or under any Note held by such Lender, to charge from time to time against any or all of the Borrower's accounts with the Agent any amount so due.

(c) All computations of interest based on the Base Rate shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, all computations of interest based on the Eurocurrency Rate or the Federal Funds Rate and of facility fees shall be made by the Agent on the basis of a year of 360 days and computations in respect of Competitive Bid Advances shall be made by the Agent or the Sub-Agent, as the case may be, as specified in the

applicable Notice of Competitive Bid Borrowing (or, in each case of Advances denominated in Foreign Currencies where market practice differs, in accordance with market practice), in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or facility fees are payable. Each determination by the Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(d) Whenever any payment hereunder or under any Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or facility fees, as the case may be; provided, however, that, if such extension would cause payment of interest on or principal of Eurocurrency Rate Advances or LIBO Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(e) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Agent, each Lender shall repay to the Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Agent, at (i) the Federal Funds Rate in the case of Advances denominated in Dollars or (ii) the cost of funds incurred by the Agent in respect of such amount in the case of Advances denominated in Foreign Currencies.

(f) To the extent that the Agent receives funds for application to the amounts owing by the Borrower under or in respect of this Agreement or any Note in currencies other than the currency or currencies required to enable the Agent to distribute funds to the Lenders in accordance with the terms of this Section 2.13, the Agent shall be entitled to convert or exchange such funds into Dollars or into a Foreign Currency or from Dollars to a Foreign Currency or from a Foreign Currency to Dollars, as the case may be, to the extent necessary to enable the Agent to distribute such funds in accordance with the terms of this Section 2.13; provided that the Borrower and each of the Lenders hereby agree that the Agent shall not be liable or responsible for any loss, cost or expense suffered by the Borrower or such Lender as a result of any conversion or exchange of currencies affected pursuant to this Section 2.13(f) or as a result of the failure of the Agent to effect any such conversion or exchange; and provided further that the Borrower agrees to indemnify the Agent and each Lender, and hold the Agent and each Lender harmless, for any and all losses, costs and expenses incurred by the Agent or any Lender for any conversion or exchange of currencies (or the failure to convert or exchange any currencies) in accordance with this Section 2.13(f).

SECTION 2.14. Taxes. (a) Any and all payments by the Borrower hereunder or under any Notes shall be made, in accordance with Section 2.13, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Agent, taxes imposed on its net income, as well as any branch profit taxes imposed by the

United States of America or any similar tax imposed by any other jurisdiction in which such Lender is located, franchise taxes measured by income imposed on it, by the jurisdiction under the laws of which such Lender or the Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Lender, taxes imposed on its net income, and franchise taxes measured by income imposed on it, by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities in respect of payments hereunder or under any Notes being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Lender or the Agent (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.14) such Lender or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under any Notes or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any Notes hereinafter referred to as "Other Taxes").

(c) The Borrower shall indemnify each Lender and the Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.14) paid by such Lender or the Agent or any of its Affiliates (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within 30 days from the date such Lender, the Agent or such Affiliate (as the case may be) makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes, the Borrower shall furnish to the Agent, at its address referred to in Section 8.02, the original or a certified copy of a receipt evidencing payment thereof. If no Taxes are payable in respect of any payment hereunder or under any Notes, the Borrower will furnish to the Agent, at such address, a certificate from each appropriate taxing authority, or an opinion of counsel acceptable to the Agent, in either case stating that such payment is exempt from or not subject to Taxes.

(e) Each Lender organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Initial Lender and on the date of the Assignment and Acceptance pursuant to which it becomes a Lender in the case of each other Lender, and from time to time thereafter if requested in writing by the Borrower (but only so long as such Lender remains lawfully able to do so), shall provide each of the Agent and the Borrower with Internal Revenue Service form W-8BEN or W-8ECI, or (in the case of a Lender that has certified in writing to the Agent that it is not a "bank" as defined in Section 881(c)(3) (A) of the Internal Revenue Code) Form W-8 (and, if such Non-U.S. Lender delivers a Form W-8, a certificate representing that such Non-U.S. Lender is not a "bank" for purposes of Section 881(c) of the Internal Revenue Code, is not a 10-percent shareholder (within

the meaning of Section 871(h)(3)(B) of the Internal Revenue Code) of the Borrower and is not a controlled foreign corporation related to the Borrower (within the meaning of Section 864(d)(4) of the Internal Revenue Code), as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Lender is entitled to benefits under an income tax treaty to which the United States is a party which reduces the rate of withholding tax on payments of interest or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States. Each such Lender shall provide the Agent and the Borrower with a new form W-8BEN, W-8ECI or W-8, as appropriate, if and at such time as the previously provided form becomes invalid. If the form provided by a Lender at the time such Lender first becomes a party to this Agreement or at any other time indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from "Taxes" as defined in Section 2.14(a).

(f) For any period with respect to which a Lender has failed to provide the Borrower with the appropriate form described in subsection (e) of this Section 2.14 (other than if such failure is due to a change in law occurring subsequent to the date on which a form originally was required to be provided, or if such form otherwise is not required under the first sentence of subsection (e) of this Section 2.14), such Lender shall not be entitled to indemnification under subsection (a) or (c) of this Section 2.14 with respect to Taxes imposed by the United States by reason of such failure; provided, however, that should a Lender become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as the Lender shall reasonably request to assist the Lender to recover such Taxes.

(g) Notwithstanding any contrary provisions of this Agreement, in the event that a Lender that originally provided such form as may be required under subsection (e) of this Section 2.14 thereafter ceases to qualify for complete exemption from United States withholding tax, such Lender, with the prior written consent of the Borrower, which consent shall not be unreasonably withheld, may assign its interest under this Agreement to any assignee and such assignee shall be entitled to the same benefits under this Section 2.14 as the assignor provided that the rate of United States withholding tax applicable to such assignee shall not exceed the rate then applicable to the assignor.

(h) Any Lender claiming any additional amounts payable pursuant to this Section 2.14 agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to change the jurisdiction of its Eurocurrency Lending Office if the making of such a change would avoid the need for, or reduce the amount of, any such additional amounts that may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender.

(i) If any Lender or Agent, as the case may be, determines that it has received a refund of any Taxes or Other Taxes for which payment has been made pursuant to this Section 2.14, which refund in the good faith judgment of such Lender or Agent, as the case may be (and without any obligation to disclose its tax records) is allocable to such payment made under this Section 2.14, the amount of such refund (together with any interest received thereon and reduced by reasonable costs incurred in obtaining such refund) promptly shall be paid to the Borrower to the extent payment has been made by the Borrower pursuant to this Section 2.14, provided, however, if the jurisdiction which refunded such Taxes or Other Taxes subsequently asserts such Taxes or Other Taxes are due, then the Borrower shall indemnify such Lender or the Agent, as

the case may be, pursuant to Section 2.14(c). Each Lender and Agent shall take such action, as the Borrower may reasonably request, in order to apply for and obtain any refund of such amounts the Borrower reasonably determines to be appropriate under the circumstances; provided that any such actions shall be at the sole cost and expense of the Borrower. Nothing in this Section 2.14(i) shall require any Lender to make available to the Borrower its tax returns (or any other information relating to its taxes which it deems in good faith to be confidential).

SECTION 2.15. Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) on account of the Revolving Credit Advances owing to it (other than pursuant to Section 2.11, 2.14 or 8.04(d)) in excess of its ratable share of payments on account of the Revolving Credit Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders (other than any Defaulting Lenders) such participations in the Revolving Credit Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.15 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of setoff) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

SECTION 2.16. Extensions of Termination Date and Final Maturity Date. (a) No earlier than 60 days and no later than 45 days prior to the Termination Date then in effect, the Borrower may, by written notice to the Agent, request that the Termination Date then in effect be extended for a period of 364 days. Such request shall be irrevocable and binding upon the Borrower (subject to the provisions of subsection (b) to this Section 2.16). The Agent shall promptly notify each Lender of such request. If a Lender agrees, in its individual and sole discretion, to so extend its Commitment (an "Extending Lender"), it shall deliver to the Agent a written notice of its agreement to do so no earlier than 30 days and no later than 20 days prior to such Termination Date and the Agent shall notify the Borrower of such Extending Lender's agreement to extend its Commitment no later than 15 days prior to such Termination Date. The Commitment of any Lender that fails to accept or respond to the Borrower's request for extension of such Termination Date (a "Declining Lender") shall be terminated on such Termination Date (without regard to any extension by other Lenders) and on such Termination Date the Borrower shall pay in full the principal amount of all Advances owing to such Declining Lender, together with accrued interest thereon to the date of such payment of principal and all other amounts payable to such Declining Lender under this Agreement. The Agent shall promptly notify each Extending Lender of the aggregate Commitments of the Declining Lenders. The Extending Lenders, or any of them, may offer to increase their respective Commitments by an aggregate amount up to the aggregate amount of the Declining Lenders' Commitments and any such Extending Lender shall deliver to the Agent a notice of its offer to so increase its Commitment no later than 15 days prior to such Termination Date. To the extent of any shortfall in the aggregate amount of extended Commitments, the Borrower shall have the right to require

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any Declining Lender, to assign in full its rights and obligations under this Agreement to one or more Eligible Assignees designated by the Borrower and acceptable to the Agent, such acceptance not to be unreasonably withheld, that agree to accept all of such rights and obligations (each a "Replacement Lender"), provided that (i) such increase and/or such assignment is otherwise in compliance with Section 8.07, (ii) such Declining Lender receives payment in full of the principal amount of all Advances owing to such Declining Lender, together with accrued interest thereon to the date of such payment of principal and all other amounts payable to such Declining Lender under this Agreement and (iii) any such increase shall be effective on the Termination Date in effect at the time the Borrower requests such extension and any such assignment shall be effective on the date specified by the Borrower and agreed to by the Replacement Lender and the Agent. If, but only if, Extending Lenders and Replacement Lenders have agreed to provide Commitments in an aggregate amount greater than 50% of the aggregate amount of the Commitments outstanding 30 days prior to the Termination Date in effect at the time the Borrower requests such extension, the Termination Date shall be extended by 364 days for such Extending Lenders and Replacement Lenders, subject, however, to the provisions of subsection (b) of this Section 2.16.

(b) On the Termination Date in effect at any time, the Borrower may, by written notice to the Agent, request that the Final Maturity Date be a date occurring up to the first anniversary of such Termination Date. Such request shall be irrevocable and binding upon the Borrower. The Agent shall promptly notify each Lender of such request. Subject to the satisfaction of the applicable conditions set forth in Section 3.02 as of such Termination Date and the payment by the Borrower to the Agent, for the account of each Lender, such Lender's pro rata share of an extension fee in an amount equal to 1.00% on the aggregate principal amount of the Advances then outstanding, the Final Maturity Date shall be, effective as of such Termination Date, such date as the Borrower shall request pursuant to this subsection (b) of this Section 2.16. In the event that the Borrower shall request that the Final Maturity Date be a date occurring up to the first anniversary of such Termination Date, and the Final Maturity Date shall be so extended as provided in this subsection (b) of this Section 2.16, the right of the Borrower to request an extension of the Termination Date pursuant to subsection (a) of this Section 2.16 shall automatically terminate and any extension of the Termination Date in effect at the time such request is made which would otherwise occur as provided in subsection (a) of this Section 2.16 shall automatically be cancelled. The Agent shall promptly notify each Lender of any such extension of the Final Maturity Date and any such cancellation of an extension of the Termination Date.

SECTION 2.17. Substitution of Lender. If the obligation of any Lender to make Eurocurrency Rate Advances or Competitive Bid Advances has been suspended pursuant to Section 2.12, any Lender has demanded compensation or the Borrower is otherwise required to pay additional amounts under Section 2.11 or 2.14, such Lender is a Defaulting Lender or such Lender is or becomes insolvent, the Borrower shall have the right to seek a substitute lender or lenders who qualify as Eligible Assignees to assume, in accordance with the provisions of Section 8.07, the Commitment of such Lender and to purchase the Revolving Credit Advances or Competitive Bid Advances made by such Lender (without recourse to or warranty by such Lender).

SECTION 2.18. Evidence of Debt. (a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the

Borrower to such Lender resulting from each Revolving Credit Advance owing to such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder in respect of Revolving Credit Advances. The Borrower agrees that upon notice by any Lender to the Borrower (with a copy of such notice to the Agent) to the effect that a Revolving Credit Note is required or appropriate in order for such Lender to evidence (whether for purposes of pledge, enforcement or otherwise) the Revolving Credit Advances owing to, or to be made by, such Lender, the Borrower shall promptly execute and deliver to such Lender a Revolving Credit Note payable to the order of such Lender in a principal amount up to the Commitment of such Lender.

(b) The Register maintained by the Agent pursuant to Section 8.07(g) shall include a control account, and a subsidiary account for each Lender, in which accounts (taken together) shall be recorded (i) the date and amount of each Borrowing made hereunder, the Type of Advances comprising such Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assignment and Acceptance delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iv) the amount of any sum received by the Agent from the Borrower hereunder and each Lender's share thereof.

(c) Entries made in good faith by the Agent in the Register pursuant to subsection (b) above, and by each Lender in its account or accounts pursuant to subsection (a) above, shall be prima facie evidence of the amount of principal and interest due and payable or to become due and payable from the Borrower to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement, absent manifest error; provided, however, that the failure of the Agent or such Lender to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of the Borrower under this Agreement.

