

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

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FILER

UNITED PARCEL SERVICE OF AMERICA INC

CIK: **809697** | IRS No.: **951732075** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
Type: **10-K405** | Act: **34** | File No.: **033-11378** | Film No.: **97567715**
SIC: **4210** Trucking & courier services (no air)

Mailing Address
400 PERIMENTER CTR
TERRACES N
GREENWICH OFFICE PK5
ATLANTA GA 30346

Business Address
55 GLENLAKE PARKWAY N E
GREENWICH OFFICE PK 5
ATLANTA GA 30328
4049136000

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996

OR

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

COMMISSION FILE NO. 0-4714

UNITED PARCEL SERVICE OF AMERICA, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(State or other jurisdiction
of incorporation or organization)

95-1732075
(I.R.S. Employer ID. No.)

55 GLENLAKE PARKWAY, NE
ATLANTA, GEORGIA
(Address of principal executive office)

30328
(Zip Code)

(404) 828-6000
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

<TABLE>
<CAPTION>

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
<S> None	<C> None

</TABLE>

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

COMMON STOCK, PAR VALUE \$.10 PER SHARE

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 [X] No

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

As of February 28, 1997, the aggregate market value of the common stock held by non-affiliates of the registrant, based on a price per share of \$29.75, the price per share at which the registrant expressed its willingness to purchase its shares from shareowners wishing to sell their shares on February 28, 1997, was \$15,137,212,811.

The number of shares of United Parcel Service of America, Inc. Common Stock issued as of February 28, 1997 was 570,000,000. The number of shares of United Parcel Service of America, Inc. Common Stock subject to the UPS Managers Trust and the UPS Employees Stock Trust issued, as of February 28, 1997, was 330,959,100.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its annual meeting of shareowners scheduled for May 8, 1997 are incorporated by reference into Part III of this Report.

PART I

ITEM 1. BUSINESS.

United Parcel Service of America, Inc. ("UPS"), through its subsidiaries, provides specialized transportation and logistics services, primarily through the pickup and delivery of packages and documents. Service is offered throughout the United States and over 200 other countries and territories around the globe. In terms of both revenue and volume, UPS is the largest package distribution company in the world, with revenues of over \$22 billion in 1996 generated by the delivery of more than three billion packages and documents. UPS provides a daily pickup service for over 1.4 million customers.

With minor exceptions, UPS Common Stock, \$.10 par value per share (the "Common Stock"), is owned by or held for the benefit of its active employees and their families, former employees and their estates or heirs, charitable foundations established by UPS founders and their family members or by other charitable organizations that acquired stock by donations from shareowners or from UPS itself. UPS Common Stock is not listed on a national securities exchange or traded in the organized over-the-counter markets.

UPS was originally organized in the State of Washington in 1907 and was reincorporated in the State of Delaware in 1930. When used herein, the terms

"UPS" and the "Company" refer to United Parcel Service of America, Inc., a Delaware corporation and its subsidiaries.

DELIVERY SERVICE IN THE UNITED STATES

UPS offers pickup and delivery of packages by means of ground and air transportation throughout the United States. This business accounted for approximately 86.6%, 86.7% and 88.4% of the Company's consolidated revenue in 1996, 1995 and 1994, respectively. For additional financial information relating to domestic and international operations, see Note 10 to the Consolidated Financial Statements filed herewith.

Ground Services

For most of its history, UPS has been engaged primarily in the delivery of packages traveling by means of ground transportation. This service was expanded gradually and today standard ground service is available for interstate and intrastate destinations, serving every address in the 48 contiguous states and intrastate in Alaska and Hawaii. Service is restricted to packages that weigh no more than 150 pounds and are no larger than 108 inches in length and 130 inches in length and girth combined.

In addition to its standard ground delivery product, UPS provides a variety of ground shipment options. UPS Hundredweight Service(R) offers discounted contract rates to customers sending multiple package shipments having a combined weight of 200 pounds or more, or air shipments totaling 100 pounds or more, addressed to one consignee at one address, with delivery on the same day. Customers can realize significant savings on these shipments compared to regular ground or air service rates. UPS Hundredweight Service reaches all 48 contiguous states. In February 1997 the Company extended the Hundredweight Service to all UPS customers, allowing them to take advantage of the discounted pricing available with UPS Hundredweight Service, but without a contract. UPS GroundSaver(R) is another contract service which offers special rates and services for business-to-business shipments in specified ZIP Codes.

Domestic Air Services

UPS provides domestic air delivery throughout the United States, with electronic tracking information available for all these domestic time definite services. The Company's premium express service is UPS Next Day Air(R), which offers guaranteed next business day delivery by 10:30 a.m. to more than 75% of the United States population, and delivery by noon to areas covering an additional 14%. Saturday delivery is offered for UPS Next Day Air shipments to most areas of the country for an additional fee.

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UPS Next Day Air Early A.M. (R) service guarantees next day delivery of packages and documents by 8:00 or 8:30 a.m. to approximately 1,400 cities nationwide. UPS Next Day Air Early A.M. service is available from virtually all overnight shipping locations coast to coast. In addition, UPS Next Day Air SaverSM offers next day delivery by 3:00 or 4:30 p.m. to commercial destinations in the contiguous United States and by the end of the day to residential destinations.

UPS offers three options for customers who desire less expensive guaranteed delivery services. UPS 2nd Day Air A.M. (TM) provides guaranteed delivery of packages and documents by noon of the second business day, UPS 2nd Day Air(R)

provides guaranteed delivery of packages and documents in two business days and UPS 3 Day Select(R) provides guaranteed delivery in three business days. Developed primarily for longer distance customers who need time-definite delivery and higher levels of information, UPS 3 Day Select is priced between traditional ground and air express services.

UPS SonicAir(R) service offers same-day or "next flight out" delivery service to virtually any location in the continental United States from delivery pickup locations in the United States, as well as to many international business centers. Same day and logistics services, including critical parts warehousing, are available through UPS SonicAir service 24 hours a day, 365 days a year.

To support its growth, in 1996 UPS continued to invest in new equipment, primarily in the form of additional aircraft and facility expansions. During 1996, UPS took delivery of five Boeing 757-200 freighter aircraft and ten Boeing 767-300 freighter aircraft. UPS also purchased two 747-200 aircraft which will be converted to freighter service and delivered in 1997. See "Properties--Aircraft."

UPS continues to work on improving its domestic air service through better utilization of its regional air hub network. The Company's domestic regional air hubs are located in Columbia, South Carolina, Philadelphia, Pennsylvania, Dallas, Texas, Rockford, Illinois, and Ontario, California. Louisville, Kentucky is the site of the Company's all-points international air hub, where most of the Company's air volume is processed. The regional air hub in Columbia, South Carolina opened in September 1996. A new regional air hub in Hartford, Connecticut is currently under construction and is expected to commence operations in late 1997. This new facility will include UPS Next Day Air and UPS 2nd Day Air sort operations, and it will process much of UPS's air volume originating in New England.

INTERNATIONAL DELIVERY SERVICE

UPS offers guaranteed overnight delivery to more than 200 countries and territories worldwide. Foreign domestic and export business accounted for approximately 13.4%, 13.3%, and 11.6% of consolidated revenues in 1996, 1995 and 1994, respectively. For additional financial information relating to domestic and foreign operations, see Note 10 to the Consolidated Financial Statements filed herewith.

Throughout 1996, UPS continued to develop its global delivery and logistics network. In September 1996, UPS launched a complete portfolio of services across major European countries that was designed to provide a uniform service offering. This new portfolio replaced the variety of services that were previously available in the individual countries and includes guaranteed 8:30 a.m. and 10:30 a.m. next-business day delivery to major cities, as well as scheduled day-definite ground service.

UPS Worldwide Express provides door-to-door custom-cleared delivery to over 200 countries and territories. This service includes guaranteed overnight delivery of documents from major U.S. cities to many international business centers and guaranteed second business day delivery by 10:30 A.M. for packages to over 280 cities in Europe. Shipments to other destinations via UPS Worldwide Express are generally delivered in two business days. UPS Worldwide Express Plus complements the regular express service by providing guaranteed early morning delivery options from international locations to major cities around the world and on March 31, 1997, the Company plans to extend this service by providing guaranteed early morning second day delivery from the

UPS also offers UPS Worldwide Expedited. This service is an alternative to traditional air freight and is designed to meet customers' requirements for their routine shipments that do not require overnight or express delivery. Shipments to Mexico and Canada are delivered in three business days and shipments to most major destinations in Europe and Asia are generally delivered in four business days. Both UPS Worldwide Express and Worldwide Expedited services are offered between many international locations and from international locations to the United States, though the time and delivery guarantees provided from the international locations may vary from country to country.

UPS Standard service is offered between the United States and Canada and between European Union countries. Standard service is a door to door, time-definite ground service offering full tracking capabilities. UPS SonicAir service also provides international deliveries with a next-flight-out service for urgent letters and packages. This service generally provides 24 hour delivery service to more than 180 countries.

The Company has a European air hub in Cologne, Germany and has recently established an Asian-Pacific air hub in Taipei, Taiwan. This facility is under construction and is expected to commence operations in 1997.

OTHER SERVICES

UPS offers customized services for certain types of customers or even a single customer, such as Consignee Billing and Delivery Confirmation. Consignee Billing was designed for customers who receive large amounts of merchandise from a number of vendors. UPS bills these consignee customers directly for the shipping charges, enabling the customer to obtain tighter control over inbound transportation costs. Electronic tracking of all Consignee Billing packages is offered, as well as on-demand pick up service for return shipments. Delivery Confirmation provides automatic confirmation and weekly reports of deliveries. Immediate confirmation is provided upon request. Delivery Confirmation is available throughout the United States and Puerto Rico.

UPS GroundTracSM service electronically tracks ground packages so that UPS's customers can receive immediate information about the status of their packages while in transit. With the introduction of in-vehicle data transmission capabilities, this service enables customers in the United States, Canada and Germany to receive verification of deliveries within minutes after they are completed. Shippers can also access tracking information 24 hours a day, seven days a week, by telephone or through the UPS OnLine(TM) tracking software, which enables customers to track and trace their own packages via telecommunications links with the Company's electronic data systems. The UPS OnLine shipping system further assists customers in managing their shipping operations by automating a customer's shipping room with features such as automatic zoning, rating and printing of address labels, pickup records and shipping reports. In addition, the UPS Worldwide Web site permits customers to access tracking and shipping information, request pick-up service and locate drop-off locations.

RATES

During the first quarter of 1997, rates for standard ground shipments were increased an average of 3.4% for commercial deliveries and 4.3% for residential deliveries. Rates for UPS Next Day Air and UPS 2nd Day Air each increased approximately 3.9% in 1996. Rates for UPS 3 Day Select also increased approximately 3.9% in 1996. All increases were limited to deliveries within the continental United States.

Rates for international shipments originating in the United States were increased 2.6% for UPS Worldwide Express and 4.9% for UPS Worldwide Expedited. Rate changes for shipments originating outside the United States have been made throughout the past year and vary by geographic market. Rates for UPS Standard service to Canada did not change.

COMPETITION

UPS is the largest package distribution company in the world, in terms of both revenue and volume. UPS also offers a broad array of services in the package delivery industry, and therefore competes with many companies and services on a local, regional, national and international basis. These include the postal services of the United States and other nations, various motor carriers, express companies, freight forwarders, air couriers and others.

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Competition is increasingly based on the ability of carriers to offer highly reliable, customized delivery solutions, rich with information, at competitive prices. UPS endeavors to attract customers by offering value-added services such as delivery guarantees, tracking services and performance reports. In recent years, the Company has directed a large portion of its resources to compete for higher revenue, "premium" service packages and documents (such as UPS Next Day Air, UPS 2nd Day Air, UPS 3 Day Select and UPS Worldwide Express) as well as for commercial, or "business-to-business" packages. However, UPS still values and competes intensely for residential delivery volume.

REGULATION

Pursuant to the Federal Aviation Act of 1958, as amended, both the Department of Transportation (the "DOT") and the Federal Aviation Administration (the "FAA") regulate air transportation services.

The DOT's authority relates primarily to economic aspects of air transportation, such as discriminatory pricing, non-competitive practices, interlocking relations or cooperative agreements. The DOT also regulates, subject to the authority of the President of the United States, international routes, fares, rates and practices and is authorized to investigate and take action against discriminatory treatment of United States air carriers abroad.

The FAA's authority relates primarily to safety aspects of air transportation, including aircraft standards and maintenance, personnel and ground facilities. UPS was granted an operating certificate by the FAA in 1988 which remains in effect so long as UPS meets the operational requirements of the Federal Aviation Regulations.

The FAA has issued rules mandating repairs on all Boeing Company and McDonnell Douglas Corporation aircraft which have completed a specified number of flights and has also issued rules requiring a corrosion control program for Boeing Company aircraft. Total expenditures under these programs for 1996 were

approximately \$14 million. Each of these programs requires that UPS make periodic inspections of its aircraft. These inspections may result in a determination that additional repairs are required under these programs. Hence, the future cost of such repairs pursuant to the programs may fluctuate.

Until January 1, 1995, ground transportation of packages by UPS in the United States was subject to regulation by the Interstate Commerce Commission (the "ICC") and by various state regulatory agencies when such transportation was pursuant to common carrier certificates and contract carrier permits issued by the ICC and state agencies. After January 1, 1995, all state regulation of rates, routes and services was declared preempted by federal legislation, for both integrated intermodal carriers and motor carriers. However, UPS remains subject to the jurisdiction of the DOT, the department into which the ICC was merged in January 1996, with respect to the regulation of rates, routes and services, while the states maintain regulation over such areas as safety, insurance and hazardous materials. UPS is subject to similar regulation in many foreign jurisdictions.

POSTAL RATE PROCEEDINGS

The Postal Reorganization Act of 1970 (the "Act") created the Postal Service as an independent establishment of the executive branch of the Federal Government and vested the power to recommend domestic postal rates in a regulatory body, the Postal Rate Commission (the "Commission"). UPS believes that the Postal Service consistently attempts to set rates for its monopoly services, particularly First Class letter mail, above the cost of providing such services and uses the excess revenues to subsidize its expedited, parcel, international, and other competitive services. Therefore, UPS participates in the postal rate proceedings before the Commission in an attempt to secure fair postal rates for competitive services.

On February 21, 1997, the Postal Service filed a request for a recommended decision on parcel classifications and rates with the Commission. On February 27, UPS filed a notice of intervention with the Commission.

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A bill that would result in significant amendments to the Act has been introduced in the United States House of Representatives. If adopted as currently written, the bill would introduce a form of rate-cap regulation of monopoly services, loosen regulation of competitive services and, for certain matters, strengthen the powers of the Commission.

OTHER OPERATIONS

Several of the Company's other operations have been grouped together under a new company, UPS Logistics Group, Inc. ("Logistics Group"), which was formed in early 1996. Logistics Group is the parent company for six subsidiaries that encompass the core of these operations.

UPS Worldwide Logistics, Inc. ("Worldwide Logistics"), a subsidiary of the Logistics Group, is a third-party provider of supply chain management solutions for a number of industries, including high-tech, telecommunications, apparel, automotive, and electronics. Worldwide Logistics designs and operates basic inventory, warehouse, and transportation management services, as well as complex integrated logistics services for its customers' inbound, outbound, and international logistics needs. Worldwide Logistics operates warehouses in the United States and Mexico, Singapore, Hong Kong, Japan, Netherlands and

Germany, using state of the art information systems that reduce customers' distribution and capital costs.

UPS Truck Leasing, Inc. ("UPS Truck Leasing"), a subsidiary of the Logistics Group, rents and leases trucks and tractors to commercial users under full-service rental agreements. As of December 31, 1996, UPS Truck Leasing had 43 facilities and a fleet of 4,504 vehicles. The other companies in the Logistics Group include: Roadnet Technologies, Inc., a route scheduling software developer; Diversified Trimodal, Inc., also known as Martrac, which transports produce and other commodities in temperature-controlled trailers over railroads; SonicAir, Inc. which provides same day and next-flight-out delivery services and critical parts warehousing; and Worldwide Dedicated Services, Inc., which provides dedicated contract carrier services.

ENVIRONMENTAL REGULATION

In 1989, regulations were adopted pursuant to the Resource Conservation and Recovery Act, which required owners and operators of underground storage tanks ("USTs") to test, upgrade and/or replace their USTs on a rolling schedule of deadlines through 1998. As of December 1994, UPS substantially completed this project ahead of the mandated Environmental Protection Agency ("EPA") schedule.

The Clean Air Act Amendments of 1990 require a ten-year phase in of alternative fuel vehicles by fleets in the urban areas with the worst air quality problems. UPS began a project in 1989 using clean compressed natural gas ("CNG") as a fuel in the package cars. By the end of 1996, more than 600 package cars were running on CNG in various cities. The EPA's final rules under the Clean Air Act Amendments of 1990 established regulations governing the exemption of clean fuel fleet vehicles from certain transportation control measures ("TCMs"). The regulations exempt clean fuel vehicles, such as UPS's CNG vehicles, from urban TCMs, such as truck bans and time-of-day restrictions. The regulations also permit the CNG vehicles to travel in high occupancy vehicle lanes, provided they meet certain emission criteria.

All of the aircraft owned by UPS meet Stage III federal noise regulations. For additional information regarding compliance with such regulations, see Item 2, "Properties--Aircraft."

EMPLOYEES

As of January 31, 1997, the Company employed approximately 336,000 employees. Approximately 104,000 full-time and 159,000 part-time employees are represented by various labor unions, primarily the International Brotherhood of Teamsters ("IBT"). UPS and the IBT are parties to a Master Agreement. The current agreement

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with the IBT expires on July 31, 1997 and will be renegotiated later this year. The Company believes that its relations with its employees are good.

EXECUTIVE OFFICERS

Listed below is certain information relating to the executive officers and management of UPS.

<TABLE>

<CAPTION>

NAME AND OFFICE	AGE	PRINCIPAL OCCUPATION AND EMPLOYMENT DURING AT LEAST THE LAST FIVE YEARS
<S>	<C>	<C>
John W. Alden..... Vice Chairman, Senior Vice President and Director	55	Director (1988 to present), Vice Chairman of the Board (November 1996 to present), Senior Vice President and Business Development Group Manager (1986 to present)
Robert J. Clanin..... Senior Vice President, Treasurer, Chief Financial Officer and Director	53	Director (1996 to present), Senior Vice President, Treasurer and Chief Financial Officer (1994 to present), Finance Manager (1990 to 1994)
Michael L. Eskew..... Senior Vice President	47	Senior Vice President (1996 to present), Engineering Group Manager (1996 to present), Corporate Industrial Engineering Manager (1993 to 1996), District Manager (1991 to 1993)
James P. Kelly..... Chairman of the Board, Chief Executive Officer and Director	53	Director (1991 to present), Chairman of the Board and Chief Executive Officer (January 1997 to present), Vice Chairman (1996), Executive Vice President (1994 to December 1996), Chief Operating Officer (1992 to December 1996), USA Operations Manager (1990 to 1992)
Kenneth W. Lacy..... Senior Vice President	47	Senior Vice President (1996 to present), Corporate Information Services Manager (1996 to present), Vice President Information Services (1994 to 1996), Corporate Controller (1992 to 1994), Financial Manager (1989 to 1992).
Joseph R. Moderow..... Senior Vice President, Secretary, General Counsel and Director	48	Director (1988 to present), Senior Vice President and Secretary (1986 to present), Legal and Public Affairs Group Manager (1989 to present)
Kent C. Nelson..... Director and Former Chairman of the Board and Chief Executive Officer	59	Director (1983 to present), Chairman of the Board and Chief Executive Officer (1989 to 1996)
Joseph M. Pyne..... Senior Vice President	49	Senior Vice President (1996 to present), Corporate Marketing Manager (1996 to present), Vice President Marketing (1995 to 1996), National Marketing Planning Manager (1989 to 1995)
Charles L. Schaffer..... Senior Vice President and Director	51	Director (1992 to present), Senior Vice President (1990 to present), USA Operations Manager (1996 to present), Engineering Group Manager (1990 to 1996)

</TABLE>

<TABLE>
<CAPTION>

NAME AND OFFICE	AGE	PRINCIPAL OCCUPATION AND EMPLOYMENT DURING AT LEAST THE LAST FIVE YEARS
Edward L. Schroeder..... Senior Vice President	55	Senior Vice President (1993 to present), International Operations Coordinator (1993 to present), Region Manager (1988 to 1993)
Lea N. Soupata..... Senior Vice President	46	Senior Vice President (December 1995 to present), Corporate Human Resources Manager (1995 to present), Vice President (1994 to 1995), District Manager (1990-1994)
Calvin E. Tyler, Jr. ... Senior Vice President and Director	54	Director (1991 to present), Senior Vice President (1988 to present), USA Operations Manager (1991 to present)
Thomas H. Weidemeyer.... Senior Vice President	49	Senior Vice President (1994 to present), Corporate Air Operations (1994 to present), Airline Operation Manager (1990 to 1994)

</TABLE>

Each executive officer of UPS has been elected to serve until the next organizational meeting of the directors of UPS following the annual meeting of shareowners of UPS.

ITEM 2. PROPERTIES

OPERATING FACILITIES

UPS's headquarters are owned and located in Atlanta, Georgia and consist of approximately 735,000 square feet.

The Company's principal operating facilities are owned and located in New York, New York, Dallas, Texas, Jacksonville, Florida, Denver, Colorado, Earth City, Missouri, Grand Rapids, Michigan, Philadelphia, Pennsylvania and Palatine, Illinois. These operating facilities, having floor spaces which range from 350,000 to 1,000,000 square feet, have central sorting facilities, operating hubs and service centers for local operations. In addition, UPS has constructed a 1.9 million square foot operating facility near Chicago, Illinois, which became operational in 1996 and which is designed to streamline shipments between east and west coast destinations.

UPS also owns approximately 650 operating facilities and leases approximately 900 other operating facilities throughout the territories it serves. The smaller of these facilities have vehicles and drivers stationed for the pickup of packages and facilities for the sorting, transfer and delivery of packages. The larger of these facilities have additional facilities for servicing UPS vehicles and equipment and employ specialized mechanical installations for the sorting and handling of packages.