SECTION 2.19. Defaulting Lenders. Anything contained herein to the contrary notwithstanding, (a) to the extent permitted by applicable law, until such time as the Default Excess with respect to such Defaulting Lender shall have been reduced to zero, any prepayment of the Revolving Credit Advances shall, if the Borrower so directs at the time of making such prepayment, be applied to the Revolving Credit Advances of other Lenders as if such Defaulting Lender had no Revolving Credit Advances, outstanding; (b) such Defaulting Lender's unused Commitment shall be excluded for purposes of calculating the unused commitment fee payable to Lenders pursuant to Section 2.04(a) in respect of any day during any Default Period with respect to such Defaulting Lender; and (c) the aggregate amount of the Revolving Credit Advances as at any date of determination shall be calculated as if such Defaulting Lender had funded all Defaulted Advances of such Defaulting Lender for purposes of determining the aggregate amount of the total Commitments available to be drawn by the Borrower. No Commitment of any Lender shall be increased or otherwise affected, and, except as otherwise expressly provided in this Section 2.19, performance by the Borrower or any Lender of its obligations hereunder shall not be excused or otherwise modified as a result of any failure by a Defaulting Lender to fund or the operation of this Section 2.19. The rights and remedies against a Defaulting Lender under this Section 2.19 are in addition to other rights and remedies that the Borrower, the Agent or any other Lender may have against such Defaulting Lender with respect to any Defaulted Advance.



ARTICLE III

CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01. Conditions Precedent to Effectiveness of Sections 2.01 and 2.03. Sections 2.01 and 2.03 of this Agreement shall become effective on and as of the first date (the "Effective Date") on which the following conditions precedent have been satisfied:

(a) The Borrower shall have notified each Lender and the Agent in writing as to the proposed Effective Date.

(b) The Borrower shall have paid all fees and other amounts due and payable.

(c) The Borrower shall have repaid all outstanding advances and shall have paid all other amounts payable under the 364-Day Credit Agreement dated as of April 16, 2009 among the Borrower, the lenders parties thereto and Citibank, N.A., as administrative agent, and the commitments under such credit agreement shall have been terminated. By execution of this Agreement, each Lender that is a party to such credit agreement hereby waives any requirement of prior notice for the termination of the commitments thereunder.

(d) On the Effective Date, the following statements shall be true and the Agent shall have received for the account of each Lender a certificate signed by a duly authorized officer of the Borrower, dated the Effective Date, stating that:

(i) the representations and warranties contained in Section 4.01 are correct in all material respects on and as of the Effective Date; and

(ii) no event has occurred and is continuing that constitutes a Default.

(e) The Agent shall have received on or before the Effective Date the following, each dated such day, in form and substance satisfactory to the Agent and (except for the Revolving Credit Notes) in sufficient copies for each Lender:

(i) The Revolving Credit Notes to the order of the Lenders to the extent requested by any Lender pursuant to Section 2.18.

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

(iii) 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 and any Notes and the other documents to be delivered hereunder.

(iv) A favorable opinion of King & Spalding LLP, counsel for the Borrower, substantially in the form of Exhibit E hereto.

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

SECTION 3.02. Conditions Precedent to Each Revolving Credit Borrowing and to Extension of the Final Maturity Date The obligation of each Lender to make a Revolving Credit Advance on the occasion of each Revolving Credit Borrowing and the extension of the Final Maturity Date pursuant to Section 2.16(b) shall be subject to the conditions precedent that the Effective Date shall have occurred and on the date of such Revolving Credit Borrowing or, in the case of the Extension of the Final Maturity Date, on the Termination Date then in effect, the following statements shall be true (and each of the giving of the applicable Notice of Revolving Credit Borrowing and the acceptance by the Borrower of the proceeds of such Revolving Credit Borrowing and the giving of the applicable notice of extension of the Final Maturity Date, as the case may be, shall constitute a representation and warranty by the Borrower that on the date of such Borrowing or such extension such statements are true):

(a) the representations and warranties contained in Section 4.01 (except the representations set forth in subsection (f) or (g)(i) thereof) are correct in all material respects on and as of the date of such Revolving Credit Borrowing or such extension, before and after giving effect to such Revolving Credit Borrowing and to the application of the proceeds therefrom or to such extension, as though made on and as of such date; and

(b) no event has occurred and is continuing, or would result from such Revolving Credit Borrowing or from the application of the proceeds therefrom or from such extension, that constitutes a Default.

SECTION 3.03. Conditions Precedent to Each Competitive Bid Borrowing The obligation of each Lender that is to make a Competitive Bid Advance on the occasion of a Competitive Bid Borrowing to make such Competitive Bid Advance as part of such Competitive Bid Borrowing is subject to the conditions precedent that (a) the Agent shall have received the written confirmatory Notice of Competitive Bid Borrowing with respect thereto, (b) on or before the date of such Competitive Bid Borrowing, but prior to such Competitive Bid Borrowing, the Agent shall have received a Competitive Bid Note payable to the order of such Lender for each of the one or more Competitive Bid Advances to be made by such Lender as part of such Competitive Bid Borrowing, in a principal amount equal to the principal amount of the Competitive Bid Advance to be evidenced thereby and otherwise on such terms as were agreed to for such Competitive Bid Advance in accordance with Section 2.03, and (c) on the date of such Competitive Bid Borrowing the following statements shall be true (and each of the giving of the applicable Notice of Competitive Bid Borrowing and the acceptance by the Borrower of the proceeds of such Competitive Bid Borrowing shall constitute a representation and warranty by the Borrower that on the date of such Competitive Bid Borrowing such statements are true):

(i) the representations and warranties contained in Section 4.01 (except the representations set forth in subsection (f) or (g)(i) thereof) are correct in all material respects on and as of the date of such Competitive Bid Borrowing, before and after giving effect to such Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date; and

(ii) no event has occurred and is continuing, or would result from such Competitive Bid Borrowing or from the application of the proceeds therefrom, that constitutes a Default.

SECTION 3.04. Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01, each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lenders unless an officer of the Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Lender prior to the proposed Effective Date, as notified by the Borrower to the Lenders, specifying its objection thereto. The Agent shall promptly notify the Borrower and the other Lenders of the occurrence of any such objection. The Agent shall promptly notify the Borrower and the Lenders of the Effective Date.

SECTION 3.05. Labor Dispute. Notwithstanding any condition precedent to the contrary contained herein, a labor dispute of any sort involving employees of the Borrower or its Subsidiaries shall not prevent the Borrower from borrowing hereunder unless as a result thereof the Borrower is in violation of the covenant set forth in Section 5.02(d) or a Default exists under Section 6.01(a) or (e).

#### ARTICLE IV

##### REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) Each of the Borrower and its Subsidiaries (i) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, except, in the case of any such Subsidiary, where the failure so to qualify would not result in a Material Adverse Effect, (ii) has the requisite power and authority to own its property and assets and to carry on its business as now conducted, except, in the case of any such Subsidiary, where the failure so to qualify would not result in a Material Adverse Effect, (iii) is qualified to do business in every jurisdiction where such qualification is required, except where the failure so to qualify would not result in a Material Adverse Effect and (iv) in the case of the Borrower, has the corporate power and authority to execute, deliver and perform its obligations under this Agreement and any Notes and each other agreement or instrument contemplated thereby to which it is or is to be a party and to borrow under this Agreement.

(b) The execution, delivery and performance by the Borrower of this Agreement and any Notes to be delivered by it and the consummation of the transactions contemplated thereby are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action and, if required, stockholder action, and do not (i) contravene the charter or other constitutive documents or by-laws of the Borrower or any Subsidiary of the Borrower, (ii) violate any law or order of any Governmental Authority or any provision of any indenture or other material agreement or instrument to which the Borrower or any Subsidiary of the Borrower is a party or by which any of them or any of their property is or may be bound or affected, (iii) conflict with, result in a

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breach of or constitute (alone or with notice or lapse of time or both) a default under any such indenture, agreement or other instrument or (iv) result in the creation or imposition of any Lien upon or with respect to any property or assets now owned or hereafter acquired by the Borrower or any Subsidiary of the Borrower.

(c) No authorization, approval or other action by, and no notice to or filing with, any Governmental Authority is required for the due execution, delivery and performance by the Borrower of this Agreement or any Notes to be delivered by it, or for the consummation of the transactions contemplated hereby and thereby, except for such authorizations, approvals, actions, notices or filings that have been made or obtained and are in full force and effect.

(d) This Agreement has been, and any Notes to be delivered by it when delivered hereunder will have been, duly executed and delivered by the Borrower. This Agreement is, and any Notes when delivered hereunder will be, the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with their respective terms (subject, as to the enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium and similar laws affecting creditors' rights generally).

(e) The Consolidated balance sheet of the Borrower and its Subsidiaries as at December 31, 2009, 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 in all material respects 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 required to be reflected or disclosed therein in accordance with GAAP.

(f) There has been no Material Adverse Change since December 31, 2009.

(g) Except as set forth in the financial statements referred to in subsection (e) of this Section 4.01, there is no pending or, to the knowledge of the Borrower, threatened action, suit, investigation, litigation or proceeding affecting the Borrower or any of its Material Subsidiaries or any business, property or rights of the Borrower or any Material Subsidiary (i) as to which there is a reasonable possibility of an adverse determination and which, if adversely determined, is reasonably expected to have, individually or in the aggregate, a Material Adverse Effect or (ii) that purports to affect the legality, validity or enforceability of this Agreement, any Note or the consummation of the transactions contemplated hereby or thereby. Neither the Borrower nor any of its Subsidiaries is in violation of any law, rule or regulation (including, without limitation, any ERISA or environmental law, rule or regulation), or in default with respect to any judgment, writ, injunction or decree of any Governmental Authority, where such violation or default is reasonably expected to result in a Material Adverse Effect.

(h) Neither the Borrower nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock. No part of the proceeds of any Advance will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose which entails a violation of, or which is inconsistent with, the provisions of the Regulations of the Board of Governors of the Federal Reserve System, including Regulation T, U or X thereof.

(i) Neither the Borrower nor any of its Subsidiaries is an "investment company", as defined in, or subject to regulation under, the Investment Company Act of 1940, as amended.

(j) The Borrower will use the proceeds of the Advances as a commercial paper backstop and for other lawful general corporate purposes.

(k) Each of the Borrower and its Subsidiaries has filed or caused to be filed all federal income tax and all other material state and local tax returns required to have been filed by it and has paid or caused to be paid all taxes shown to be due and payable on such returns or on any assessments received by it, except taxes that are otherwise permitted to remain unpaid in accordance with the provisions of Section 5.01(b).

(l) All information, reports, financial statements, exhibits or schedules prepared or furnished by or on behalf of the Borrower to the Agent, Arrangers or any Lender in connection with the negotiation of this Agreement or delivered pursuant hereto contained, contains or will contain no material misstatement of fact and did not omit, does not omit and will not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were, are or will be made, not misleading.

## ARTICLE V

### COVENANTS OF THE BORROWER

SECTION 5.01. Affirmative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will, and will cause each of its Material Subsidiaries to, unless the Required Lenders shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply with all applicable laws, rules, regulations and orders of any Governmental Authority, whether now in effect or hereafter enacted, such compliance to include, without limitation, compliance with ERISA, applicable environmental laws and the Patriot Act, except for such noncompliance as would not result in a Material Adverse Effect.

(b) Payment of Taxes, Etc. Pay and discharge promptly when due all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property, before the same shall become delinquent or in default; provided, however, that such payment and discharge shall not be required with respect to any such tax, assessment, charge or levy so long as the validity or amount thereof shall be

contested in good faith by appropriate proceedings or where the failure to pay such tax, assessment, charge or levy would not result in a Material Adverse Effect. The charges, accruals and reserves on the books of the Borrower and its Subsidiaries in respect of taxes, assessments, charges and levies are, in the opinion of the Borrower, adequate.

(c) Maintenance of Insurance. (i) Keep its insurable properties adequately insured at all times by financially sound and reputable insurers, (ii) maintain such other insurance, to such extent and against such risks, including fire and other risks insured against by extended coverage, as is customary with companies in the same or similar businesses, including public liability insurance against claims for personal injury or death or property damage occurring upon, in, about or in connection with the use of any properties owned, occupied or controlled by the Borrower or any of its Material Subsidiaries, in such amount as the Borrower or such Subsidiary shall reasonably deem necessary and (iii) maintain such other insurance as may be required by law (it being understood that the Borrower may self-insure against certain risks to the extent reasonable or customary with companies similarly situated).

(d) Preservation of Corporate Existence, Etc. Preserve and maintain the Borrower's corporate existence; obtain, preserve, renew, extend and keep in full force and effect the rights, licenses, permits, franchises, authorizations, patents, copyrights, trademarks and trade name material to the conduct of its business (unless the failure to so preserve or renew would not result in a Material Adverse Effect); and engage, and cause its Material Subsidiaries to engage principally in businesses of the same general types as those conducted on the date of this Agreement or reasonably related or incidental thereto; provided, however, that the Borrower and its Subsidiaries may consummate any merger or consolidation permitted under Section 5.02(c), and provided, further, that the Borrower or its Subsidiaries may from time to time convey, transfer or otherwise dispose of or discontinue any business to the extent such conveyance, transfer, disposition or discontinuation would not result in a Material Adverse Effect.