The Company's aircraft are operated in a hub and spokes pattern in the United States. The Company's principal air hub in the United States is located in Louisville, Kentucky, with regional air hubs in Columbia, South Carolina, Philadelphia, Pennsylvania, Dallas, Texas, Rockford, Illinois and Ontario,

California. These hubs house facilities for the sorting, transfer and delivery of packages. The Louisville, Kentucky hub handles the largest volume of packages for air delivery in the United States. The regional air hub in Columbia, South Carolina commenced operations in September 1996. A new regional air hub in Hartford, Connecticut is currently under construction and is expected to commence operations in late 1997. The Company's European air hub is located in Cologne, Germany, and has recently established an Asian-Pacific air hub in Taipei, Taiwan. This facility is under construction and is expected to commence operations in 1997.

UPS's computer operations are consolidated in an approximately 435,000 square foot leased facility, the Ramapo Ridge facility, which is located on a 39 acre site in Mahwah, New Jersey. The facility can accommodate

further expansions of up to 27,000 square feet. UPS has leased this facility for an initial term ending in 2019 for use as a data processing, telecommunications and operations facility. UPS also owns a 160,000 square foot facility located on a 25 acre site in the Atlanta, Georgia area, which serves as a backup to the main computer operations facility in New Jersey. This facility provides certain production functions and backup capacity in case a power outage or other disaster incapacitates the main data center. It also helps the Company to meet certain communication needs.

AIRCRAFT

UPS currently operates, either directly or by charter, a fleet of 529 aircraft. UPS's fleet as of December 31, 1996 consisted of the following aircraft:

<TABLE>
<CAPTION>

DESCRIPTION -----	NUMBER	
	NUMBER OWNED	LEASED FROM OTHERS
	-----	-----
<S>	<C>	<C>
McDonnell Douglas DC-8-71.....	23	0
McDonnell Douglas DC-8-73.....	26	0
Boeing 727-100.....	51	0
Boeing 727-200.....	10	0
Boeing 747-100.....	12	0
Boeing 747-200.....	2	0
Boeing 757-200.....	45	15
Boeing 767-300.....	11	4
Other.....	0	330
	---	---
Total.....	180	349

</TABLE>

An inventory of spare engines and parts is maintained for each aircraft.

All of UPS's DC-8-71's, DC-8-73's, Boeing 727's, Boeing 747's, Boeing 757-200's and Boeing 767-300's meet Stage III federal noise regulations. UPS replaced the three engines on all Boeing 727-100 aircraft with new, quieter engines. These re-engined Boeing 727-100's meet Stage III federal noise regulations and allow UPS to operate at airports with aircraft noise

restrictions. UPS has also completed engine modifications for each of its eight Boeing 727-200 aircraft to achieve Stage III noise compliance. UPS became the first major airline to operate a 100% Stage III fleet more than three years in advance of federal regulations.

UPS has purchased two Boeing 747-200 passenger aircraft which are currently being modified to a cargo configuration. The conversion of these two aircraft should be completed and the aircraft will begin revenue operations in the first half of 1997. By way of a like kind exchange, UPS disposed of eleven expediter aircraft in exchange for two Boeing 727-200's. These two aircraft were subsequently leased to a third party operator.

During 1996, UPS began modification of two Boeing 727-100 aircraft from freighter to quick change configuration. This quick change system allows UPS to operate the modified aircraft as freighters during the week and as passenger aircraft over the weekend. Certification of the modification was received in early 1997 and passenger charter operations began during the first quarter of 1997. These charters will be evaluated and additional Boeing 727-100 aircraft may be modified to this quick change configuration.

During 1996, UPS took delivery of five Boeing 757-200 and ten Boeing 767-300 aircraft. UPS is currently scheduled to take delivery of ten Boeing 757-200 and seven Boeing 767-300 aircraft in 1997. In addition, UPS has firm commitments to purchase five Boeing 757-200 and eight Boeing 767-300 aircraft for delivery during 1998 and 1999. If additional aircraft are required, UPS has options for the purchase of 31 Boeing 757-200 and 30 Boeing 767-300 aircraft for delivery between 1999 and 2008.

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VEHICLES

UPS owns and operates a fleet of approximately 156,000 vehicles and leases approximately 3,500 vehicles, ranging in size from panel delivery cars to large tractors and trailers, including approximately 1,400 temperature-controlled trailers owned by Martrac and approximately 4,500 vehicles owned by UPS Truck Leasing.

UPS management believes that the above facilities, aircraft and vehicles are adequate to support the Company's operations over the next year.

ITEM 3. LEGAL PROCEEDINGS

UPS is a defendant in various lawsuits that arise in the normal course of business. In the opinion of management, none of these cases are expected to have a material effect on the financial condition of UPS.

During the second quarter of 1995, the Company received a Notice of Deficiency from the United States Internal Revenue Service ("IRS") asserting that it is liable for additional tax for the 1983 and 1984 tax years. The Notice of Deficiency is based in large part on the theory that UPS is liable for tax on income of Overseas Partners Ltd., a Bermuda company, which reinsures excess value package insurance purchased by UPS's customers from unrelated insurers. The deficiency sought by the IRS relating to package insurance is based on a number of inconsistent theories and ranges from \$8 million to \$35 million of tax, plus penalties and interest, for 1984.

Agents for the IRS have also asserted in reports that UPS is liable for

additional tax for the 1985 through 1987 tax years. The additional tax sought by the agents relating to package insurance for this period ranges from \$89 million to \$148 million, plus penalties and interest, and is based on the same theories as the above-described Notice of Deficiency.

In addition, the IRS and its agents have raised a number of other issues relating to the timing of deductions, the characterization of expenses as capital rather than ordinary, and the Company's entitlement to the Investment Tax Credit in the 1983 through 1987 tax years. These issues total \$32 million in tax for the 1983 and 1984 tax years and \$95 million in tax for the 1985 through 1987 tax years. Penalties and interest are in addition to these amounts. The majority of these adjustments would reverse in future years.

In August 1995, the Company filed a petition in Tax Court in opposition to the Notice of Deficiency related to the 1983 and 1984 tax years. The trial date is set for September 8, 1997. After consultation with tax legal experts, management believes there is no merit to any material issues raised by the IRS and that the eventual resolution of these matters will not have a material impact on the Company. The Company has appealed with the IRS all material issues related to the 1985 through 1987 tax years. The IRS may take positions similar to those in the reports described above for the periods after 1987.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

UPS is authorized to issue 900,000,000 shares of common stock, \$.10 par value per share, of which 570,000,000 shares were issued (including those shares held by UPS for distribution in connection with its stock plans) as of February 28, 1997. UPS is also authorized to issue 200,000,000 shares of preferred stock, without par value. No shares of preferred stock are issued or outstanding.

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Each share of UPS Common Stock is entitled to one vote in the election of directors and other matters, except that, generally, any shareowner, or shareowners acting as a group, who beneficially own more than 10% of the voting stock are entitled to only one one-hundredth of a vote with respect to each vote in excess of 10% of the voting power of the then outstanding shares of voting stock. Holders have no preemptive or other right to subscribe to additional shares. In the event of liquidation or dissolution, they are entitled to share ratably in the assets available after payment of all obligations. The shares are not redeemable by UPS except through the Company's exercise of the preferential right of purchase mentioned below and, in the case of stock subject to the UPS Managers Stock Trust, as amended, and the UPS Employees Stock Trust, the Company's right of purchase in the circumstances described therein.

UPS Common Stock is not listed on a national securities exchange or traded in the organized over-the-counter market. The UPS Certificate of Incorporation provides that no outstanding shares of UPS capital stock entitled to vote

generally in the election of directors may be transferred to any other person, except by bona fide gift or inheritance, unless the shares shall have first been offered, by written notice, for sale to UPS at the same price and on the same terms upon which they are to be offered to the proposed transferee.

UPS has the right, within 30 days after receipt of the notice, to purchase all or a part of the shares at the price and on the terms offered. If it fails to exercise or waives the right, the shareowner may, within a period of 20 days thereafter, sell to the proposed transferee all, but not part, of the shares that UPS elected not to purchase, for the price and on the terms described in the offer. All transferees of shares hold their shares subject to the same restriction. Shares previously offered but not transferred within the 20 day period remain subject to the initial restrictions. Shares may be pledged or otherwise used for security purposes, but no transfer may be made upon a foreclosure of the pledge until the shares have been offered to UPS at the price and on the terms and conditions bid by the purchaser at the foreclosure.

UPS, from time to time, has waived and may in the future waive its right of first refusal to purchase its shares in order to permit eligible employees to purchase shares at the same price as UPS was willing to pay. The grant of waivers has been and will continue to be affected by the Company's needs for purposes of the UPS Managers Incentive Plan, the UPS 1991 Stock Option Plan (the "1991 Plan") and the UPS 1996 Stock Option Plan (the "1996 Plan" and, together with the 1991 Plan, the "Plans") and other corporate purposes. Persons who purchase shares in this manner are required to deposit them in the UPS Managers Stock Trust or the UPS Employees Stock Trust.

UPS notifies its shareowners periodically of its willingness to purchase shares at specified prices determined by the Board of Directors, in the event that shareowners wish to sell their shares. During 1996, UPS purchased 22,169,448 shares at an aggregate purchase price of approximately \$615 million.

In determining the prices at which UPS is willing to purchase shares, the Board considers a variety of factors, including past and current earnings, earnings estimates, the ratio of UPS Common Stock to debt of UPS, other factors affecting the business and long-range prospects of UPS, and general economic conditions, as well as opinions furnished from time to time by investment counselors, each acting independently, as to the value of the UPS shares.

In its determination of the prices to be paid for UPS stock, the Board has not followed any predetermined formula. It has considered a number of formulas commonly used in the evaluation of securities of closely held and of publicly held companies, but its decisions have been based primarily on the judgment of the Board of Directors as to the long-range prospects of UPS rather than what the Board considers to be the short-range trends relating to UPS or to the values of securities generally. Thus, for example, the Board has not given substantial weight to short-term variations in average price-earnings ratios of publicly traded securities, which at times have been considerably higher, and at other times considerably lower, than those at which UPS has offered to purchase its shares. However, the Board's decision as to prices does take into account factors affecting generally the market prices of publicly traded securities, and prolonged changes in those prices could have an effect on the prices offered by UPS.

One factor in determining the prices at which securities trade in the organized securities markets is that of supply and demand. When demand is high in relation to the shares which investors seek to sell, prices tend to increase, while prices tend to decrease when demand is low in relation to the shares being sold.

To date, the UPS Board of Directors has not given significant weight to supply and demand considerations in determining the price to be paid by UPS for its shares. UPS has a need for some of its shares which it has been able to acquire for purposes of awards under the Plans, and eligible employees have purchased some of the other available shares. When the number of shares acquired by UPS exceeds the number needed for these purposes within a reasonable period, the excess shares are reclassified as authorized and unissued shares by UPS.

UPS intends to continue its policy of purchasing a limited number of shares when offered by shareowners. However, there can be no assurance of continuation of that policy. The feasibility of purchases by UPS and the prices at which shares can be purchased are both subject to the continued maintenance by UPS of satisfactory earnings and financial condition. Hence, both the salability of UPS shares and the prices at which they can be sold would be adversely affected by a continuous decline of UPS's earnings or by unfavorable changes in its financial position and might be adversely affected by decisions of shareowners to sell considerably more shares than the Board considers necessary for the ultimate purpose of making awards under the Plans.