(e) Keeping of Books. Keep, and cause each of its Material Subsidiaries to keep, proper books of record and account, in which entries that are complete and correct in all material respects shall be made of all financial transactions and the assets and business of the Borrower and each such Subsidiary in accordance with generally accepted accounting principles in effect from time to time.

(f) Maintenance of Properties, Etc. Maintain and preserve all of its properties material to the conduct of its business in good repair, working order and condition, ordinary wear and tear excepted, and from time to time make, or cause to be made, all needful and proper repairs, renewals, additions, improvements and replacements thereto necessary in order that the business carried on in connection therewith may be properly conducted at all times.

(g) Reporting Requirements. In the case of the Borrower, furnish to the Agent and each Lender (other than a Designated Bidder):

(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 LLP or other independent accountants of nationally recognized standing or otherwise acceptable to the Required Lenders;

(ii) within 60 days after the end of the first three fiscal quarters of each Fiscal Year, unaudited Consolidated balance sheets and statements of Consolidated income and statements of Consolidated cash flow showing the financial condition and results of operations of the Borrower as of the end of each such quarter and, with respect to statements of Consolidated cash flow, for the then-elapsed portion of the Fiscal Year, certified by a Financial Officer of the Borrower as presenting fairly in all material respects the financial position and results of operations of the Borrower on a Consolidated basis and as having been prepared in accordance with GAAP, in each case subject to normal year-end audit adjustments and the absence of notes thereto;

(iii) promptly after the same are publicly available, copies of all annual registration statements (other than exhibits thereto, pricing supplements and any registration statements (A) on Form S-8 (or its equivalent) or (B) in connection with asset securitization transactions) and reports on Form 10-K and 10-Q (or their equivalents), which the Borrower shall have filed with the SEC under Section 13 or 15(d) of the Exchange Act and not otherwise required to be delivered to the Agent pursuant hereto;

(iv) concurrently with subsections (g)(i) and (g)(ii) of this Section 5.01, a certificate of a Financial Officer of the Borrower stating compliance, as of the dates of the financial statements being furnished at such time, with the covenants set forth in Sections 5.02(a) and (c);

(v) concurrently with subsections (g)(i) and (g)(ii) of this Section 5.01, a certificate of a Financial Officer of the Borrower certifying that to the best of his or her knowledge no Default or Event of Default has occurred and, if such a Default or Event of Default has occurred, specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto;

(vi) prompt written notice of a Reportable Event or Reportable Events, or of the Borrower's failure to make a required installment or other payment (within the meaning of Section 412(n)(1) of the Internal Revenue Code), shall have occurred with respect to any Plan or Plans, in any case that is reasonably expected to result in liability of the Borrower or any Subsidiary to the PBGC or to a Plan in an aggregate amount exceeding \$100,000,000;

(vii) prompt written notice of any Default, if such Default is then continuing, specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto;

(viii) prompt written notice of the filing or commencement of, or any overt threat or notice of intention of any Person to file or commence, any action,

suit, arbitration proceeding or other proceeding, whether at law or in equity or by or before any Governmental Authority, against the Borrower or any Material Subsidiary thereof that is reasonably expected to result in a Material Adverse Effect;

(ix) prompt written notice of the issuance by any Governmental Authority of any injunction, order, decision or other restraint prohibiting, or having the effect of prohibiting, the making of the Advances or the initiation of any litigation or similar proceedings seeking any such injunction, order or other restraint;

(x) prompt written notice of any Change of Control; and

(xi) promptly, such additional information regarding the business, financial or corporate affairs of the Borrower or any Subsidiary as any Lender through the Agent may from time to time reasonably request.

Financial reports required to be delivered pursuant to clauses (i), (ii) and (iii) above shall be deemed to have been delivered on the date on which the Borrower notifies the Agent that such reports are posted on the Borrower's website at www.ups.com under "Investor Relations", and such posting shall be deemed to satisfy the financial reporting requirements of clauses (i), (ii) and (iii) above, it being understood that the Borrower shall provide all other reports and certificates required to be delivered under this Section 5.01(g) in the manner set forth in Section 8.02.

SECTION 5.02. Negative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will not, and will not permit any of its Subsidiaries to, without the written consent of the Required Lenders:

(a) Secured Indebtedness. In the case of the Borrower and each of its Restricted Subsidiaries, create, assume, incur or guarantee, or permit any Restricted Subsidiary to create, assume, incur or guarantee (each such creation, assumption, incurrence or guarantee being an "Incurrence"), any Secured Indebtedness without making provision whereby all amounts outstanding under this Agreement and any Notes shall be secured equally and ratably with (or prior to) such Secured Indebtedness (together with, if the Borrower shall so determine, any other Debt of the Borrower or such Restricted Subsidiary then existing or thereafter created that is not subordinate to such amounts outstanding under this Agreement and any Notes) so long as such Secured Indebtedness shall be outstanding, unless such Secured Indebtedness, when added to (i) the aggregate amount of all Secured Indebtedness then outstanding (not including in this computation (A) any Secured Indebtedness if all amounts outstanding under this Agreement and any Notes are secured equally and ratably with (or prior to) such Secured Indebtedness and (B) any Secured Indebtedness that is concurrently being retired) and (ii) the aggregate amount of all Attributable Debt then outstanding pursuant to Sale and Leaseback Transactions entered into by the Borrower after December 1, 1989, or entered into by any Restricted Subsidiary after December 1, 1989, or, if later, the date on which such Subsidiary became a Restricted Subsidiary (not including in this computation any Attributable Debt that is currently being retired) would not exceed 10% of Consolidated Net Tangible Assets at the time of such Incurrence.



(b) Sale and Lease-Back Transactions. In the case of the Borrower and its Restricted Subsidiaries, enter into any Sale and Leaseback Transaction unless at such time it would be permitted to enter into such Sale and Leaseback Transaction pursuant to Section 1006 of the Debenture Indenture.

(c) Mergers, Etc. In the case of the Borrower, merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person, or permit another Person to merge into it, except that (i) any Subsidiary of the Borrower may merge into the Borrower, and (ii) the Borrower may merge or consolidate with or into any other Person so long as the Borrower is the surviving corporation; provided, in each case, that no Default shall have occurred and be continuing at the time of such proposed transaction or would result therefrom.

(d) Minimum Consolidated Net Worth. Suffer or permit the Consolidated Net Worth as at the end of any fiscal quarter or on the date of any Borrowing to be less than \$5,000,000,000.

## ARTICLE VI

### EVENTS OF DEFAULT

SECTION 6.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) the Borrower shall fail to pay (i) any principal of any Advance when the same becomes due and payable or (ii) any interest on any Advance or any other amount payable under this Agreement or any Note when the same becomes due and payable and such failure to pay such interest or such other amount shall remain unremedied for three Business Days; or

(b) any representation or warranty made or deemed made by the Borrower (or any of its officers) in or in connection with this Agreement or any Borrowing under this Agreement, or any representation, warranty, statement or information contained in any report, certificate, financial statement or other instrument furnished in connection with or pursuant to this Agreement, shall prove to have been incorrect in any material respect when made or deemed made; or

(c) the Borrower shall fail to perform or observe (i) any term, covenant or agreement contained in subsection (d) (as to the Borrower's corporate existence) or (g) (other than subsections (g)(i) through (g)(vi)) of Section 5.01 or Section 5.02 or (ii) any other term, covenant or agreement contained in this Agreement or any Note on its part to be performed or observed if such failure to perform such other term, covenant or agreement described in this clause (ii) shall remain unremedied for 30 days after written notice thereof shall have been given to the Borrower by the Agent; or

(d) the Borrower or any of its Subsidiaries shall fail to pay any principal of or premium or interest on any Debt that is outstanding in a principal amount of at least \$200,000,000 in the aggregate (but excluding Debt under this Agreement or any Notes)

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of the Borrower or such Subsidiary (as the case may be), when the same becomes due and payable (whether at maturity, by acceleration or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate (with or without notice or lapse of time or both) the maturity of such Debt; or

(e) the Borrower or any of its Material Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any of its Material Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Borrower or any of its Material Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (e); or

(f) any final judgment or order for the payment of money in excess of \$100,000,000 in the aggregate shall be rendered against the Borrower or any of its Material Subsidiaries or any combination thereof and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 45 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(g) any Change of Control shall have occurred; or

(h) a Reportable Event or Reportable Events, or a failure to make a required installment or other payment (within the meaning of Section 412(n)(1) of the Internal Revenue Code), shall have occurred with respect to any Plan or Plans that reasonably could be expected to result in liability of the Borrower or any Subsidiary to the PBGC or to a Plan in an aggregate amount exceeding \$100,000,000 and, within 30 days after the reporting of any such Reportable Event or Reportable Events to the Agent, the Agent shall have notified the Borrower, in writing that (i) the Required Lenders have made a determination that, on the basis of such Reportable Event or Reportable Events or the failure to make a required payment, there are reasonable grounds (A) for the termination of such Plan or Plans by the PBGC or (B) for the appointment by the appropriate United States District Court of a trustee to administer such Plan or Plans and (ii) as a result thereof, an Event of Default exists hereunder; or the PBGC shall have instituted proceedings to terminate any Plan or Plans with vested unfunded liabilities aggregating in

excess of \$100,000,000; or a trustee shall be appointed by a United States District Court to administer any such Plan or Plans and the Borrower is being requested to make a payment with respect to vested unfunded liabilities aggregating in excess of \$100,000,000;

then, and in any such event, the Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the obligation of each Lender to make Advances to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Borrower or any of its Subsidiaries under the Federal Bankruptcy Code, (A) the obligation of each Lender to make Advances shall automatically be terminated and (B) the Advances, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

## ARTICLE VII

### THE AGENT

SECTION 7.01. Authorization and Authority. Each Lender hereby irrevocably appoints Citibank, N.A. to act on its behalf as the Agent hereunder and under its Note, if any, and authorizes the Agent to take such actions on its behalf and to exercise such powers as are delegated to the Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. Except as otherwise provided in Section 7.06, the provisions of this Article are solely for the benefit of the Agent and the Lenders, and the Borrower shall not have rights as a third party beneficiary of any of such provisions.

SECTION 7.02. Agent Individually. (a) The Person serving as the Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include the Person serving as the Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Agent hereunder and without any duty to account therefor to the Lenders.

(b) Each Lender understands that the Person serving as Agent, acting in its individual capacity, and its Affiliates (collectively, the "Agent's Group") are engaged in a wide range of financial services and businesses (including investment management, financing, securities trading, corporate and investment banking and research) (such services and businesses are collectively referred to in this Section 7.02 as "Activities") and may engage in the Activities with or on behalf of the Borrower or its Affiliates. Furthermore, the Agent's Group may, in undertaking the Activities, engage in trading in financial products or undertake other investment

businesses for its own account or on behalf of others (including the Borrower and its Affiliates and including holding, for its own account or on behalf of others, equity, debt and similar positions in the Borrower or its Affiliates), including trading in or holding long, short or derivative positions in securities, loans or other financial products of the Borrower or its Affiliates. Each Lender understands and agrees that in engaging in the Activities, the Agent's Group may receive or otherwise obtain information concerning the Borrower or its Affiliates (including information concerning the ability of the Borrower to perform its obligations hereunder and under the Notes) which information may not be available to any of the Lenders that are not members of the Agent's Group. None of the Agent or any member of the Agent's Group shall have any duty to disclose to any Lender or use on behalf of the Lenders, and shall not be liable for the failure to so disclose or use, any information whatsoever about or derived from the Activities or otherwise (including any information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Borrower or any Affiliate thereof) or to account for any revenue or profits obtained in connection with the Activities, except that the Agent shall deliver or otherwise make available to each Lender such documents as are expressly required by this Agreement to be transmitted by the Agent to the Lenders.

(c) Each Lender further understands that there may be situations where members of the Agent's Group or their respective customers (including the Borrower and its Affiliates) either now have or may in the future have interests or take actions that may conflict with the interests of any one or more of the Lenders (including the interests of the Lenders hereunder and under the Notes). Each Lender agrees that no member of the Agent's Group is or shall be required to restrict its activities as a result of the Person serving as Agent being a member of the Agent's Group, and that each member of the Agent's Group may undertake any Activities without further consultation with or notification to any Lender. None of (i) this Agreement, (ii) the receipt by the Agent's Group of information (including Information) concerning the Borrower or its Affiliates (including information concerning the ability of the Borrower to perform its obligations hereunder and under the Notes) or (iii) any other matter shall give rise to any fiduciary, equitable or contractual duties (including without limitation any duty of trust or confidence) owing by the Agent or any member of the Agent's Group to any Lender including any such duty that would prevent or restrict the Agent's Group from acting on behalf of customers (including the Borrower or its Affiliates) or for its own account, except that the Agent shall deliver or otherwise make available to each Lender such documents as are expressly required by this Agreement to be transmitted by the Agent to the Lenders.

SECTION 7.03. Duties of Agent; Exculpatory Provisions. (a) The Agent's duties hereunder and under the Notes are solely ministerial and administrative in nature and the Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, the Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, but shall be required to act or refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the written direction of the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein), provided that the Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Agent or any of its Affiliates to liability or that is contrary to this Agreement or applicable law.

(b) The Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 8.01 or 6.01) or (ii) in the absence of its own gross negligence or willful misconduct. The Agent shall be deemed not to have knowledge of any Default or the event or events that give or may give rise to any Default other than a Default described in Section 6.01(a) unless and until the Borrower or any Lender shall have given notice to the Agent describing such Default and such event or events.

(c) Neither the Agent nor any member of the Agent's Group shall be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty, representation or other information made or supplied in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith or the adequacy, accuracy and/or completeness of the information contained therein, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article III or elsewhere herein, other than (but subject to the foregoing clause (ii)) to confirm receipt of items expressly required to be delivered to the Agent.

(d) Nothing in this Agreement shall require the Agent or any of its Related Parties to carry out any "know your customer" or other checks in relation to any Person on behalf of any Lender and each Lender confirms to the Agent that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Agent or any of its Related Parties.

SECTION 7.04. Reliance by Agent. The Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of an Advance that by its terms must be fulfilled to the satisfaction of a Lender, the Agent may presume that such condition is complied with to the satisfaction of such Lender unless an officer of the Agent responsible for the transactions contemplated hereby shall have received notice to the contrary from such Lender prior to the making of such Advance, and in the case of a Borrowing, such Lender shall not have made available to the Agent such Lender's ratable portion of such Borrowing. The Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

SECTION 7.05. Delegation of Duties. The Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any Note by or through any one or more sub-agents appointed by the Agent with reasonable care. The Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their

respective Related Parties. Each such sub-agent and the Related Parties of the Agent and each such sub-agent shall be entitled to the benefits of all provisions of this Article VII and Section 8.04 (as though such sub-agents were the "Agent" under the Loan Documents) as if set forth in full herein with respect thereto.

**SECTION 7.06. Resignation of Agent.** The Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right to appoint a successor Agent with the approval of the Borrower so long as no Event of Default exists (such approval not to be unreasonably withheld or delayed), which shall be a commercial bank organized under the laws of the United States of America or a State thereof, having a combined capital and surplus of at least \$5,000,000,000 and having an office in New York, New York, or an Affiliate of any such bank with an office in New York, New York. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Agent gives notice of its resignation (such 30-day period, the "Lender Appointment Period"), then the retiring Agent may on behalf of the Lenders, appoint a successor Agent meeting the qualifications set forth above. In addition and without any obligation on the part of the retiring Agent to appoint, on behalf of the Lenders, a successor Agent, the retiring Agent may at any time upon or after the end of the Lender Appointment Period notify the Borrower and the Lenders that no qualifying Person has accepted appointment as successor Agent and the effective date of such retiring Agent's resignation which effective date shall be no earlier than three Business Days after the date of such notice, provided that if the Person serving as the retiring Agent or its Affiliate has any Commitment, such retiring Agent's resignation shall not be effective until the date that is 180 days after the retiring Agent first gave notice of its resignation. Upon the resignation effective date established in such notice and regardless of whether a successor Agent has been appointed and accepted such appointment, the retiring Agent's resignation shall nonetheless become effective and (i) the retiring Agent shall be discharged from its duties and obligations as Agent hereunder and under the Notes and (ii) all payments, communications and determinations provided to be made by, to or through the Agent shall instead be made by or to each Lender directly, until such time as the Required Lenders appoint a successor Agent as provided for above in this paragraph. Upon the acceptance of a successor's appointment as Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties as Agent of the retiring (or retired) Agent, and the retiring Agent shall be discharged from all of its duties and obligations as Agent hereunder (if not already discharged therefrom as provided above in this paragraph). The fees payable by the Borrower to a successor Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Agent's resignation hereunder, the provisions of this Article and Section 8.04 shall continue in effect for the benefit of such retiring Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Agent was acting as Agent.

**SECTION 7.07. Non-Reliance on Agent and Other Lenders.** Each Lender acknowledges that (i) it is solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with this Agreement, (ii) that it has, independently and without reliance upon the Agent, any other Lender or any of their respective Related Parties, made its own appraisal and investigation of all risks associated with, and its own credit analysis and decision to enter into, this Agreement based on such documents and information as it has deemed appropriate and (iii) it will, independently and without reliance

upon the Agent, any other Lender or any of their respective Related Parties, continue to be solely responsible for making its own appraisal and investigation of all risks arising under or in connection with, and its own credit analysis and decision to take or not take action under, this Agreement based on such documents and information as it shall from time to time deem appropriate, which may include, in each case:

- (a) the financial condition, status and capitalization of the Borrower;
- (b) the legality, validity, effectiveness, adequacy or enforceability of this Agreement and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection herewith;
- (c) determining compliance or non-compliance with any condition hereunder to the making of an Advance and the form and substance of all evidence delivered in connection with establishing the satisfaction of each such condition;
- (d) the adequacy, accuracy and/or completeness of any information delivered by the Agent, any other Lender or by any of their respective Related Parties under or in connection with this Agreement, the transactions contemplated hereby or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection herewith.

SECTION 7.08. No Other Duties, etc. Anything herein to the contrary notwithstanding, none of the Persons acting as bookrunners, arrangers, syndication agent or co-documentation agent listed on the cover page hereof or in the recital or parties hereto shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Agent or as a Lender hereunder.

## ARTICLE VIII

### MISCELLANEOUS

SECTION 8.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Revolving Credit Notes, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders (other than the Designated Bidders), do any of the following: (a) waive any of the conditions specified in Section 3.01, (b) except as permitted in accordance with Section 2.16(a), increase the Commitments of the Lenders, (c) reduce the principal of, or interest on, the Revolving Credit Advances or any fees or other amounts payable hereunder, (d) except as permitted in accordance with Section 2.16(a), postpone any date fixed for any payment of principal of, or interest on, the Revolving Credit Advances or any fees or other amounts payable hereunder, (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Revolving Credit Advances, or the number of Lenders, that shall be required for the Lenders or any of them to take any action hereunder or (f) amend this Section 8.01; and provided further that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Agent under this Agreement or any Note.

SECTION 8.02. Notices, Etc. (a) All notices and other communications provided for hereunder shall be either (x) in writing (including telecopier communication) and mailed, telecopied or delivered or (y) as and to the extent set forth in Section 8.02(b) and in the proviso to this Section 8.02(a), if to the Borrower, at its address at 55 Glenlake Parkway, N.E., Atlanta, Georgia 30328, Attention: Financial Resources Department (telecopier number (404) 828-6562); if to any Initial Lender, at its Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Domestic Lending Office specified in the Assignment and Acceptance pursuant to which it became a Lender; if to the Agent, at its address at Building #3, 1615 Brett Road, New Castle, Delaware 19720, Attention: Bank Loan Officer (telecopier number (212) 994-0961); if to the Sub-Agent, at its address at 4 Harbour Exchange Square, London, United Kingdom, E14 9GE, Attention: Ian Hayton (telecopier number 44-208-638-3824) or, as to the Borrower or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Agent, provided that materials required to be delivered pursuant to Section 5.01(g) (i), (ii) or (iii) may be delivered to the Agent as specified in Section 8.02(b) or as otherwise specified to the Borrower by the Agent. All such notices and communications shall, when mailed, telecopied or e-mailed, be effective when deposited in the mails, telecopied or confirmed by e-mail, as the case may be, except that notices and communications to the Lenders pursuant to Article II, or to the Agent pursuant to Article II, III or VII, shall not be effective until received by the recipient during its normal business hours (or, if received after such normal business hours, shall be effective at the opening of business on the immediately following Business Day). Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or any Notes or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

(b) So long as Citibank or any of its Affiliates is the Agent, materials required to be delivered pursuant to Section 5.01(g)(i), (ii) or (iii) shall be deemed delivered to the Agent and each Lender to the extent such materials are posted (within the time periods set forth in Section 5.01(g)(i), (ii) or (iii)) on the Borrower's web site ([www.ups.com](http://www.ups.com)), under "Investor Relations". The Borrower may also deliver such materials to the Agent in an electronic medium in a format acceptable to the Agent and the Lenders by e-mail at [oploanswebadmin@citigroup.com](mailto:oploanswebadmin@citigroup.com). The Borrower agrees that the Agent may make such materials, as well as any other written information, documents, instruments and other material relating to the Borrower, any of its Subsidiaries or any other materials or matters relating to this Agreement, the Notes or any of the transactions contemplated hereby, in each case to the extent that the Agent's communication thereof to the Lenders is otherwise proper hereunder (collectively, the "Communications") available to the Lenders by posting such notices per electronic means as determined by the Agent (the "Platform"). The Borrower acknowledges that (i) the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution, (ii) the Platform is provided "as is" and "as available" and (iii) neither the Agent nor any of its Affiliates warrants the accuracy, adequacy or completeness of the Communications or the Platform and each expressly disclaims liability for errors or omissions in the Communications or the Platform. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty



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of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects, is made by the Agent or any of its Affiliates in connection with the Platform.

(c) Each Lender agrees that notice to it (as provided in the next sentence) (a Notice) specifying that any Communications have been posted to the Platform shall constitute effective delivery of such information, documents or other materials to such Lender for purposes of this Agreement; provided that if requested by any Lender the Agent shall deliver a copy of the Communications to such Lender by e-mail or telecopier. Each Lender agrees (i) to notify the Agent in writing of such Lender's e-mail or telecopier address to which a Notice may be sent by electronic transmission (including by electronic communication) on or before the date such Lender becomes a party to this Agreement (and from time to time thereafter to ensure that the Agent has on record an effective e-mail or telecopier address for such Lender) and (ii) that any Notice may be sent to such e-mail or telecopier address.

SECTION 8.03. No Waiver; Remedies. No failure on the part of any Lender or the Agent to exercise, and no delay in exercising, any right, power or privilege hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04. Costs and Expenses. (a) The Borrower agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Agent and Citigroup Global Markets Inc. in connection with the preparation, execution, delivery, modification and amendment of this Agreement, any Notes and the other documents to be delivered hereunder, including, without limitation, (i) all syndication (including printing, distribution and bank meetings) expenses and (ii) the reasonable fees and expenses of counsel for the Agent with respect thereto. The Borrower further agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Agent and the Lenders, if any (including, without limitation, reasonable counsel fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, any Notes and the other documents to be delivered hereunder, including, without limitation, reasonable fees and expenses of counsel for the Agent and each Lender in connection with the enforcement of rights under this Section 8.04(a).

(b) The Borrower agrees to defend, protect, indemnify and hold harmless the Agent, each Arranger, each Lender, each of their Affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all liabilities, obligations, losses (other than loss of profits), damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (excluding any taxes and including, without limitation, the reasonable fees and disbursements of counsel for such Indemnified Party in connection with any investigative, administrative or judicial proceeding, whether or not such Indemnified Party shall be designated a party thereto), imposed on, incurred by, or asserted against such Indemnified Party in any manner relating to or arising out of this Agreement, any Notes, any of the transactions contemplated hereby or thereby, the Commitments, the use of proceeds, or any act, event or transaction related or attendant thereto (collectively, the "Indemnified Matters"); provided, however, the Borrower shall have no

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obligation to an Indemnified Party hereunder with respect to Indemnified Matters directly caused by or directly resulting from the willful misconduct or gross negligence of such Indemnified Party, as determined by a final, non-appealable judgment of a court of competent jurisdiction. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 8.04(b) applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by the Borrower, its directors, equityholders or creditors or an Indemnified Party or any other Person, whether or not any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated. The Borrower also agrees not to assert any claim for special, indirect, consequential or punitive damages against the Agent, any Lender, any of their Affiliates, or any of their respective directors, officers, employees, attorneys and agents, on any theory of liability, arising out of or otherwise relating to any Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances.