The prices at which UPS has published notices of its willingness to purchase shares of Common Stock since January 1995 are as follows:

<TABLE>

<CAPTION>

DATES	PRICE
-----	-----
<S>	<C>
1995	
January 1 to February 15.....	\$23.50
February 16 to May 24.....	\$23.75
May 25 to August 23.....	\$24.50
August 24 to November 15.....	\$25.25
November 16 to February 14, 1996.....	\$26.25
1996	
February 15 to May 22.....	\$27.00
May 23 to August 21.....	\$27.75
August 22 to November 14.....	\$28.25
November 15 to February 12, 1997.....	\$29.25

</TABLE>

On February 13, 1997, UPS expressed its willingness to purchase shares at \$29.75 per share, which is still the price at the date of this report.

In January 1997, UPS distributed an aggregate of 6,271,907 shares of UPS Common Stock, subject to the UPS Managers Stock Trust, under the UPS Managers Incentive Plan to a total of 26,428 employees at a managerial or supervisory level. In January 1996, it distributed an aggregate of 6,301,427 shares of UPS Common Stock under that Plan to a total of 27,223 managerial or supervisory employees. The UPS Managers Stock Trust and the Managers Incentive Plan have been previously described in the UPS Registration Statement on Form 10 and in the UPS Prospectus, dated January 24, 1995, relating to the UPS Managers

Incentive Plan awards. Such distributions do not represent "sales" as defined under the Securities Act of 1933, as amended (the "1933 Act"). However, the shares awarded were registered under the 1933 Act to permit resales of the shares.

During 1996, 1,573,462 shares of UPS Common Stock were distributed to 2,222 management employees upon the exercise of stock options granted to them by UPS under the 1991 Plan. On December 31, 1996, 86,744 active employees owned approximately 180 million shares of UPS Common Stock. This included 59,874 non-management employees holding over 15.2 million shares. The offering to UPS managers and supervisors has been previously described in a UPS Registration Statement on Form S-3, which became effective in August 1994

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and the offering to non-management employees has been previously described in a UPS Registration Statement on Form S-8, which became effective on August 28, 1995. The shares issued upon exercise of the options and the shares purchased pursuant to these offerings are subject to the UPS Managers Stock Trust, as amended and restated, or the UPS Employees Stock Trust.

Shares of UPS Common Stock issued to employees under the Plans and most other shares of UPS Common Stock owned by UPS employees are held subject to the UPS Managers Stock Trust, as amended and restated, or the UPS Employees Stock Trust (the "Trusts"). First Union National Bank ("First Union"), serves as trustee under the Trusts. The Trust agreements give UPS the right to purchase the shares of UPS Common Stock of members deposited in the Trusts at their fair market value, as defined, when the member retires, dies or ceases to be an employee of UPS, or when the member requests the withdrawal of shares from a Trust. Fair market value is defined as the fair market value of the shares at the time of the sale, or in the event of differences of opinion as to value, the average price per share of all shares of UPS Common Stock sold during the 12 months preceding the sale involved. If at the time a member ceases to be an employee of UPS, and 1,000 or more shares are held for the benefit of such member and his or her transferees under the Trusts, UPS may, beginning in June of the calendar year next succeeding the year of termination of employment, purchase at any time and from time to time a cumulative annual amount of up to 10% of the 1,000 or more shares held for the benefit of the member and his or her transferees, unless the member requests withdrawal of the shares from the Trust, whereupon UPS may elect whether or not to purchase the shares within 60 days of the request. If less than 1,000 shares are held for the benefit of a member and his or her transferees under the Trusts, UPS may purchase all or part of the shares beneficially owned at any time, subject to the member's right to request withdrawal of the shares from the Trust, whereupon UPS may elect whether or not to purchase the shares within 60 days of the request. UPS is also entitled to purchase shares of UPS Common Stock held under the Trusts after receipt of a request from the member to release the shares from the Trust and upon occurrence of several other enumerated events. In the event UPS fails to elect to purchase the shares and to deliver the purchase price therefor within the prescribed periods, the member would become entitled, upon request, to the delivery of the shares of UPS Common Stock free and clear of the Trusts, unless the purchase period has been extended by agreement of UPS and such member.

Members of the Trusts are entitled to the dividends on shares of UPS Common Stock held for their accounts (except that stock dividends are added to the shares held by the Trustee for the benefit of the individual members), to direct the Trustee as to how the shares held for their benefit are to be voted

and to request proxies from the Trustee to vote shares held for their accounts.

In January 1997, UPS paid a cash dividend of \$0.35 a share. During the fiscal year ended December 31, 1996, UPS paid cash dividends of \$0.32 a share in January 1996 and \$0.33 in June 1996. During the fiscal year ended December 31, 1995, UPS paid a cash dividend of \$.30 a share in January 1995 and \$.32 in June 1995.

Shareowners are entitled to such dividends as are declared by the Board of Directors. The policy of the UPS Board of Directors is to declare dividends each year out of current earnings. However, the declaration of future dividends is subject to the discretion of the Board of Directors in light of all relevant facts, including earnings, general business conditions and working capital requirements. Loan agreements, to which UPS is a party, limit the amount which UPS may declare as dividends and use for the repurchase of its Common Stock. The most restrictive of these agreements limits the declaration of dividends, other than stock dividends, and payments for the purchase of Common Stock to the extent that such declarations and payments, together with all other payments made subsequent to January 1, 1985 would exceed, in the aggregate, (i) \$250,000,000, (ii) 66 2/3% of net income, as defined in the agreement, and (iii) the net proceeds from the issuance, sale or disposition of any shares of stock of UPS or any warrants or other rights to purchase such stock subsequent to January 1, 1985. As of December 31, 1996, UPS had approximately \$1.3 billion not subject to these restrictions. These limits do not materially restrict the declaration of dividends.

As of February 28, 1997, there were 2,872 record holders of equity securities of UPS. Saul & Co. is the record holder of all the shares of Common Stock subject to the UPS Managers Stock Trust and the UPS Employees Stock Trust (the "Trusts"). As of February 28, 1997, there were 126,247 beneficial owners of shares of common stock subject to the Trusts.

ITEM 6. SELECTED FINANCIAL DATA

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,				
	1996	1995	1994	1993	1992
	(IN MILLIONS EXCEPT PER SHARE AMOUNTS)				
<S>	<C>	<C>	<C>	<C>	<C>
SELECTED INCOME STATEMENT DATA					
Revenue.....	\$ 22,368	\$ 21,045	\$ 19,576	\$ 17,782	\$ 16,519
Operating expenses.....	(20,339)	(19,251)	(18,020)	(16,324)	(15,241)
Interest income.....	39	26	13	20	22
Interest expense.....	(95)	(77)	(29)	(34)	(42)
Miscellaneous--net.....	(63)	(35)	35	(12)	11
Income taxes.....	(764)	(665)	(632)	(622)	(504)
Income before cumulative effect of a change in accounting principle.....	1,146	1,043	943	810	765
Cumulative effect of a					

change in the method of accounting for postretirement benefits other than pensions.....	--	--	--	--	(249)
Net Income.....	\$ 1,146	\$ 1,043	\$ 943	\$ 810	\$ 516
% of revenue after cumulative effect of a change in accounting principle.....	5.1%	5.0%	4.8%	4.6%	3.1%
Per share amounts:					
Income before cumulative effect of a change in accounting principle.....	\$ 2.01	\$ 1.83	\$ 1.63	\$ 1.40	\$ 1.29
Cumulative effect of a change in the method of accounting for postretirement benefits other than pensions.....	--	--	--	--	(0.42)
Net income per share.....	\$ 2.01	\$ 1.83	\$ 1.63	\$ 1.40	\$ 0.87
Dividends per share.....	\$ 0.68	\$ 0.64	\$ 0.55	\$ 0.50	\$ 0.50

<CAPTION>

	DECEMBER 31,				
	1996	1995	1994	1993	1992
	(IN MILLIONS)				
<S>	<C>	<C>	<C>	<C>	<C>
SELECTED BALANCE SHEET DATA					
Working capital.....	\$ 1,097	\$ 261	\$ 120	\$ 4	\$ 62
Long-term debt.....	\$ 2,573	\$ 1,729	\$ 1,127	\$ 852	\$ 862
Total assets.....	\$ 14,954	\$ 12,645	\$ 11,182	\$ 9,574	\$ 9,038

</TABLE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OPERATIONS

1996 Compared to 1995

Revenue increased \$1.323 billion, or 6.3%, during 1996 compared to 1995. For 1996, domestic revenue totaled \$19.376 billion, an increase of \$1.133 billion, or 6.2%, over 1995 and international revenue totaled \$2.992 billion, an increase of \$190 million, or 6.8%, over 1995.

Domestic revenue increased as a result of first quarter rate increases and higher volume, which was up 1.9%, and includes a 9.5% increase in higher

yielding express packages. During the first quarter of 1996, the Company implemented distance-based pricing for its domestic air express services. This new pricing structure is based on both weight and distance of packages shipped. Under the revised structure, air express rates are geographically defined by ZIP Code. The continental United States is divided into the same seven zones used for UPS standard ground services. Previously, express shipments were priced by weight only, the standard method in the industry. The new structure means that prices for UPS Next Day Air have been reduced by as much as 40% in shorter-distance zones, while prices in longer-distance zones have increased up to 28%.

In addition, rates for standard ground shipments were increased an average of 2.9% for commercial deliveries and 3.9% for residential deliveries. Rates for the newly zoned UPS Next Day Air and UPS 2nd Day Air services increased approximately 4.9%. Rates for UPS 3-Day Select, already zoned, increased approximately 3.9%. Rates for international shipments originating in the United States were increased 4.9% for UPS Worldwide Express, 6.9% for UPS Worldwide Expedited and 3.9% for UPS Standard Service to Canada. Rate changes for shipments originating outside the United States have been made throughout the past year and vary by geographic market.

The increase in international revenue was primarily attributable to a 16.1% revenue growth in export operations over the corresponding year. Export revenues increased primarily as a result of higher volume, which was up 20.1%. Foreign domestic revenues decreased by 6.8% primarily due to volume reductions of 5% and changes in currency exchange rates. The decreases in foreign domestic volume are a result of the Company's efforts to improve profitability by increasing revenue yields on these products.

Operating expenses increased by \$1.088 billion, or 5.7%. In 1995, operating expenses included a one-time charge of \$372 million for a voluntary early retirement and severance program for certain, primarily management, employees ("restructuring charge"). Excluding this restructuring charge, operating expenses increased 7.7% resulting in a deterioration in the operating ratio from 89.7 during 1995 to 90.9 during 1996. The deterioration of the operating ratio resulted primarily from increases in depreciation and amortization, labor costs, fuel costs, advertising costs, purchased transportation and customer supplies, as well as severe weather conditions during the first quarter of 1996, which disrupted both air and ground operations. This is in contrast to the mild weather conditions experienced in the comparable quarter in 1995. The Company's labor agreement with the Teamsters Union expires in mid-1997 and will be renegotiated during the year.

Operating profit for 1996 increased by \$235 million, or 13.1%, as a result of the 1995 restructuring charge. Exclusive of the charge, operating profit for the year decreased by \$137 million, or 6.3%, as a result of the proportionally higher operating costs.

Income before income taxes ("pre-tax income") increased by \$202 million, or 11.8%. Domestic pre-tax income amounted to \$2.111 billion, an increase of \$191 million, or 10.0%, over 1995, inclusive of the restructuring charge. The international pre-tax loss decreased by \$11 million, or 5.2%, to \$201 million for 1996. International operations were affected by several major business initiatives during 1996. First, the Company implemented a pan-European product relaunch, in September 1996, that affected both export and foreign domestic operations. This relaunch was designed to provide a uniform portfolio of pan-European services including guaranteed next-day delivery for domestic and transborder shipments as well as comprehensive package tracking capabilities for all levels of service.

In order to meet the strategic objectives of the pan-European product relaunch, the Company decided to combine the Europe and Central Europe regional headquarters from the United Kingdom and Germany,

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respectively, to Belgium. Finally, as noted above, the Company redirected certain foreign domestic operations toward higher yielding volume while shedding less profitable freight business. This created a situation where the volume reductions occurred faster than the related cost reductions, resulting in higher foreign domestic losses.

The international pre-tax loss attributable to the foreign domestic operations increased by \$33 million, or 21.1%, primarily due to the issues discussed above and costs of related staffing reductions.

The pre-tax loss associated with export operations improved by \$44 million, or 78.4%, over 1995. The continuation of this favorable trend in export operations resulted primarily from higher volume and improved operating margins on European and U.S. exports despite the increased costs previously discussed.

Export volume increased by 18.0% and 24.2% for international and U.S. origin export shipments, respectively. Despite the continued improvement of the export operations, UPS expects that the cost of operating its international business will continue to exceed revenue in the near future.

Net income increased by \$103 million, or 9.9%. This increase resulted primarily from the restructuring charge incurred during 1995, offset by proportionately higher operating costs in 1996.

1995 Compared to 1994

Revenue increased \$1.469 billion, or 7.5%, during 1995 compared to 1994. For 1995, domestic revenue totaled \$18.243 billion, an increase of \$945 million, or 5.5%, over 1994 and international revenue totaled \$2.802 billion, an increase of \$524 million, or 23.0%, over 1994.

Domestic revenue increased as a result of higher volume which was up 1.8%, favorable changes in rates and a continuing shift toward higher yielding packages. The volume increase was mainly a result of lower volume during the first quarter of 1994, which was affected by severe weather conditions which disrupted both air and ground operations and a one-day strike in February 1994. During the first quarter of 1995, published rates for domestic ground services for commercial and residential deliveries were increased by 3.9%. Additionally, the published rates for Next Day Air and 2nd Day Air packages each increased by 3.9% and the published rates for Next Day Air and 2nd Day Air letters increased by 4.7% and 4.3%, respectively.

The increase in international revenue was primarily attributable to higher volume, which was up 11.8% and the effect of stronger foreign currencies. The majority of the increased volume related to higher yielding, export packages.

Operating expenses increased by \$1.231 billion, or 6.8%. Included in this increase is a one-time charge of \$372 million for a voluntary early retirement and severance program for certain, primarily management, employees which concluded August 15, 1995 ("restructuring charge"). Excluding this

restructuring charge, operating expenses increased only 4.8% resulting in an improvement in the operating ratio, from 92.1 during 1994 to 89.7 during 1995. The improvement in the operating ratio, excluding the restructuring charge, is a function of cost control efforts during 1995 and adverse factors affecting results for the first quarter of 1994, as discussed above. These factors not only affected first quarter 1994 volume, but increased first quarter 1994 operating costs as well. The effect of cost control efforts should be further enhanced as a result of the restructuring.

Operating profit for 1995 increased by \$238 million, or 15.3%, as a result of higher revenue and the improved operating ratio offset by the restructuring charge of \$372 million.

Income before income taxes ("pre-tax income") increased by \$133 million, or 8.4%. Domestic pre-tax income amounted to \$1.92 billion, an increase of \$18 million, or 0.9%, over 1994. Results for the period were reduced by the restructuring charge of \$372 million.

Ignoring the effect of this one-time charge, domestic pre-tax income would have been up \$390 million, or 20.5%, primarily due to higher operating profits. In 1994, domestic pre-tax income included a nonrecurring \$46 million gain from the sale of an investment property. The international pre-tax loss decreased by \$115 million, or 35.2%, to \$212 million for 1995.

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The international pre-tax loss attributable to the foreign domestic operations decreased by \$76 million, or 32.7%. The pre-tax loss associated with export operations decreased by \$39 million, or 41.4%. The improvement noted in both foreign domestic and export operations is primarily a result of higher volume and improved operating margins. Export volume increased by 34.5% and 17.8% for international and U.S. origin, export shipments, respectively.

Net income increased by \$100 million, or 10.6%. This increase resulted primarily from the improved operating profit.

LIQUIDITY AND CAPITAL RESOURCES

In March 1996, the Board of Directors authorized an increase in the Commercial Paper borrowing limits from \$1.0 to \$1.5 billion. In June 1996, UPS renegotiated and extended two credit agreements with a consortium of banks. These agreements provide revolving credit facilities of \$1.25 billion each, with one expiring June 9, 1997 and the other June 8, 2001.

In recognition of a continuing need for borrowing over the near term, and to take advantage of attractive borrowing costs in medium-term debt markets, UPS has entered into several financing transactions during 1996 and is continuing to examine other favorable alternatives. In January 1996, UPS issued \$200 million of 5.5% Eurobond notes which are due in January 1999. In April 1996, UPS issued \$166 million of 3.25% Swiss Franc notes which are due in October 1999. During 1996, UPS entered into a series of capital lease transactions which provided \$286 million for the acquisition of aircraft at favorable rates.

In June 1996, UPS established a \$500 million European medium-term note program. Under this program, UPS may, from time to time, issue notes denominated in a variety of currencies. In addition, the Company filed a shelf registration in July 1996, which will enable UPS to issue notes up to \$300

million in the United States. Under the combined programs, the Company currently does not plan to exceed \$500 million in borrowings. There were no borrowings outstanding under either program at December 31, 1996. In February 1997, UPS issued \$165 million of 6.875% Pound Sterling notes which are due in February 2000.

Management believes that these funds and borrowing programs, combined with the Company's internally generated resources and other credit facilities, will provide adequate sources of liquidity and capital resources to meet its expected future short-term and long-term needs for the operation of its business, including anticipated capital expenditures of \$2.4 billion for land, buildings, equipment and aircraft in 1997, as well as commitments for aircraft purchases through 1999.

During the second quarter of 1995, the Company received a Notice of Deficiency from the United States Internal Revenue Service ("IRS") asserting that it is liable for additional tax for the 1983 and 1984 tax years. The Notice of Deficiency is based in large part on the theory that UPS is liable for tax on income of Overseas Partners Ltd., a Bermuda company, which has reinsured excess value package insurance purchased by UPS's customers from unrelated insurers. The deficiency sought by the IRS relating to package insurance is based on a number of inconsistent theories and ranges from \$8 million to \$35 million of tax, plus penalties and interest for 1984.

Agents for the IRS have also asserted in reports that UPS is liable for additional tax for the 1985 through 1987 tax years. The additional tax sought by the agents relating to package insurance for this period ranges from \$89 million to \$148 million, plus penalties and interest, and are based on the same theories included in the above described Notice of Deficiency.

In addition, the IRS and its agents have raised a number of other issues relating to the timing of deductions; the characterization of expenses as capital rather than ordinary; and UPS's entitlement to the Investment Tax Credit in the 1983 through 1987 tax years. These issues total \$32 million in tax for the 1983 and 1984 tax years and \$95 million in tax for the 1985 through 1987 tax years. Penalties and interest are in addition to these amounts. The majority of these adjustments would reverse in future years.

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In August 1995, the Company filed a petition in Tax Court in opposition to the Notice of Deficiency related to the 1983 and 1984 tax years. The trial date is set for September 8, 1997. After consultation with tax legal experts, management believes there is no merit to any material issues raised by the IRS and that the eventual resolution of these matters will not have a material impact on the Company. The Company has appealed with the IRS all material issues related to the 1985 through 1987 tax years. The IRS may take positions similar to those in the reports described above for periods after 1987.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

FINANCIAL STATEMENTS

The Financial Statements of UPS are filed together with this Report. See the Index to Financial Statements on page F-1 for a list of the Financial Statements filed herewith.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding the Directors of UPS is presented under the caption "Election of Directors" in UPS's definitive Proxy Statement for the Annual Meeting of Shareowners to be held on May 8, 1997, which will be filed with the Securities and Exchange Commission (the "SEC") before April 30, 1997, and is incorporated herein by reference.

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

ITEM 11. EXECUTIVE COMPENSATION

Information in answer to this Item 11 is presented under the caption "Compensation of Executive Officers and Other Information" excluding the information under the captions "Report of the Officer Compensation Committee on Executive Compensation" and "Shareowner Return Performance Graph" in the Company's definitive Proxy Statement for the Annual Meeting of Shareowners to be held on May 8, 1997, which will be filed with the SEC before April 30, 1997, and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information in answer to this Item 12 is presented under the caption "Stock Ownership" in the Company's definitive Proxy Statement for the Annual Meeting of Shareowners to be held on May 8, 1997, which will be filed with the SEC before April 30, 1997, and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information in answer to this Item 13 is presented under the captions "Certain Business Relationships" and "Common Relationships with Overseas Partners Ltd." in the Company's definitive Proxy Statement for the Annual Meeting of Shareowners to be held on May 8, 1997, which will be filed with the SEC before April 30, 1997, and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) 1. Financial Statements.

See the Index to Financial Statements and Financial Statement Schedules on page F-1 for a list of the Financial Statements filed herewith.

2. Financial Statement Schedules.

Not Applicable.

3. List of Exhibits.

See the Exhibit Index on page E-1 for a list of the Exhibits incorporated by reference herein or filed herewith.

(b) Reports on Form 8-K.

None.

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

See the Exhibit Index beginning on page E-1 for a list of the Exhibits incorporated by reference herein or filed herewith.

SIGNATURES

PURSUANT TO PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934, UNITED PARCEL SERVICE OF AMERICA, INC. HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

United Parcel Service of America, Inc. (Registrant)

/s/ James P. Kelly

By: _____
James P. Kelly Chairman of the Board and Chief Executive Officer

Date: March 27, 1997

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
/s/ John W. Alden ----- JOHN W. ALDEN	Vice Chairman of the Board, Senior Vice President and Director Director	March 27, 1997
WILLIAM H. BROWN, III -----		
/s/ Robert J. Clanin ----- ROBERT J. CLANIN	Senior Vice President, Chief Financial Officer, Treasurer and Director Director	March 27, 1997

CARL KAYSEN

/s/ James P. Kelly

Chairman of the
Board, Chief
Executive Officer
and Director

March 27, 1997

JAMES P. KELLY

Director

GARY E. MACDOUGAL

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SIGNATURE

TITLE

DATE

/s/ Joseph R. Moderow

Senior Vice
President,
Secretary, General
Counsel and
Director

March 27, 1997

JOSEPH R. MODEROW

/s/ Kent C. Nelson

Director

March 27, 1997

KENT C. NELSON

Director

VICTOR A. PELSON

Director

JOHN W. ROGERS

/s/ Charles L. Schaffer

Senior Vice
President and
Director

March 27, 1997

CHARLES L. SCHAFFER

Director

ROBERT M. TEETER

/s/ Calvin E. Tyler, Jr.