(c) Promptly after receipt by any Indemnified Party of written notice of any Indemnified Matter in respect of which indemnity may be sought by it under this Section 8.04, such Indemnified Party shall notify the Borrower thereof; provided that failure to give any such notice hereunder shall not affect the obligation of the Borrower under this Section 8.04. Thereafter, such Indemnified Party and the Borrower shall consult, to the extent appropriate, with a view to minimizing the cost to the Borrower of its obligations hereunder. In case any such Indemnified Party receives written notice of any Indemnified Matter in respect of which indemnity may be sought by it hereunder and it notifies the Borrower thereof, the Borrower shall be entitled to participate in the defense thereof, and to the extent that the Borrower may elect by notice delivered to such Indemnified Party promptly after receiving aforesaid notice from such Indemnified Party, to assume the defense thereof, with counsel reasonably satisfactory at all times to such Indemnified Party and at the Borrower's expense; provided, that if (i) the use of counsel chosen by the Borrower to represent such Indemnified Party would present such counsel with a conflict of interest or (ii) the parties against whom any Indemnified Matter arises include both such Indemnified Party and the Borrower and such Indemnified Party shall have reasonably concluded that there may be legal defenses available to it or other Indemnified Parties which are different from or additional to those available to the Borrower and may conflict therewith, such Indemnified Party shall have the right to select separate counsel to assume such legal defense and otherwise to participate in the defense of such Indemnified Matter on behalf of such Indemnified Party at the Borrower's expense. Upon receipt of notice from the Borrower to such Indemnified Party of the Borrower's election so to assume the defense of such Indemnified Matter, and approval of counsel by such Indemnified Party, the Borrower shall not be liable to such Indemnified Party for any legal expenses subsequently incurred by such Indemnified Party in connection with the defense thereof unless (i) such Indemnified Party shall have employed counsel in connection with the assumption of legal defenses in accordance with the proviso to the next preceding sentence, (ii) the Borrower shall not have employed within a reasonable time and continued to employ counsel reasonably satisfactory to such Indemnified Party to represent such Indemnified Party, or (iii) the Borrower shall have approved the employment of counsel for such Indemnified Party at the Borrower's expense. The Borrower shall not be liable for any settlement of any claim, action or proceeding effected without its written consent, which consent shall not be unreasonably withheld. The Borrower will not settle any claim, action or proceeding affecting any Indemnified Party in respect of which indemnity may be sought against the Borrower under this Agreement, whether or not such Indemnified Party is an actual or potential party to such claim, action or proceeding, without such Indemnified Party's written consent,

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which shall not be unreasonably withheld, unless such settlement (x) does not require any performance by or adverse admission of such Indemnified Party, (y) does not adversely affect its business and (z) includes an unconditional release of such Indemnified Party from all liability arising out of such claim, action or proceeding.

(d) If any payment of principal of, or Conversion of, any Eurocurrency Rate Advance, LIBO Rate Advance or Local Rate Advance is made by the Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Advance, as a result of a payment or Conversion pursuant to Section 2.05(b), 2.08(c) or (d), 2.10 or 2.12, acceleration of the maturity of the Advances pursuant to Section 6.01 or for any other reason, or by an Eligible Assignee to a Lender other than on the last day of the Interest Period for such Advance upon an assignment of rights and obligations under this Agreement pursuant to Section 8.07 as a result of a demand by the Borrower pursuant to Section 8.07(a), the Borrower shall, upon demand by such Lender within five Business Days of such payment (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that it may reasonably incur as a result of such payment or Conversion, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance. If the amount of the Committed Currency purchased by any Lender in the case of a Conversion or exchange of Advances in the case of Section 2.08 or 2.12 exceeds the sum required to satisfy such Lender's liability in respect of such Advances, such Lender agrees to remit to the Borrower such excess.

(e) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in Sections 2.11, 2.14 and 8.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under any Notes.

(f) Each Lender severally agrees to indemnify the Agent (to the extent not promptly reimbursed by the Borrower) from and against such Lender's ratable share (determined as of the time the event giving rise to such indemnification occurred) of any and all losses, claims, damages, liabilities, obligations, penalties, actions, judgments, suits, costs, disbursements and expenses, joint or several, of any kind or nature (including the fees (in the case of counsel, reasonable attorney's fees), charges and disbursements of any advisor or counsel for such Person that may be imposed on, incurred by, or asserted against the Agent) in any way relating to or arising out of this Agreement or the Notes or any action taken or omitted by the Agent hereunder or under the Notes; provided, however, that no Lender shall be liable for any portion of such losses, claims, damages, liabilities, obligations, penalties, actions, judgments, suits, costs, disbursements or expenses to the extent resulting from the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Agent for its ratable share (determined as of the time the event giving rise to such reimbursement occurred) of any costs and expenses (including, without limitation, reasonable fees and expenses of counsel) payable by the Borrower under Section 8.04(a), to the extent that the Agent is not promptly reimbursed for such costs and expenses by the Borrower.

SECTION 8.05. Right of Setoff. Upon (a) the occurrence and during the continuance of any Event of Default and (b) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Agent to declare the Advances due and

payable pursuant to the provisions of Section 6.01, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, but excluding any accounts designated as collateral accounts securing other Debt) at any time held and other indebtedness at any time owing by such Lender or such Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement and any Note held by such Lender, whether or not such Lender shall have made any demand under this Agreement or such Note and although such obligations may be unmaturing. Each Lender agrees promptly to notify the Borrower after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Lender and its Affiliates under this Section 8.05 are in addition to other rights and remedies (including, without limitation, other rights of setoff) that such Lender and its Affiliates may have.

SECTION 8.06. Binding Effect. This Agreement shall become effective (other than Sections 2.01 and 2.03, which shall only become effective upon satisfaction of the conditions precedent set forth in Sections 3.01 and 3.03) when it shall have been executed by the Borrower, the Agent and when the Agent shall have been notified by each Initial Lender that such Initial Lender has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, the Agent and each Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders.

SECTION 8.07. Assignments, Designations and Participations. (a) Each Lender (other than a Designated Bidder) may, with the consent of the Borrower, such consent not to be unreasonably withheld or delayed, and shall, so long as no Default has occurred and is continuing and if demanded by the Borrower (pursuant to the provisions of Section 2.17) upon at least five Business Days' notice to such Lender and the Agent, assign to one or more Persons 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 any Revolving Credit Note or Notes held by it); provided, however, that:

(i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement (other than any right to make Competitive Bid Advances, Competitive Bid Advances owing to it or Competitive Bid Notes),

(ii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof,

(iii) each such assignment shall be to an Eligible Assignee,

(iv) each such assignment made as a result of a demand by the Borrower pursuant to this Section 8.07(a) shall be arranged by the Borrower at the Borrower's expense, shall be to an Eligible Assignee acceptable to the Agent (which acceptance shall

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not be unreasonably withheld) and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that together cover all of the rights and obligations of the assigning Lender under this Agreement,

(v) no Lender shall be obligated to make any such assignment as a result of a demand by the Borrower pursuant to this Section 8.07(a) unless and until such Lender shall have received one or more payments from either the Borrower or one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Advances owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount and all other amounts payable to such Lender under this Agreement,

(vi) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Revolving Credit Note subject to such assignment and a processing and recordation fee of \$3,500,

(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, an administrative fee of \$3,500 shall have been paid by the Borrower to the Agent upon its demand,

(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 any Revolving Credit Note or Notes held by it) upon notice to the Borrower and the Agent, with or without the consent of the Borrower or the Agent (but without releasing the obligations of the assigning Lender hereunder except with the written consent of the Borrower), so long as such assignment is otherwise in compliance with this Agreement, and

(ix) notwithstanding any other provision set forth in this Agreement, a Lender may assign to any assignee 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 any Revolving Credit Note or Notes held by it) upon notice to the Agent, with or without the consent of the Borrower, so long as any Event of Default shall have occurred and be continuing.

Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (A) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (B) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

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(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows:

(i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any Note or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any Note or any other instrument or document furnished pursuant hereto;

(ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under this Agreement, any Note or any other instrument or document furnished pursuant hereto;

(iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance;

(iv) such assignee will, independently and without reliance upon the Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement or any Note;

(v) such assignee confirms that it is an Eligible Assignee;

(vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement and any Note as are delegated to the Agent by the terms hereof and thereof, together with such powers and discretion as are reasonably incidental thereto; and

(vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with any Revolving Credit Note or Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto and has been consented to by the Borrower if such consent is required, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower.

(d) Each Lender (other than the Designated Bidders) may designate one or more banks or other entities to have a right to make Competitive Bid Advances as a Lender pursuant to Section 2.03; provided, however, that (i) no such Lender shall be entitled to make more than five such designations, (ii) each such Lender making one or more of such designations shall retain the

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right to make Competitive Bid Advances as a Lender pursuant to Section 2.03, (iii) each such designation shall be to a Designated Bidder and (iv) the parties to each such designation shall execute and deliver to the Agent, for its acceptance and recording in the Register, a Designation Agreement. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Designation Agreement, the designee thereunder shall be a party hereto with a right to make Competitive Bid Advances as a Lender pursuant to Section 2.03 and the obligations related thereto.

(e) By executing and delivering a Designation Agreement, the Lender making the designation thereunder and its designee thereunder confirm and agree with each other and the other parties hereto as follows:

(i) such Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any Note or any other instrument or document furnished pursuant hereto or thereto;

(ii) such Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under this Agreement or any Note or any other instrument or document furnished pursuant hereto or thereto;

(iii) such designee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Designation Agreement;

(iv) such designee will, independently and without reliance upon the Agent, such designating Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement or any Note;

(v) such designee confirms that it is a Designated Bidder;

(vi) such designee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement and any Note as are delegated to the Agent by the terms hereof and thereof, together with such powers and discretion as are reasonably incidental thereto; and

(vii) such designee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(f) Upon its receipt of a Designation Agreement executed by a designating Lender and a designee representing that it is a Designated Bidder, the Agent shall, if such Designation Agreement has been completed and is substantially in the form of Exhibit D hereto, (i) accept such Designation Agreement, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower.

(g) The Agent shall maintain at its address referred to in Section 8.02 a copy of each Assignment and Acceptance and each Designation Agreement delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and, with respect to Lenders (other than Designated Bidders), the Commitment of, and principal amount of the Advances owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agent and the Lenders shall treat only the Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice. The Agent shall be considered to act as the agent of the Borrower in connection with its duties in respect of the Register.

(h) Each Lender may sell participations to one or more banks or other entities in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and any Note or Notes held by it); provided, however, that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note for all purposes of this Agreement, (iv) the Borrower, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and any Notes and (v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement or any Note or any consent to any departure by the Borrower therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Advances or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Advances or any fees or other amounts payable hereunder, in each case to the extent subject to such participation.

(i) Any Lender may, in connection with any assignment, designation or participation or proposed assignment, designation or participation pursuant to this Section 8.07, disclose to the assignee, designee or participant or proposed assignee, designee or participant, any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure, the assignee, designee or participant or proposed assignee, designee or participant shall agree to preserve the confidentiality of any Information relating to the Borrower received by it from such Lender.

(j) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and any Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A and any applicable Operating Circular issued by such Federal Reserve Bank or to any central bank having jurisdiction over such Lender.

SECTION 8.08. Confidentiality. Each of the Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective managers, administrators,



trustees, partners, directors, officers, employees, agents, advisors and other representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it or its Affiliates (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process or to any Federal Reserve Bank or central bank in connection with assignments or pledges made in favor of such Person in accordance with Section 8.07(j), (d) to any other party hereto, (e) as may be necessary in connection with the exercise of any remedies hereunder or under any Note or any action or proceeding for the enforcement of this Agreement or any Note or any rights or claims hereunder or thereunder, (f) subject to the Agent's or the applicable Lender's receipt of an agreement containing provisions no less restrictive than those of this Section, to (i) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement (subject to the conditions set forth in Section 8.07(i)) or (ii) any actual or prospective party (or its managers, administrators, trustees, partners, directors, officers, employees, agents, advisors and other representatives) to any swap, derivative, financial insurance or other transaction under which payments are to be made by reference to the Borrower and its obligations, this Agreement or payments hereunder, or (iii) any rating agency or the CUSIP Service Bureau or any similar organization, in each case described in this clause (iii) to the extent required by it in connection with its services being provided in connection with this Agreement or the financing contemplated hereby, (g) with the written consent of the Borrower or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section by the Agent or such Lender or (y) becomes available to the Agent, any Lender or any of their respective Affiliates on a nonconfidential basis from a source other than the Borrower, except in each case where the Agent or such Lender or Affiliate has reason to know that such Information has become available as a result of a breach by any Person of any duty to the Borrower of confidentiality or non-disclosure. "Information" means all information received from the Borrower or any of its Subsidiaries relating to the Borrower or any of its Subsidiaries or any of their respective businesses, other than such information that is publicly available prior to disclosure by the Borrower or any of its Subsidiaries, provided that, in the case of information received from the Borrower or any of its Subsidiaries after the date hereof, such information is clearly identified at the time of delivery as confidential.

SECTION 8.09. Governing Law. This Agreement and all Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 8.10. Execution in Counterparts. This Agreement 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 Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 8.11. Jurisdiction, Etc. (a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising

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out of or relating to this Agreement or any Notes, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State or, to the extent permitted by law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Agreement or any Note in the courts of any jurisdiction.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any Note in any New York State or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

SECTION 8.12. Judgment. (a) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in Dollars into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase Dollars with such other currency at Citibank's principal office in London at 11:00 A.M. (London time) on the Business Day preceding that on which final judgment is given.

(b) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in a Foreign Currency into Dollars, the parties agree to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase such Foreign Currency with Dollars at Citibank's principal office in London at 11:00 A.M. (London time) on the Business Day preceding that on which final judgment is given.

(c) The obligation of the Borrower in respect of any sum due from it in any currency (the "Primary Currency") to any Lender or the Agent hereunder shall, notwithstanding any judgment in any other currency, be discharged only to the extent that on the Business Day following receipt by such Lender or the Agent (as the case may be), of any sum adjudged to be so due in such other currency, such Lender or the Agent (as the case may be) may in accordance with normal banking procedures purchase the applicable Primary Currency with such other currency; if the amount of the applicable Primary Currency so purchased is less than such sum due to such Lender or the Agent (as the case may be) in the applicable Primary Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Lender or the Agent (as the case may be) against such loss, and if the amount of the applicable Primary Currency so purchased exceeds such sum due to any Lender or the Agent (as the case may be) in the applicable Primary Currency, such Lender or the Agent (as the case may be) agrees to remit to the Borrower such excess.

SECTION 8.13. Substitution of Currency. If a change in any Foreign Currency occurs pursuant to any applicable law, rule or regulation of any governmental, monetary or multi-national authority, this Agreement (including, without limitation, the definitions of Eurocurrency Rate and LIBO Rate) will be amended to the extent determined by the Agent

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(acting reasonably and in consultation with the Borrower) to be necessary to reflect the change in currency and to put the Lenders and the Borrower in the same position, so far as possible, that they would have been in if no change in such Foreign Currency had occurred.

SECTION 8.14. Patriot Act Notice. Each Lender and the Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Agent, as applicable, to identify the Borrower in accordance with the Patriot Act. The Borrower shall provide, to the extent commercially reasonable, such information and take such actions as are reasonably requested by the Agent or any Lenders in order to assist the Agent and the Lenders in maintaining compliance with the Patriot Act.

SECTION 8.15. No Advisory or Fiduciary Responsibility. In connection with all aspects of the financing contemplated hereby (including in connection with any amendment, waiver or other modification hereof), the Borrower acknowledges and agrees that: (a) (i) the arranging and other services regarding this Agreement provided by the Agent, the Arrangers and the Lenders are arm's-length commercial transactions between the Borrower, on the one hand, and the Agent, the Arrangers and the Lenders, on the other hand, (ii) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (iii) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the financing contemplated hereby; (b) (i) each of the Agent, each Arranger and each Lender is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower or any other Person and (ii) none of the Agent, any Arranger or any Lender has any obligation to the Borrower or any of its Affiliates with respect to the financing contemplated hereby except those obligations expressly set forth herein; and (c) the Agent, each Arranger, each Lender and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and none of the Agent, any Arranger or any Lender has any obligation, by reason of its participation in the financing contemplated hereby, to disclose any of such interests to the Borrower or its Affiliates.

SECTION 8.16. Waiver of Jury Trial. Each of the Borrower, the Agent and the Lenders hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the Notes or the actions of the Agent or any Lender in the negotiation, administration, performance or enforcement thereof.

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

UNITED PARCEL SERVICE, INC.

By /s/ GARY T. BARTH  
Name: Gary T. Barth  
Title: Authorized Representative

CITIBANK, N.A.,  
as Administrative Agent and a Lender

By /s/ KEVIN EGE  
Name: Kevin Ege  
Title: Vice President

JPMORGAN CHASE BANK, N.A.

By /s/ MATTHEW H. MASSIE  
Name: Matthew H. Massie  
Title: Managing Director

BARCLAYS BANK PLC

By /s/ NOAM AZACHI  
Name: Noam Azachi  
Title: Assistant Vice President

BNP PARIBAS

By /s/ MIKE SHRYOCK  
Name: Mike Shryock  
Title: Managing Director

By /s/ ANDY STRAIT  
Name: Andy Strait  
Title: Managing Director

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BANK OF AMERICA, N.A.

By /s/ CHARLES A. MCDONELL

Name: Charles A. McDonell

Title: Senior Vice President

GOLDMAN SACHS BANK USA

By /s/ MARK WALTON

Name: Mark Walton

Title: Authorized Signatory

MORGAN STANLEY BANK, N.A.

By /s/ RYAN VETSCH

Name: Ryan Vetsch

Title: Authorized Signatory

UBS LOAN FINANCE LLC

By /s/ MARY E. EVANS

Name: Mary Evans

Title: Associate Director

By /s/ APRIL VARNER-NANTON

Name: April Varner-Nanton

Title: Director

HSBC BANK USA, NATIONAL ASSOCIATION

By /s/ DAVID A. MANDELL

Name: David A. Mandell

Title: Managing Director

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ING BANK N.V., DUBLIN BRANCH

By /s/ AIDAN NEILL

Name: Aidan Neill

Title: Director

By /s/ PADRAIG MATTHEWS

Name: Padraig Matthews

Title: Vice President

MIZUHO CORPORATE BANK, LTD.

By /s/ ROBERT GALLAGHER

Name: Robert Gallagher

Title: Senior Vice President

SOCIETE GENERALE.

By /s/ MELISSA A. GOEDEN

Name: Melissa A. Goeden

Title: Director

STANDARD CHARTERED BANK

By /s/ JAMES P. HUGHES

Name: James P. Hughes

Title: Director

By /s/ ROBERT K. REDDINGTON

Name: Robert K. Reddington

Title: AVP / Credit Documentation / Credit Risk Control

THE BANK OF NEW YORK MELLON

By /s/ ROBERT J. MITCHELL JR.

Name: Robert J. Mitchell Jr.

Title: Managing Director

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THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.,  
NEW YORK BRANCH

By /s/ GEORGE STOECKLEIN

Name: George Stoecklein

Title: Authorized Signatory

THE ROYAL BANK OF SCOTLAND PLC

By /s/ L. PETER YETMAN

Name: L. Peter Yetman

Title: Senior Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION

By /s/ KATHLEEN H. READY

Name: Kathleen H. Ready

Title: Managing Director

**TO BE UPDATED**

<u>Name of Lender</u>	<u>Commitment</u>	<u>Domestic Lending Office</u>	<u>Eurocurrency Lending Office</u>
Bank of America, N.A.	\$ 110,000,000	101 North Tryon Street Charlotte, NC 28255 Attn: Harmeeek Singh T: 415 436-4777 ext. 81384 F: 972 728-9535	101 North Tryon Street Charlotte, NC 28255 Attn: Harmeeek Singh T: 415 436-4777 ext. 81384 F: 972 728-9535
The Bank of New York Mellon	\$ 55,000,000	6023 Airport Road Oriskany, New York 13424 Attn: Elaine Flanagan T: 315 765-4354 F: 315 7654537	6023 Airport Road Oriskany, New York 13424 Attn: Elaine Flanagan T: 315 765-4354 F: 315 7654537
The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch	\$ 55,000,000	1251 Avenue of Americas New York, NY 10020 Attn: Rolando Uy T: 201 413-8570 F: 201 521-2304	1251 Avenue of Americas New York, NY 10020 Attn: Rolando Uy T: 201 413-8570 F: 201 521-2304
Barclays Bank PLC	\$ 130,000,000	745 7 <sup>th</sup> Avenue, 26th Floor New York, NY 10119 Attn: Erica Silverstein T: 201 499-4863 F: 201 499-3086	745 7 <sup>th</sup> Avenue, 26th Floor New York, NY 10119 Attn: Erica Silverstein T: 201 499-4863 F: 201 499-3086
BNP Paribas	\$ 130,000,000	209 S. LaSalle Street, Suite 500 Chicago, IL 60604 Attn: Elizabeth de la Chevrotiere T: 514 285-6041 F: 201 850-4019	209 S. LaSalle Street, Suite 500 Chicago, IL 60604 Attn: Elizabeth de la Chevrotiere T: 514 285-6041 F: 201 850-4019
Citibank, N.A.	\$ 152,500,000	Citibank, N.A. Building #3, 1615 Brett Road New Castle, DE 19720 Attn: Bank Loan Syndications T: 302 894-6010 F: 212 994-0961	Citibank, N.A. Building #3, 1615 Brett Road New Castle, DE 19720 Attn: Bank Loan Syndications T: 302 894-6010 F: 212 994-0961
Goldman Sachs Bank USA	\$ 110,000,000	30 Hudson Street, 36 <sup>th</sup> Floor Jersey City, NJ 07302 Attn: T: 212 902-1099 F: 917 977-3966	30 Hudson Street, 36 <sup>th</sup> Floor Jersey City, NJ 07302 Attn: T: 212 902-1099 F: 917 977-3966
HSBC Bank USA, National Association	\$ 55,000,000	452 Fifth Avenue, 5 <sup>th</sup> Floor New York, NY 10018 Attn: Donna Riley T: 716 841-4178 F: 716 841-0269/5683	452 Fifth Avenue, 5 <sup>th</sup> Floor New York, NY 10018 Attn: Donna Riley T: 716 841-4178 F: 716 841-0269/5683



ING Bank N.V., Dublin Branch	\$ 55,000,000	Block 4, Dundrum Town Centre Sandyford Road, Dundrum Dublin 16, Ireland Attn: Robert McNab T: +353 1 638-4012 F: +353 1 638-4060	Block 4, Dundrum Town Centre Sandyford Road, Dundrum Dublin 16, Ireland Attn: Robert McNab T: +353 1 638-4012 F: +353 1 638-4060
JP Morgan Chase Bank, N.A.	\$ 152,500,000	1111 Fannin Street, Floor 10 Houston, TX, 77002-6925 Attn: Rosemary Everitt T: 713-750-2958 F: 713-750-2892	1111 Fannin Street, Floor 10 Houston, TX, 77002-6925 Attn: Rosemary Everitt T: 713-750-2958 F: 713-750-2892
Mizuho Corporate Bank, Ltd.	\$ 55,000,000	1251 Avenue of the Americas New York, NY 10020 Attn: Sophia White-Larmond T: 201 626-9134 F: 201 626-9941	1251 Avenue of the Americas New York, NY 10020 Attn: Sophia White-Larmond T: 201 626-9134 F: 201 626-9941
Morgan Stanley Bank, N.A.	\$ 110,000,000	One Utah Center 201 S. Main Street, 5 <sup>th</sup> Floor Salt Lake City, Utah 84111 Attn: Stu Whelehan T: 718 233-2140 F: 443 627-4355	One Utah Center 201 S. Main Street, 5 <sup>th</sup> Floor Salt Lake City, Utah 84111 Attn: Stu Whelehan T: 718 233-2140 F: 443 627-4355
The Royal Bank of Scotland plc	\$ 55,000,000	600 Washington Boulevard Stamford, CT 06901 Attn: Peter Yetman T: 203 897-3845 F: 203 873-3451	600 Washington Boulevard Stamford, CT 06901 Attn: Peter Yetman T: 203 897-3845 F: 203 873-3451
Societe Generale	\$ 55,000,000	1221 Avenue of the Americas New York, NY 10020 Attn: Cheriese Brathwaite / Attn: Carmen Espinal T: 201 839-8460 / 8450 F: 201 839-8117 / 8118	1221 Avenue of the Americas New York, NY 10020 Attn: Cheriese Brathwaite / Attn: Carmen Espinal T: 201 839-8460 / 8450 F: 201 839-8117 / 8118
Standard Chartered Bank	\$ 55,000,000	One Madison Avenue, 3 <sup>rd</sup> Floor New York, NY 10010 Attn: Victoria Faltine T: 201 706-5311 F: 201 706-6722	One Madison Avenue, 3 <sup>rd</sup> Floor New York, NY 10010 Attn: Victoria Faltine T: 201 706-5311 F: 201 706-6722
UBS Loan Finance LLC	\$ 110,000,000	677 Washington Blvd. Stamford, CT 06901 Attn: Brian Gross T: 203 719-3571 F: 203 719-3888	677 Washington Blvd. Stamford, CT 06901 Attn: Brian Gross T: 203 719-3571 F: 203 719-3888
Wells Fargo Bank, National Association	\$ 55,000,000	201 Third Street San Francisco, CA 94103 Attn: Tanya Ivie T: 303 863-6102 F: 303 863-2729	201 Third Street San Francisco, CA 94103 Attn: Neva Moritani T: 415 477-5456 F: 415 979-0675

**TOTAL OF COMMITMENTS \$ 1,500,000,000**

FORM OF REVOLVING CREDIT NOTE

U.S.\$ \_\_\_\_\_

Dated: \_\_\_\_\_  
\_\_\_\_, 201\_\_

FOR VALUE RECEIVED, the undersigned, UNITED PARCEL SERVICE, INC., a Delaware corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of [NAME OF LENDER] (the "Lender") for the account of its Applicable Lending Office on the Final Maturity Date (each as defined in the Credit Agreement referred to below) the principal sum of U.S.\$[AMOUNT OF LENDER'S COMMITMENT IN FIGURES] or, if less, the aggregate principal amount of the Revolving Credit Advances made by the Lender to the Borrower pursuant to the 364-Day Credit Agreement dated as of April 15, 2010 among the Borrower, the Lender and certain other lenders party thereto, Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., as joint arrangers and book managers, JPMorgan Chase Bank, N.A., as Syndication Agent, Barclays Bank PLC and BNP Paribas, as co-documentation agents, and Citibank, N.A., as Administrative Agent for the Lender and such other lenders (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined) outstanding on the Final Maturity Date.

The Borrower promises to pay interest on the unpaid principal amount of each Revolving Credit Advance from the date of such Revolving Credit Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement.

Both principal and interest in respect of each Revolving Credit Advance (i) in Dollars are payable in lawful money of the United States of America to Citibank, N.A., as Administrative Agent, at 2 Penns Way, Suite 200, New Castle, Delaware 19720 in same day funds and (ii) in any Committed Currency are payable in such currency at the applicable Payment Office in same day funds. Each Revolving Credit Advance owing to the Lender by the Borrower pursuant to the Credit Agreement, and all payments made on account of principal thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is part of this Note.