Senior Vice
President and
Director

March 27, 1997

CALVIN E. TYLER, JR.

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UNITED PARCEL SERVICE OF AMERICA, INC.
AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND
FINANCIAL STATEMENT SCHEDULES

ITEM 8 -- FINANCIAL STATEMENTS

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Statements of consolidated cash flows	
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ITEM 14(A) (2) -- FINANCIAL STATEMENT SCHEDULES

All schedules are omitted because they are not applicable, or not required, or because the required information is included in the consolidated financial statements or notes thereto.

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareowners
United Parcel Service of America, Inc.
Atlanta, Georgia

We have audited the accompanying consolidated balance sheets of United Parcel Service of America, Inc., and its subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of income, shareowners' equity, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of United Parcel Service of America, Inc., and its subsidiaries at December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

DELOITTE AND TOUCHE LLP

UNITED PARCEL SERVICE OF AMERICA, INC., AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1996 AND 1995
(IN MILLIONS EXCEPT SHARE AMOUNTS)

<TABLE>
<CAPTION>

	1996	1995
	-----	-----
<S>	<C>	<C>
ASSETS		
Current Assets:		
Cash and short-term investments.....	\$ 392	\$ 211
Accounts receivable.....	2,341	1,925
Prepaid employee benefit costs.....	401	285
Materials, supplies and other prepaid expenses.....	581	393
Common stock held for stock plans.....	540	413
	-----	-----
Total Current Assets.....	4,255	3,227
	-----	-----
Property, Plant and Equipment:		
Vehicles.....	3,427	3,141
Aircraft (including aircraft under capitalized leases).....	5,651	4,634
Land.....	647	635
Buildings.....	1,415	1,399
Leasehold improvements.....	1,668	1,551
Plant equipment.....	3,670	3,160
Construction-in-progress.....	530	538
	-----	-----
	17,008	15,058
Less accumulated depreciation and amortization.....	6,778	6,060
	-----	-----
	10,230	8,998
Other Assets.....	469	420
	-----	-----
	\$14,954	\$12,645
	=====	=====
LIABILITIES AND SHAREOWNERS' EQUITY		
Current Liabilities:		
Accounts payable.....	\$ 1,155	\$ 1,137
Accrued wages and withholdings.....	1,201	1,127
Dividends payable.....	194	178
Deferred income taxes.....	149	87
Other current liabilities.....	459	437
	-----	-----
Total Current Liabilities.....	3,158	2,966
	-----	-----
Long-Term Debt (including capitalized lease obligations).....	2,573	1,729
	-----	-----
Accumulated Postretirement Benefit Obligation, Net.....	841	763
	-----	-----
Deferred Taxes, Credits and Other Liabilities.....	2,481	2,036

Shareowners' Equity:		
Preferred stock, no par value, authorized 200,000,000 shares, none issued.....	--	--
Common stock, par value \$.10 per share, authorized 900,000,000 shares, issued 570,000,000, net of 10,000,000 in treasury.....	57	57
Additional paid-in capital.....	95	76
Retained earnings.....	5,728	4,961
Cumulative foreign currency adjustments.....	21	57
	-----	-----
	5,901	5,151
	-----	-----
	\$14,954	\$12,645
	=====	=====
Shareowners' Equity Per Share.....	\$ 10.35	\$ 9.04
	=====	=====

</TABLE>

See notes to consolidated financial statements.

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UNITED PARCEL SERVICE OF AMERICA, INC., AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED INCOME
YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994
(IN MILLIONS EXCEPT PER SHARE AMOUNTS)

<TABLE>

<CAPTION>

	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
Revenue.....	\$22,368	\$21,045	\$19,576
	-----	-----	-----
Operating Expenses:			
Compensation and benefits.....	13,305	12,401	11,727
Other.....	7,034	6,478	6,293
Restructuring charge.....	--	372	--
	-----	-----	-----
	20,339	19,251	18,020
	-----	-----	-----
Operating profit.....	2,029	1,794	1,556
	-----	-----	-----
Other Income and (Expense):			
Interest income.....	39	26	13
Interest expense.....	(95)	(77)	(29)
Miscellaneous, net.....	(63)	(35)	35
	-----	-----	-----
	(119)	(86)	19
	-----	-----	-----
Income Before Income Taxes.....	1,910	1,708	1,575
Income Taxes.....	764	665	632
	-----	-----	-----
Net Income.....	\$ 1,146	\$ 1,043	\$ 943
	=====	=====	=====
Net Income Per Share.....	\$ 2.01	\$ 1.83	\$ 1.63

</TABLE>

See notes to consolidated financial statements.

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UNITED PARCEL SERVICE OF AMERICA, INC., AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED SHAREOWNERS' EQUITY
 YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994
 (IN MILLIONS EXCEPT PER SHARE AMOUNTS)

<TABLE>
 <CAPTION>

	COMMON STOCK SHARES	STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	CUMULATIVE FOREIGN CURRENCY ADJUSTMENTS	TOTAL SHAREOWNERS' EQUITY
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, January 1, 1994.....	580	\$58	\$ 264	\$3,644	\$ (22)	\$3,944
Net income.....	--	--	--	943	--	943
Dividends (\$.55 per share).....	--	--	--	(310)	--	(310)
Gain on issuance of common stock held for stock plans.....	--	--	37	--	--	37
Exercise of stock options.....	--	--	(6)	--	--	(6)
Foreign currency adjustments.....	--	--	--	--	39	39
Balance, December 31, 1994.....	580	58	295	4,277	17	4,647
Net income.....	--	--	--	1,043	--	1,043
Dividends (\$.64 per share).....	--	--	--	(359)	--	(359)
Gain on issuance of common stock held for stock plans.....	--	--	27	--	--	27
Exercise of stock options.....	--	--	(9)	--	--	(9)
Foreign currency adjustments.....	--	--	--	--	40	40
Reclassification of common stock.....	(10)	(1)	(237)	--	--	(238)
Balance, December 31, 1995.....	570	57	76	4,961	57	5,151
Net income.....	--	--	--	1,146	--	1,146
Dividends (\$.68 per share).....	--	--	--	(379)	--	(379)
Gain on issuance of common stock held for stock plans.....	--	--	33	--	--	33
Exercise of stock op-						

tions.....	--	--	(14)	--	--	(14)
Foreign currency adjust- ments.....	--	--	--	--	(36)	(36)
	---	---	----	-----	-----	-----
Balance, December 31, 1996.....	570	\$57	\$ 95	\$5,728	\$ 21	\$5,901
	===	===	=====	=====	=====	=====

</TABLE>

See notes to consolidated financial statements.

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UNITED PARCEL SERVICE OF AMERICA, INC., AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED CASH FLOWS
YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994
(IN MILLIONS)

<TABLE>

<CAPTION>

	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income.....	\$ 1,146	\$ 1,043	\$ 943
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization.....	936	866	786
Postretirement benefits.....	78	59	70
Deferred taxes, credits and other.....	488	28	79
Non-cash restructuring charge.....	--	338	--
Changes in assets and liabilities:			
Accounts receivable.....	(416)	(332)	(433)
Prepaid employee benefit costs.....	(116)	(57)	(223)
Materials, supplies and prepaid expenses.....	(196)	(40)	(6)
Common stock held for stock plans.....	(127)	(64)	(66)
Accounts payable.....	18	55	353
Accrued wages and withholdings.....	74	46	162
Dividends payable.....	16	8	29
Other current liabilities.....	4	3	(78)
	-----	-----	-----
Net cash from operating activities.....	1,905	1,953	1,616
	-----	-----	-----
Cash flows from investing activities:			
Capital expenditures.....	(2,333)	(2,096)	(1,789)
Disposals of property, plant and equipment.....	155	76	112
Other asset receipts (payments).....	(60)	(25)	42
	-----	-----	-----
Net cash (used in) investing activities.....	(2,238)	(2,045)	(1,635)
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from borrowings.....	1,345	875	322
Repayment of borrowings.....	(484)	(273)	(51)
Reclassification of common stock.....	--	(238)	--
Dividends paid.....	(379)	(359)	(310)
Other transactions.....	19	18	30
	-----	-----	-----

Net cash from (used in) financing activities....	501	23	(9)
	-----	-----	-----
Effect of exchange rate changes on cash.....	13	19	8
	-----	-----	-----
Net increase (decrease) in cash and short-term in- vestments.....	181	(50)	(20)
Cash and short-term investments:			
Beginning of year.....	211	261	281
	-----	-----	-----
End of year.....	\$ 392	\$ 211	\$ 261
	=====	=====	=====
Cash paid during the period for:			
Interest, net of amount capitalized.....	\$ 50	\$ 49	\$ 39
	=====	=====	=====
Income taxes.....	\$ 484	\$ 718	\$ 662
	=====	=====	=====

</TABLE>

See notes to consolidated financial statements.

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UNITED PARCEL SERVICE OF AMERICA, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

1. SUMMARY OF ACCOUNTING POLICIES

Basis of Financial Statements and Business Activities

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

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

UPS concentrates its operations in the field of transportation services, primarily domestic and international package delivery. Revenue is recognized upon delivery of a package.

Cash Equivalents

Cash equivalents (short-term investments) consist of highly liquid investments which are readily convertible into cash. The carrying amount approximates fair value because of the short-term maturity of these instruments.

Common Stock Held for Stock Plans

UPS accounts for its common stock held for awards and distributions under various UPS stock and benefit plans as a current asset. Common stock held in

excess of current requirements is accounted for as a reduction in Shareowners' Equity.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation (including amortization) is provided by the straight-line method over the estimated useful lives of the assets, which are as follows: Vehicles -- 9 years; Aircraft -- 12 to 20 years; Buildings -- 20 to 40 years; Leasehold Improvements -- lives of leases; Plant Equipment -- 5 to 8 1/3 years.

Costs in Excess of Net Assets Acquired

Costs in excess of net assets acquired are amortized over a 10-year period using the straight-line method.

Income Taxes

Income taxes are accounted for under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("FAS 109"). FAS 109 is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, FAS 109 generally considers all expected future events other than enactments of changes in the tax law or rates. The benefit of investment tax credits from the investment in leveraged leases is amortized over the life of the lease.

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UNITED PARCEL SERVICE OF AMERICA, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED) YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

Capitalized Interest

Interest incurred during the construction period of certain property, plant and equipment is capitalized until the underlying assets are placed in service, at which time amortization of the capitalized interest begins, straight-line, over the estimated useful lives of the related assets. Capitalized interest was \$53, \$49 and \$45 million for 1996, 1995 and 1994, respectively.

Derivative Instruments

UPS has entered into interest rate swap agreements, a cross-currency interest exchange agreement and forward currency contracts. All of these agreements relate to the Company's long-term debt and have been entered into for the purposes of reducing UPS's borrowing costs and to protect UPS against adverse changes in foreign currency exchange rates. Any periodic settlement payments are accrued monthly, as either a charge or credit to expense, and are not material to net income. Based on estimates provided by third party investment bankers, the fair value of these agreements is not material to the Company's financial statements.

The Company also purchases options to reduce the impact of changes in foreign currency rates on its foreign currency purchases and to moderate the

impact of major increases in the cost of crude oil on fuel expense. The options are adjusted to fair value at period end based on market quotes and are not material to the Company's financial statements.