This Note is one of the Revolving Credit Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, (a) provides for the making of Revolving Credit Advances by the Lender to the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the Dollar amount first above mentioned, the indebtedness of the Borrower resulting from each such Revolving Credit Advance being evidenced by this Note, (b) contains provisions for determining the Dollar Equivalent of Advances denominated in Committed Currencies and (c) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

UNITED PARCEL SERVICE, INC.

By \_\_\_\_\_  
Name:  
Title:

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ADVANCES AND PAYMENTS OF PRINCIPAL

<u>Date</u>	<u>Amount of Advance</u>	<u>Amount of Principal Paid or Prepaid</u>	<u>Unpaid Principal Balance</u>	<u>Notation Made By</u>
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FORM OF COMPETITIVE BID NOTE

U.S.\$ \_\_\_\_\_

Dated: \_\_\_\_\_  
\_\_\_\_, 201\_

FOR VALUE RECEIVED, the undersigned, UNITED PARCEL SERVICE, INC., a Delaware corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of [NAME OF LENDER] (the "Lender") for the account of its Applicable Lending Office (as defined in the 364-Day Credit Agreement dated as of April 15, 2010 among the Borrower, the Lender and certain other lenders party thereto, Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., as joint arrangers and book managers, JPMorgan Chase Bank, N.A., as Syndication Agent, Barclays Bank PLC and BNP Paribas, as co-documentation agents, and Citibank, N.A., as Administrative Agent for the Lender and such other lenders (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined)), on \_\_\_\_\_, \_\_\_\_\_, the principal amount of [U.S.\$ \_\_\_\_\_] [for a Competitive Bid Advance in a Foreign Currency, list currency and amount of such Advance].

The Borrower promises to pay interest on the unpaid principal amount hereof from the date hereof until such principal amount is paid in full, at the interest rate and payable on the interest payment date or dates provided below:

Interest Rate: \_\_\_\_% per annum (calculated on the basis of a year of \_\_\_\_ days for the actual number of days elapsed).

[Default Interest Rate: \_\_\_\_% per annum (calculated on the basis of a year of \_\_\_\_ days for the actual number of days elapsed).]

Interest Payment Dates: \_\_\_\_\_

Both principal and interest are payable in lawful money of \_\_\_\_\_ to Citibank, as agent, for the account of the Lender at the office of Citibank, at \_\_\_\_\_ in same day funds.

This Note is one of the Competitive Bid Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events.

The Borrower hereby waives presentment, demand, protest and notice of any kind. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

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This Note shall be governed by, and construed in accordance with, the laws of the State of New York.

UNITED PARCEL SERVICE, INC.

By \_\_\_\_\_  
Name:  
Title:

FORM OF NOTICE OF REVOLVING CREDIT BORROWING

Citibank, N.A., as Administrative  
Agent for the Lenders party  
to the Credit Agreement  
referred to below  
Building #3  
1615 Brett Rd.  
New Castle, Delaware 19720  
Attention: Bank Loan Syndications

[DATE]

Ladies and Gentlemen:

The undersigned, United Parcel Service, Inc., refers to the 364-Day Credit Agreement dated as of April 15, 2010 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders party thereto, Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., as joint arrangers and book managers, JPMorgan Chase Bank, N.A., as Syndication Agent, Barclays Bank PLC and BNP Paribas, as co-documentation agents, and Citibank, N.A., as Administrative Agent for the Lenders and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests a Revolving Credit Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Revolving Credit Borrowing (the "Proposed Revolving Credit Borrowing") as required by Section 2.02(a) of the Credit Agreement:

- (a) The Business Day of the Proposed Revolving Credit Borrowing is \_\_\_\_\_, 201\_.
- (b) The Type of Advances comprising the Proposed Revolving Credit Borrowing is [Base Rate Advances] [Eurocurrency Rate Advances].
- (c) The aggregate amount of the Proposed Revolving Credit Borrowing is [\$\_\_\_\_\_] [for a Revolving Credit Borrowing in a Committed Currency, list currency and amount of Revolving Credit Borrowing].
- [ (d) The initial Interest Period for each Eurocurrency Rate Advance made as part of the Proposed Revolving Credit Borrowing is \_\_\_ month[s]. ]

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Revolving Credit Borrowing:

- (i) the representations and warranties contained in Section 4.01 of the Credit Agreement (except the representations set forth in subsection (f) and (g)(i) thereof) are correct in all material respects, before and after giving effect to the Proposed Revolving Credit Borrowing and to the application of the proceeds therefrom, as though made on and as of such date; and

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(ii) no event has occurred and is continuing, or would result from such Proposed Revolving Credit Borrowing or from the application of the proceeds therefrom, that constitutes a Default.

Notwithstanding any condition precedent to the contrary contained in the Credit Agreement, a labor dispute of any sort involving employees of the undersigned or its Subsidiaries shall not prevent the undersigned from borrowing thereunder unless as a result thereof the undersigned is in violation of the covenant set forth in Section 5.02(c) of the Credit Agreement or is in Default under Section 6.01(a) or (e) of the Credit Agreement.

Very truly yours,

UNITED PARCEL SERVICE, INC.

By \_\_\_\_\_  
Name:  
Title:

FORM OF NOTICE OF COMPETITIVE BID BORROWING

Citibank, N.A., as Administrative  
Agent for the Lenders party  
to the Credit Agreement  
referred to below  
Building #3  
1615 Brett Rd.  
New Castle, Delaware 19720  
Attention: Bank Loan Syndications

[DATE]

Ladies and Gentlemen:

The undersigned, UNITED PARCEL SERVICE, INC., refers to the 364-Day Credit Agreement dated as of April 15, 2010 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders party thereto, Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., as joint arrangers and book managers, JPMorgan Chase Bank, N.A., as Syndication Agent, Barclays Bank PLC and BNP Paribas, as co-documentation agents, and Citibank, N.A., as Administrative Agent for the Lenders and hereby gives you notice, irrevocably, pursuant to Section 2.03 of the Credit Agreement that the undersigned hereby requests a Competitive Bid Borrowing under the Credit Agreement, and in that connection sets forth the terms on which such Competitive Bid Borrowing (the "Proposed Competitive Bid Borrowing") is requested to be made:

- (A) Date of Competitive Bid Borrowing \_\_\_\_\_
- (B) Amount of Competitive Bid Borrowing \_\_\_\_\_
- (C) [Maturity Date] [Interest Period] \_\_\_\_\_
- (D) Interest Rate Basis \_\_\_\_\_
- (E) Day Count Convention \_\_\_\_\_
- (F) Interest Payment Date(s) \_\_\_\_\_
- (G) Currency \_\_\_\_\_
- (H) Borrower's Account Location \_\_\_\_\_
- (I) \_\_\_\_\_

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Competitive Bid  
Borrowing:

(i) the representations and warranties contained in Section 4.01 are correct in all material respects (except the representations set forth in subsection (f) and (g)(i) thereof), before and after giving effect to the Proposed Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date;



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(ii) no event has occurred and is continuing, or would result from the Proposed Competitive Bid Borrowing or from the application of the proceeds therefrom, that constitutes a Default; and

(iii) the aggregate amount of the Proposed Competitive Bid Borrowing and all other Borrowings to be made on the same day under the Credit Agreement is within the aggregate amount of the unused Commitments of the Lenders.

Notwithstanding any condition precedent to the contrary contained in the Credit Agreement, a labor dispute of any sort involving employees of the undersigned or its Subsidiaries shall not prevent the undersigned from borrowing thereunder unless as a result thereof the undersigned is in violation of the covenant set forth in Section 5.02(c) of the Credit Agreement or in Default under Section 6.01(a) or (e) of the Credit Agreement.

Very truly yours,

UNITED PARCEL SERVICE, INC.

By \_\_\_\_\_  
Name:  
Title:

FORM OF ASSIGNMENT AND ACCEPTANCE

Reference is made to the 364-Day Credit Agreement dated as of April 15, 2010 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders party thereto, Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., as joint arrangers and book managers, JPMorgan Chase Bank, N.A., as Syndication Agent, Barclays Bank PLC and BNP Paribas, as co-documentation agents, and Citibank, N.A., as Administrative Agent (the "Agent") for the Lenders.

The "Assignor" and the "Assignee" referred to on Schedule I hereto agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to the Assignor's rights and obligations under the Credit Agreement as of the date hereof (other than in respect of Competitive Bid Advances and Competitive Bid Notes) equal to the percentage interest specified on Schedule I hereto of all outstanding rights and obligations under the Credit Agreement (other than in respect of Competitive Bid Advances and Competitive Bid Notes). After giving effect to such sale and assignment, the Assignee's Commitment and the amount of the Revolving Credit Advances owing to the Assignee will be as set forth on Schedule I hereto.

2. The Assignor (a) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (b) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with any Loan Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or any other instrument or document furnished pursuant thereto; (c) makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Loan Party or the performance or observance by any Loan Party of any of its obligations under any Loan Document or any other instrument or document furnished pursuant thereto; and (d) attaches the Revolving Credit Note held by the Assignor and requests that the Agent exchange such Revolving Credit Note for a new Revolving Credit Note payable to the order of the Assignee in an amount equal to the Commitment assumed by the Assignee pursuant hereto or new Revolving Credit Notes payable to the order of the Assignee in an amount equal to the Commitment assumed by the Assignor pursuant hereto and the Assignor in an amount equal to the Commitment retained by the Assignor under the Credit Agreement, respectively, as specified on Schedule I hereto.

3. The Assignee (a) confirms that it has received a copy of each Loan Document, together with copies of the financial statements referred to in Section 4.01 of the Credit Agreement and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (b) agrees that it will, independently and without reliance upon any Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under any Loan Document; (c) confirms that it is an Eligible Assignee; (d) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under any Loan Document as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (e) agrees that it will perform in accordance with their terms all of the obligations that by the terms of any Loan Document are required to be performed by it as a Lender; and (f) attaches any U.S. Internal Revenue Service forms required under Section 2.14 of the Credit Agreement.

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4. Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for acceptance and recording by the Agent. The effective date for this Assignment and Acceptance (the "Effective Date") shall be the date of acceptance hereof by the Agent, unless otherwise specified on Schedule 1 hereto.

5. Upon such acceptance and recording by the Agent and so long as the Borrower has consented thereto, as of the Effective Date, (a) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (b) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

6. Upon such acceptance and recording by the Agent, from and after the Effective Date, the Agent shall make all payments under the Credit Agreement and the Revolving Credit Notes in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and facility fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement and the Revolving Credit Notes for periods prior to the Effective Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

8. This Assignment and Acceptance 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 Schedule 1 to this Assignment and Acceptance by telecopier shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused Schedule 1 to this Assignment and Acceptance to be executed by their officers thereunto duly authorized as of the date specified thereon.

SCHEDULE 1  
TO  
ASSIGNMENT AND ACCEPTANCE

Percentage interest assigned:	_____ %
Assignee's Commitment:	\$ _____
Aggregate outstanding principal amount of Revolving Credit Advances assigned:	\$ _____
Principal amount of Revolving Credit Note payable to Assignee:	\$ _____
Principal amount of Revolving Credit Note payable to Assignor:	\$ _____
Effective Date*: _____, 201_	

[NAME OF ASSIGNOR], as Assignor

By \_\_\_\_\_  
Name:  
Title:

Dated: \_\_\_\_\_, 201\_

[NAME OF ASSIGNEE], as Assignee

By \_\_\_\_\_  
Name:  
Title:

Dated: \_\_\_\_\_, 201\_

Domestic Lending Office:  
[ADDRESS]

Eurocurrency Lending Office:  
[ADDRESS]

\* This date should be no earlier than five Business Days after the delivery of this Assignment and Acceptance to the Agent.

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Accepted this \_\_\_\_ day of  
\_\_\_\_\_, 201\_

CITIBANK, N.A., as Administrative Agent

By \_\_\_\_\_  
Name:  
Title:

\*[Consented to this \_\_\_\_ day of  
\_\_\_\_\_, 201\_

UNITED PARCEL SERVICE, INC.,  
as Borrower

By \_\_\_\_\_  
Name:  
Title:]

\* To be excluded if Borrower's consent is not required.

FORM OF DESIGNATION AGREEMENT

Dated \_\_\_\_\_, 201\_

Reference is made to the 364-Day Credit Agreement dated as of April 15, 2010 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders party thereto, Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., as joint arrangers and book managers, JPMorgan Chase Bank, N.A., as Syndication Agent, Barclays Bank PLC and BNP Paribas, as co-documentation agents, and Citibank, N.A., as Administrative Agent (the "Agent") for the Lenders. Terms defined in the Credit Agreement are used herein with the same meaning.

[NAME OF DESIGNOR] (the "Designor") and [NAME OF DESIGNEE] (the "Designee") agree as follows:

1. The Designor hereby designates the Designee, and the Designee hereby accepts such designation, to have a right to make Competitive Bid Advances pursuant to Section 2.03 of the Credit Agreement.

2. The Designor makes no representation or warranty and assumes no responsibility with respect to (a) any statements, warranties or representations made in or in connection with any Loan Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or any other instrument or document furnished pursuant thereto and (b) the financial condition of any Loan Party or the performance or observance by any Loan Party of any of its obligations under any Loan Document or any other instrument or document furnished pursuant thereto.

3. The Designee (a) confirms that it has received a copy of each Loan Document, together with copies of the financial statements referred to in Section 4.01 of the Credit Agreement and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Designation Agreement; (b) agrees that it will, independently and without reliance upon any Agent, the Designor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under any Loan Document; (c) confirms that it is a Designated Bidder; (d) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under any Loan Document as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; and (e) agrees that it will perform in accordance with their terms all of the obligations which by the terms of any Loan Document are required to be performed by it as a Lender.

4. Following the execution of this Designation Agreement by the Designor and its Designee, it will be delivered to the Agent for acceptance and recording by the Agent. The effective date for this Designation Agreement (the "Effective Date") shall be the date of acceptance hereof by the Agent, unless otherwise specified on the signature page hereto.

5. Upon such acceptance and recording by the Agent, as of the Effective Date, the Designee shall be a party to the Credit Agreement with a right to make Competitive Bid Advances as a Lender pursuant to Section 2.03 of the Credit Agreement and the rights and obligations of a Lender related thereto.

6. This Designation Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

7. This Designation Agreement 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 Designation Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Designation Agreement.

IN WITNESS WHEREOF, the Designor and the Designee have caused this Designation Agreement to be executed by their officers thereunto duly authorized as of the date first above written.

Effective Date\*:

\_\_\_\_\_, 201\_

[NAME OF DESIGNOR],  
as Designor

By \_\_\_\_\_  
Name:  
Title:

[NAME OF DESIGNEE],  
as Designee

By \_\_\_\_\_  
Name:  
Title:

Applicable Lending Office (and address for notices):  
[ADDRESS]

Accepted this \_\_\_\_ day  
of \_\_\_\_\_, 201\_

CITIBANK, N.A., as Administrative Agent

By \_\_\_\_\_  
Name:  
Title

\* This date should be no earlier than five Business Days after the delivery of this Designation Agreement to the Agent.

April 15, 2010

To each of the Lenders parties to the 364-Day Credit Agreement defined below, dated as of April 15, 2010, among United Parcel Service, Inc., such Lenders, and Citibank, N.A., as Administrative Agent

Re: United Parcel Service, Inc.

Ladies and Gentlemen:

This opinion is furnished to you pursuant to Section 3.01(e)(iv) of that certain U.S. 364-Day Credit Agreement (the "Credit Agreement"), dated as of April 15, 2010, among United Parcel Service, Inc., a Delaware corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (collectively, the "Lenders") listed on the signature pages thereto, Citibank, N.A. ("Citibank"), as administrative agent (the "Agent") for the Lenders, with Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., as joint arrangers and book managers. Terms defined in the Credit Agreement are used herein as therein defined.

We have acted as special New York counsel for the Borrower in connection with the preparation, execution and delivery of the Credit Agreement. In that connection, we have examined:

- (1) the Credit Agreement;
- (2) the corporate charter of the Borrower and all amendments thereto (its "Charter");
- (3) the by-laws of the Borrower (its "By-laws"); and
- (4) certificate of the Secretary of State of Delaware dated March 30, 2010, attesting to the continued corporate existence of the Borrower in such state.

We have also examined the certificate of the Assistant Secretary of the Borrower, dated April 15, 2010 and attached hereto (without any of the Annexes thereto except for Annex I) as Exhibit A (the "Certificate") and the originals, or copies certified to our satisfaction, of the documents listed in the Certificate. In addition, we have examined the originals, or copies certified to our satisfaction, of such other corporate records of the Borrower, certificates of public officials and of officers of the Borrower and agreements, instruments and other documents, as we have deemed necessary as a basis for the opinions expressed below. As to questions of fact material to such opinions, we have, when relevant facts were not independently established by us, relied upon the representations and warranties of the Borrower contained in the Credit Agreement and certificates of the Borrower or its officers.



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For purposes of this opinion, we have assumed that all items submitted to us as originals are authentic and all signatures thereon are genuine, all items submitted to us as copies conform to the originals, and each such item has been duly executed and delivered by each party pursuant to due authorization therefor and constitutes such party's (other than the Borrower's) legal, valid and binding obligation, enforceable against such party in accordance with its terms.

Our opinions expressed herein are limited to Applicable Laws, and we do not express any opinion herein concerning any other law. The term "Applicable Laws" means those laws, rules and regulations of the General Corporation Law of the State of Delaware, the State of New York and of the laws of the United States of America which are actually known to us (based upon our review of those laws, rules and regulations which, in our experience, are normally applicable to transactions of the type contemplated by the Credit Agreement).

Based upon the foregoing and upon such investigation as we have deemed necessary, we are of the following opinion that as of the date hereof:

1. Based solely on the certificate described in item 4 above, the Borrower is a corporation validly existing and in good standing under the laws of the State of Delaware.
2. The execution, delivery and performance by the Borrower of the Credit Agreement and the consummation of the transactions contemplated thereby are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) its Charter or its By-laws or (ii) any Applicable Laws applicable to the Borrower (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System) or (iii) any contractual or legal restriction contained in any document listed in Annex 1 to the Certificate or otherwise known to us. The Credit Agreement has been duly executed and delivered on behalf of the Borrower.
3. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body in the State of New York or the United States of America is required for the due execution, delivery and performance by the Borrower of the Credit Agreement.
4. The Credit Agreement is the legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms.
5. To our knowledge, except as otherwise described in the Credit Agreement or in the Borrower's reports on Forms 10-Q or 10-K previously filed with the Securities and Exchange Commission, there are no pending or overtly threatened actions or proceedings against the Borrower or any of its Material Subsidiaries before any court, governmental agency or arbitrator which purport to affect the legality, validity, binding effect or enforceability of the Credit Agreement or the consummation of the transactions contemplated thereby or which are likely to have a materially adverse effect upon the financial condition or operations of the Borrower and its Subsidiaries, taken as a whole.

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The opinions set forth above are subject to the following qualifications:

(a) No opinion is rendered as to matters not specifically referred to herein and you may not infer from anything stated herein or not stated herein any opinions with respect thereto.

(b) Our opinion in paragraph 4 above is subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent obligation or conveyance, or similar laws affecting creditors' rights generally.

(c) Our opinion in paragraph 4 above is subject to the effect of general principles of equity, including (without limitation) concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether considered in a proceeding in equity or at law).

(d) No opinion is rendered as to (i) whether a Federal or state court outside of the State of New York would give effect to the choice of New York law provided for in the Credit Agreement, (ii) Section 2.15 of the Credit Agreement insofar as it provides that any Lender purchasing a participation from another Lender pursuant thereto may exercise setoff or similar rights with respect to such participation, (iii) the effect of the law of any jurisdiction other than the State of New York wherein any Lender may be located or wherein enforcement of the Credit Agreement may be sought that limits the rates of interest legally chargeable or collectible, or (iv) the submission by the Borrower to the non-exclusive jurisdiction of New York State courts or Federal courts of the United States of America, sitting in New York City. In addition, certain other provisions contained in the Credit Agreement may be limited or rendered ineffective by Applicable Laws of the State of New York or judicial decisions governing such provisions or holding their enforcement to be unreasonable under the then existing circumstances, but the inclusion of such provisions does not affect the validity of the Credit Agreement as a whole and does not materially diminish the practical realization of the substantive rights and benefits intended to be provided thereby.

(e) Whenever our opinion with respect to the existence or absence of facts is indicated to be based on our knowledge or awareness, we are referring solely to the actual knowledge of the particular King & Spalding LLP attorneys who have represented the Borrower in connection with the negotiation, execution and delivery of the Credit Agreement. Except as expressly set forth herein, we have not undertaken any independent investigation to determine the existence or absence of such fact and no inference as to our knowledge concerning such facts should be drawn from the fact that such representation has been undertaken by us.

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The opinions set forth herein are intended only for the benefit of the Lenders, and any future Eligible Assignee of or successor to the Lenders' rights under the Credit Agreement, in connection with the transactions contemplated by the Credit Agreement and may not be relied upon by, or delivered to, any other Person or used for any other purpose, without our written permission.

Very truly yours,

KING & SPALDING LLP

DEBENTURE INDENTURE

Indenture relating to 8 3/8% Debentures due April 1, 2020 (incorporated by reference to Exhibit 4(c) to Registration Statement No. 33-32481, filed December 7, 1989).

United Parcel Service, Inc.  
Form of Non-Management Director  
Restricted Stock Unit Award Agreement

THIS AGREEMENT evidences the grant by UNITED PARCEL SERVICE, INC., a Delaware corporation (the "Company"), in accordance with the United Parcel Service, Inc. Incentive Compensation Plan (the "Plan") to \_\_\_\_\_, a non-management director of the Company, of \_\_\_\_\_ Restricted Stock Units ("RSUs"). Each RSU has a value that equals the value of one share of the Company's class A common stock ("Share"). This Award is granted effective as of May 5, 2010 ("Grant Date") and is subject to all of the terms and conditions set forth below.

Terms and Conditions

1. Plan. This Award is subject to all of the terms and conditions set forth herein and in the Plan, as the same may be amended from time to time, which is herein incorporated by reference. Terms not defined in this agreement are defined in the Plan. If any term or condition in this Award is inconsistent with the Plan, the Plan shall control. By accepting this Award, you unconditionally agree to be bound by the applicable terms, conditions and provisions of the Plan and this Award. Notwithstanding the foregoing, this Award shall not be amended or adjusted if such amendment or adjustment would cause this Award to fail to satisfy the requirements of Section 409A of the Code. The grant of an Award in any year does not entitle an individual to an Award in any subsequent year.

2. Bookkeeping Account. A bookkeeping account will be maintained to keep track of the RSUs you earn and any dividend equivalents units ("DEUs") attributable to your RSUs as described below.

3. Dividend Equivalent Units. The RSUs credited to your account will be credited quarterly with DEUs for cash or stock dividends paid on a Share. DEUs attributable to cash dividends are determined by

- multiplying the cash dividend paid per Share by the number of RSUs and DEUs previously credited to your account, 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 before the dividend is paid.

Each whole DEU or fraction thereof has a value equal to one Share or the corresponding fraction thereof.

4. Vesting. The RSUs credited to your account will be fully vested on the Grant Date and any DEUs credited to your account will be fully vested on the date they are credited to your account.

5. Shares. A number of Shares equal to the number of vested RSUs and DEUs credited to your account (less Shares withheld to pay taxes) will be transferred to you on the date of your separation from service (within the meaning of Section 409A of the Code) with the Company.

Notwithstanding the foregoing, if (i) you are a "specified employee" (within the meaning of Section 409A of the Code taking into account such elections as the Board may choose to make from time to time and as are binding on all of the Company's deferred compensation plans), and (ii) the distribution event is a "separation from service" (within the meaning of Section 409A of the Code), other than death, then no amount shall be distributed to you before the date that is 6 months and one day after the date of your separation from service (or, if earlier, the date of your death) and any amounts that would have been distributed during the 6 months after your separation from service (or prior to death) shall be accumulated and distributed on the date that is 6 months and one day after the date of your separation from service (or, if earlier, upon the date of your death).

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The benefit payable to you will be based entirely on the number of vested RSUs and DEUs credited to your account at the time this Award becomes so payable.

6. Nontransferable. This Award and your RSUs and DEUs are not transferable except by will or the laws of descent and distribution.

ATTEST:  
Secretary

UNITED PARCEL SERVICE, INC.  
Chairman and Chief Executive Officer

**United Parcel Service, Inc. and Subsidiaries**  
**Ratio of Earnings to Fixed Charges**

	Three months Ended March 31, 2010	Year Ended December 31,				
		2009	2008	2007	2006	2005
<b>Earnings:</b>						
Income before income taxes	\$ 953	\$ 3,366	\$ 5,015	\$ 431	\$ 6,510	\$ 6,075
Add: Interest expense	85	445	442	246	211	172
Add: Interest factor in rental expense	50	207	278	296	304	281
<b>Total earnings</b>	<b>\$ 1,088</b>	<b>\$ 4,018</b>	<b>\$ 5,735</b>	<b>\$ 973</b>	<b>\$ 7,025</b>	<b>\$ 6,528</b>
<b>Fixed charges:</b>						
Interest expense	\$ 85	\$ 445	\$ 442	\$ 246	\$ 211	\$ 172
Interest capitalized	6	37	48	67	48	32
Interest factor in rental expense	50	207	278	296	304	281
<b>Total fixed charges</b>	<b>\$ 141</b>	<b>\$ 689</b>	<b>\$ 768</b>	<b>\$ 609</b>	<b>\$ 563</b>	<b>\$ 485</b>
<b>Ratio of earnings to fixed charges</b>	<b>7.7</b>	<b>5.8</b>	<b>7.5</b>	<b>1.6</b>	<b>12.5</b>	<b>13.5</b>

## CERTIFICATE OF CHIEF EXECUTIVE OFFICER

I, D. Scott Davis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Parcel Service, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ D. SCOTT DAVIS

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D. Scott Davis  
Chairman and Chief Executive Officer

May 7, 2010



**CERTIFICATE OF CHIEF FINANCIAL OFFICER**

I, Kurt P. Kuehn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Parcel Service, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

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/s/ KURT P. KUEHN  
Kurt P. Kuehn  
Senior Vice President,  
Chief Financial Officer and Treasurer

May 7, 2010