UPS is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreements. However, UPS does not anticipate nonperformance by the counterparties. UPS is exposed to market risk based upon changes in interest rates, foreign currency exchange rates and crude oil prices.

Stock Option Plans

UPS has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related Interpretations in accounting for its employee stock options. Under APB 25, compensation expense is generally not recognized when both the exercise price is the same as the market price and the number of shares to be issued is set on the date the employee stock option is granted. Since UPS employee stock options are granted on this basis, the Company does not recognize compensation expense for grants under its plans.

Changes in Presentation

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

2. LONG-TERM DEBT AND COMMITMENTS

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

<TABLE>

<CAPTION>

	1996	1995
	-----	-----
<S>	<C>	<C>
8.375% debentures, due April 1, 2020 (i).....	\$ 700	\$ 700
Commercial paper (ii).....	1,071	858
Industrial development bonds, Philadelphia Airport facilities, due December 1, 2015 (iii).....	100	100
Capitalized lease obligations (iv).....	286	--
5.5% Eurobond notes, due January 4, 1999.....	200	--
3.25% 200 million Swiss Franc notes, due October 22, 1999.....	166	--
Installment notes, mortgages and bonds at various rates from 3.0% to 9.3%.....	68	72
	-----	-----
	2,591	1,730
Less current maturities.....	(18)	(1)
	-----	-----
	\$2,573	\$1,729
	=====	=====

</TABLE>

(i) The debentures are not subject to redemption prior to maturity and are not subject to sinking fund requirements. Interest is payable semi-annually on the first of April and October.

(ii) The weighted average interest rate on the commercial paper outstanding as of December 31, 1996 and 1995, was 5.6% and 5.7%, respectively. The commercial paper has been classified as long-term debt in accordance with the Company's intention and ability to refinance such obligations on a long-term basis. However, the amount of commercial paper outstanding in 1997 is expected to fluctuate. UPS is authorized to borrow up to \$1.5 billion under this commercial paper program as of December 31, 1996.

(iii) The industrial development bonds bear interest at either a daily, variable or fixed rate. The average interest rates for 1996 and 1995 were 3.3% and 3.7%, respectively.

(iv) During 1996, UPS entered into capitalized lease obligations for certain aircraft which are included in Property, Plant and Equipment at December 31, 1996 as follows (in millions):

<TABLE>

<S>	<C>
Aircraft.....	\$287
Accumulated amortization.....	(2)

	\$285
	=====

</TABLE>

The aggregate annual principal payments for the next five years, excluding commercial paper and capitalized leases, are (in millions): 1997 -- \$5; 1998 -- \$5; 1999 -- \$371; 2000 -- \$3; and 2001 -- \$3.

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 is approximately \$2.661 billion as of December 31, 1996.

UPS leases certain aircraft, facilities, equipment and vehicles, under operating leases which expire at various dates through 2035. Total aggregate minimum lease payments under capitalized leases and under operating leases are as follows (in millions):

<TABLE>
<CAPTION>

YEAR	CAPITALIZED LEASES	OPERATING LEASES
----	-----	-----
<S>	<C>	<C>
1997.....	\$ 26	\$ 235
1998.....	28	172
1999.....	28	128
2000.....	28	102
2001.....	28	87
After 2001.....	288	644
	-----	-----
Total minimum lease payments.....	426	\$1,368
		=====
Less imputed interest.....	(140)	

Present value of minimum capitalized lease payments.....	286
Less current portion.....	(13)
Long-term capitalized lease obligations.....	\$ 273

</TABLE>

As of December 31, 1996, UPS has outstanding letters of credit totaling approximately \$933 million issued in connection with routine business requirements.

At December 31, 1996, UPS has commitments outstanding for capital expenditures under purchase orders and contracts of approximately \$2.3 billion, of which approximately \$1.4 billion is expected to be spent in 1997.

UPS maintains two credit agreements with a consortium of banks which provide revolving credit facilities of \$1.25 billion each, with one expiring June 9, 1997 and the other June 8, 2001. At December 31, 1996, there were no outstanding borrowings under these facilities.

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UNITED PARCEL SERVICE OF AMERICA, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)
YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

In June 1996, UPS established a \$500 million European medium-term note program. Under this program, UPS may, from time to time, issue notes denominated in a variety of currencies. In addition, the Company filed a shelf registration in July 1996, which will enable UPS to issue notes up to \$300 million in the United States. There are no borrowings outstanding under either program at December 31, 1996. In February 1997, UPS issued \$165 million of 6.875% Pound Sterling notes which are due in February 2000.

3. COMMON STOCK PER SHARE DATA

Per share amounts related to income are based on 570,000,000 shares in 1996 and 1995 and 580,000,000 shares in 1994 and include Common Stock Held for Stock Plans.

4. LEGAL PROCEEDINGS

UPS is a defendant in various lawsuits which arose in the normal course of business. In the opinion of management, none of these cases are expected to have a material effect on the financial condition of UPS.

During the second quarter of 1995, the Company received a Notice of Deficiency from the United States Internal Revenue Service ("IRS") asserting that it is liable for additional tax for the 1983 and 1984 tax years. The Notice of Deficiency is based in large part on the theory that UPS is liable for tax on income of Overseas Partners Ltd., a Bermuda company, which has reinsured excess value package insurance purchased by UPS's customers from unrelated insurers. The deficiency sought by the IRS relating to package insurance is based on a number of inconsistent theories and ranges from \$8

million to \$35 million of tax, plus penalties and interest for 1984.

Agents for the IRS have also asserted in reports that UPS is liable for additional tax for the 1985 through 1987 tax years. The additional tax sought by the agents relating to package insurance for this period ranges from \$89 million to \$148 million, plus penalties and interest, and are based on the same theories included in the above described Notice of Deficiency.

In addition, the IRS and its agents have raised a number of other issues relating to the timing of deductions; the characterization of expenses as capital rather than ordinary; and UPS's entitlement to the Investment Tax Credit in the 1983 through 1987 tax years. These issues total \$32 million in tax for the 1983 and 1984 tax years and \$95 million in tax for the 1985 through 1987 tax years. Penalties and interest are in addition to these amounts. The majority of these adjustments would reverse in future years.

In August 1995, the Company filed a petition in Tax Court in opposition to the Notice of Deficiency related to the 1983 and 1984 tax years. The trial date is set for September 8, 1997. After consultation with tax legal experts, management believes there is no merit to any material issues raised by the IRS and that the eventual resolution of these matters will not have a material impact on the Company. The Company has appealed with the IRS all material issues related to the 1985 through 1987 tax years. The IRS may take positions similar to those in the reports described above for periods after 1987.

5. EMPLOYEE BENEFIT PLANS

UPS maintains several defined benefit plans (the "Plans"). The Plans are noncontributory and all employees who meet certain minimum age and years of service are eligible, except those covered by certain multi-employer plans provided for under collective bargaining agreements.

The Plans provide for retirement benefits based on either service credits or average compensation levels earned by employees prior to retirement. The Plans' assets consist primarily of publicly traded stocks and bonds. In addition, the Plans' assets include approximately 10.4 million and 8.6 million shares of UPS common stock at December 31, 1996 and 1995, respectively. The actual earnings on the Plans' assets were \$381, \$390 and

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UNITED PARCEL SERVICE OF AMERICA, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

\$94 million in 1996, 1995 and 1994, respectively. UPS's funding policy is consistent with relevant federal tax regulations. Accordingly, UPS contributes amounts deductible for federal income tax purposes.

Pension expense, consisting of various component parts, and certain assumptions used during the years ended December 31, are as follows (in millions):

<TABLE>

<CAPTION>

<S>

1996	1995	1994
----	----	----
<C>	<C>	<C>

Current year's earned benefit.....	\$117	\$ 92	\$127
Interest on projected benefit obligation.....	195	158	153
Expected earnings on pension plan assets.....	(202)	(189)	(164)
Amortization of unrecognized benefit obligation:			
Net obligation at transition date.....	4	4	4
Effect of plan benefit amendments.....	11	12	12
Net amortization of unrecognized investment gains and changes in actuarial assumptions and experience.....	2	(7)	4
	----	----	----
Provision for pension expense.....	\$127	\$ 70	\$136
	====	====	====

</TABLE>

Assumptions, reflecting weighted averages across all plans, are as follows:

<TABLE>

<CAPTION>

	1996	1995	1994
	----	----	----
<S>	<C>	<C>	<C>
Expected long-term rate of earnings on plan assets.....	9.5%	9.5%	9.5%
Weighted average discount rate.....	8.0%	7.75%	9.0%
Rate of increase in future compensation levels.....	4.0%	4.25%	4.25%

</TABLE>

The following schedule reconciles the funded status of the Plans as of September 30, with certain amounts included in the balance sheet as of December 31 (in millions):

<TABLE>

<CAPTION>

	PLAN WHOSE ACCUMULATED BENEFITS EXCEED ASSETS	PLANS WHOSE ASSETS EXCEED ACCUMULATED BENEFITS	
	1996	1996	1995
	----	----	----
<S>	<C>	<C>	<C>
Projected benefit obligation:			
Accumulated benefits computed using present salary levels:			
Vested.....	\$368	\$1,918	\$1,818
Nonvested.....	4	441	407
	----	-----	-----
	372	2,359	2,225
Additional benefits computed using projected salary levels.....	--	320	340
	----	-----	-----
Total projected benefit obligation.....	372	2,679	2,565
Pension plan assets.....	281	2,768	2,324
	----	-----	-----
Difference.....	(91)	89	(241)
Unrecognized net investment gains and changes in assumptions used to compute projected benefits.....	--	(217)	49
Unrecognized net benefit obligation at transition date.....	86	28	31
Unrecognized projected benefit obligation			

arising from amendments to the retirement plan.....	--	138	147
Post-September 30 contributions.....	5	--	--
	----	-----	-----
Prepaid (accrued) pension cost.....	\$ --	\$ 38	\$ (14)
	====	=====	=====

</TABLE>

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UNITED PARCEL SERVICE OF AMERICA, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

UPS also contributes to several multi-employer pension plans for which the above information is not determinable. Amounts charged to operations for contributions to these plans described above were \$651, \$574 and \$506 million during 1996, 1995 and 1994, respectively.

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

The accumulated postretirement benefit obligation at December 31, is detailed as follows (in millions):

<TABLE>

<CAPTION>

	1996	1995
	-----	-----
<S>	<C>	<C>
Accumulated postretirement benefit obligation:		
Retirees.....	\$ 450	\$ 453
Fully eligible active plan participants.....	70	69
Other active participants.....	576	522
	-----	-----
Plan assets at fair value.....	1,096	1,044
	-----	-----
Accumulated postretirement benefit obligation in excess of plan assets.....	237	203
Unrecognized net investment gains and changes in assumptions used to compute projected benefits.....	859	841
	(18)	(78)
	-----	-----
Accumulated postretirement benefit obligation, net.....	\$ 841	\$ 763
	=====	=====

</TABLE>

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

<TABLE>
<CAPTION>

	1996	1995	1994
	----	----	----
<S>	<C>	<C>	<C>
Service cost-benefits attributed to service during the period.....	\$ 37	\$ 37	\$ 45
Interest cost on accumulated postretirement benefit obligation.....	82	75	66
Expected earnings on plan assets.....	(18)	(16)	(12)
Amortization of unrecognized amounts.....	4	4	6
	----	----	----
Net periodic postretirement benefit cost.....	\$105	\$100	\$105
	====	====	====

</TABLE>

The significant assumptions used in determining postretirement benefit cost and the accumulated postretirement benefit obligation were as follows:

<TABLE>
<CAPTION>

	1996	1995	1994
	----	----	----
<S>	<C>	<C>	<C>
Expected long-term rate of return on plan assets.....	9.5%	9.5%	9.5%
Weighted average discount rate.....	8.0%	7.75%	9.0%

</TABLE>

Future benefit costs were forecasted assuming an initial annual increase of 8.25% for pre-65 medical costs and an increase of 7.25% for post-65 medical costs, decreasing to 6.25% for pre-65 and 5.25% for post-65 by the year 2000 and with consistent annual increases at those ultimate levels thereafter. A one percentage point

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UNITED PARCEL SERVICE OF AMERICA, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

increase in the annual trend rate would have increased the total accumulated postretirement benefit obligation at December 31, 1996, by \$99 million and the aggregate of the service and interest components of the net periodic postretirement benefit costs for 1996 by \$12 million.

Plan assets consist primarily of publicly traded stocks and bonds. The Trust holding the plan assets is not subject to income taxes. UPS's funding policy is consistent with relevant federal tax regulations. Accordingly, UPS contributes amounts deductible for federal income tax purposes.

UPS also contributes to several multi-employer health and welfare plans which cover both active and retired employees for which the above information is not determinable. Amounts charged to operations for contributions to health and welfare plans other than the plan described above were \$441, \$395 and \$356 million during 1996, 1995 and 1994, respectively.

As part of UPS's overall effort to lower operating expense, the Company implemented a program of voluntary early retirement and severance for certain,

primarily management, employees in 1995. As a result, UPS recognized net additional pension and postretirement costs of \$223 million and \$115 million, respectively. These costs resulted from the net increase in UPS's obligation for pension and postretirement benefits for certain employees participating in the program. Other costs associated with the program totaled \$34 million. The total cost for the program of \$372 million was recorded as a one-time restructuring charge against 1995 operations.

6. MANAGEMENT INCENTIVE PLANS

UPS maintains the UPS Managers Incentive Plan. Persons earning the right to receive awards are determined annually by either the Officer Compensation Committee or the Salary Committee of the UPS Board of Directors. Awards consist primarily of UPS common stock and cash equivalent to the tax withholdings on such awards. The total of all such awards is limited to 15% of consolidated income before income taxes for the 12-month period ending each September 30, exclusive of gains and losses from the sale of real estate and stock of subsidiaries and the effect of certain other nonrecurring transactions or accounting changes. Amounts charged to operations were \$324, \$277 and \$255 million during 1996, 1995 and 1994, respectively.

UPS maintains fixed stock option plans under which options are granted to purchase shares of UPS common stock at the current price of UPS shares as determined by the Board of Directors on the date of option grant. UPS applies APB Opinion 25 and related Interpretations in accounting for these plans. Accordingly, no compensation expense has been recorded for the grant of stock options during 1996, 1995 or 1994. Pro forma information regarding net income and earnings per share is required by Statement of Financial Accounting Standards No. 123 ("FAS 123") and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement. For purposes of pro forma disclosures, the estimated fair value of the options granted in 1996 and 1995 is amortized to expense over the options' vesting period. The pro forma information follows (in millions except for earnings per share information):

<TABLE>
<CAPTION>

		1996	1995
		-----	-----
<S>	<C>	<C>	<C>
Net income.....	As reported	\$1,146	\$1,043
	Pro forma	\$1,143	\$1,041
Earnings per share.....	As reported	\$ 2.01	\$ 1.83
	Pro forma	\$ 2.01	\$ 1.83

</TABLE>

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UNITED PARCEL SERVICE OF AMERICA, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED) YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

The fair value of each option grant is estimated on the date of grant using the minimum value method for nonpublic entities specified by FAS 123. The assumptions used, by year, are as follows:

<TABLE>

<CAPTION>

	1996	1995
	-----	-----
<S>	<C>	<C>
Semi-annual dividend per share.....	\$0.35	\$0.32
Risk-free interest rate.....	6.05%	6.98%
Expected life in years.....	5	5

Persons earning the right to receive stock options are determined each year by either the Officer Compensation Committee or Salary Committee of the UPS Board of Directors. Options covering a total of 30 million common shares may be granted during the five-year period ending in 2001 under the 1996 plan. No further options may be granted under the 1991 plan. Except in the case of death, disability or retirement, options are exercisable only during a limited period after the expiration of five years from the date of grant but are subject to earlier cancellation or exercise under certain conditions.

Following is an analysis of options for shares of common stock issued and outstanding:

<TABLE>
<CAPTION>

	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES (IN THOUSANDS)
	-----	-----
<S>	<C>	<C>
Outstanding at January 1, 1994.....	\$15.91	18,051
Exercised.....	\$13.38	(2,952)
Granted.....	\$21.25	4,057
Canceled.....	\$19.04	(227)

Outstanding at December 31, 1994.....	\$17.44	18,929
Exercised.....	\$14.50	(3,077)
Granted.....	\$23.75	3,916
Canceled.....	\$18.47	(435)

Outstanding at December 31, 1995.....	\$19.16	19,333
Exercised.....	\$15.25	(3,474)
Granted.....	\$27.00	3,322
Canceled.....	\$21.64	(225)

Outstanding at December 31, 1996.....	\$21.21	18,956
		=====

</TABLE>

The weighted average fair value of options granted during 1996 and 1995 was \$27.00 and \$23.75, respectively. No shares were exercisable at December 31, 1996. The following table summarizes information about stock options outstanding at December 31, 1996:

<TABLE>
<CAPTION>

NUMBER (IN THOUSANDS)	WEIGHTED AVERAGE REMAINING LIFE (IN YEARS)	WEIGHTED AVERAGE EXERCISE PRICE
-----	-----	-----
<S>	<C>	<C>
3,994	0.3	\$16.50

3,990	1.3	\$18.75
3,905	2.3	\$21.25
3,815	3.3	\$23.75
3,252	4.3	\$27.00

18,956	2.2	\$21.21
=====		

</TABLE>

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UNITED PARCEL SERVICE OF AMERICA, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (CONTINUED)
YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

7. INCOME TAXES

The provision for income taxes for the years ended December 31, consists of the following (in millions):

<TABLE>

<CAPTION>

	1996	1995	1994
	----	----	----
<S>	<C>	<C>	<C>
Current:			
Federal.....	\$333	\$656	\$494
State.....	71	67	96
	----	----	----
Total Current.....	404	723	590
	=====	=====	=====
Deferred:			
Federal.....	324	(49)	36
State.....	36	(9)	6
	----	----	----
Total Deferred.....	360	(58)	42
	----	----	----
Total.....	\$764	\$665	\$632
	=====	=====	=====

</TABLE>

Income before income taxes includes losses of foreign subsidiaries of \$160, \$98 and \$172 million for 1996, 1995 and 1994, respectively.

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

<TABLE>

<CAPTION>

	1996	1995	1994
	----	----	----
<S>	<C>	<C>	<C>
Statutory federal income tax rate.....	35.0%	35.0%	35.0%
State income taxes (net of federal benefit).....	3.8	2.6	4.3
Other.....	1.2	1.3	0.8
	----	----	----
Effective income tax rate.....	40.0%	38.9%	40.1%

</TABLE>

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

<TABLE>
<CAPTION>

	1996	1995
	-----	-----
	<C>	<C>
Excess of tax over book depreciation.....	\$1,483	\$1,300
Leveraged leases.....	111	179
Pension plans.....	302	87
Prepaid health & welfare.....	127	92
Other.....	371	308
	-----	-----
Gross deferred tax liabilities.....	2,394	1,966
	-----	-----
Other postretirement benefits.....	342	319
Loss carryforwards (international).....	365	323
Insurance reserves.....	107	90
Other.....	72	63
	-----	-----
Gross deferred tax assets.....	886	795
Deferred tax assets valuation allowance.....	(365)	(323)
	-----	-----
Net deferred tax assets.....	521	472
	-----	-----
Net deferred tax liability.....	\$1,873	\$1,494
	=====	=====

</TABLE>

The valuation allowance increased approximately \$42 and \$60 million during the years ended December 31, 1996 and 1995, respectively.

UNITED PARCEL SERVICE OF AMERICA, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)
YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

UPS has international loss carryforwards of approximately \$801 million as of December 31, 1996. Of this amount, \$431 million expires in varying amounts through 2006. The remaining \$370 million may be carried forward indefinitely. These international loss carryforwards have been fully reserved in the deferred tax assets valuation allowance due to the uncertainty resulting from a lack of previous international taxable income. In addition, a portion of these losses have been deducted on the U.S. tax return, which could affect the amount of any future benefit.

8. DEFERRED TAXES, CREDITS AND OTHER LIABILITIES

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

<TABLE>

<CAPTION>

	1996	1995
	-----	-----
<S>	<C>	<C>
Deferred federal and state income taxes.....	\$1,727	\$1,412
Insurance reserves.....	497	326
Other credits and noncurrent liabilities.....	257	298
	-----	-----
	\$2,481	\$2,036
	=====	=====

</TABLE>

9. OTHER OPERATING EXPENSES

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

<TABLE>
<CAPTION>

	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
Repairs and maintenance.....	\$ 823	\$ 809	\$ 812
Depreciation and amortization.....	936	866	786
Purchased transportation.....	1,306	1,144	1,206
Fuel.....	685	621	564
Other occupancy expense.....	388	359	361
Other expenses.....	2,896	2,679	2,564
	-----	-----	-----
	\$7,034	\$6,478	\$6,293
	=====	=====	=====

</TABLE>

UNITED PARCEL SERVICE OF AMERICA, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)
YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

10. SEGMENT AND GEOGRAPHIC INFORMATION

UPS operates primarily in one industry segment, transportation services, which is comprised principally of domestic and international package delivery. Information about operations in different geographic segments for the years ended December 31, is shown below (in millions):

<TABLE>
<CAPTION>

	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
Domestic:			
Revenue.....	\$19,376	\$18,243	\$17,298
Income before income taxes.....	\$ 2,111	\$ 1,920	\$ 1,902
Identifiable assets.....	\$13,191	\$11,157	\$ 9,902
Foreign:			
Revenue.....	\$ 2,992	\$ 2,802	\$ 2,278

Loss before income taxes.....	\$ (201)	\$ (212)	\$ (327)
Identifiable assets.....	\$ 1,763	\$ 1,488	\$ 1,280
Consolidated:			
Revenue.....	\$22,368	\$21,045	\$19,576
Income before income taxes.....	\$ 1,910	\$ 1,708	\$ 1,575
Identifiable assets.....	\$14,954	\$12,645	\$11,182

Foreign operations include shipments which either originate in or are destined to foreign (non-U.S.) locations. Foreign revenues attributable to shipments which originated in the U.S. totaled \$750, \$616 and \$496 million in 1996, 1995 and 1994, respectively.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

EXHIBITS

TO

FORM 10-K
ANNUAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 1996

UNITED PARCEL SERVICE
OF AMERICA, INC.

EXHIBIT INDEX

<TABLE>

<C> <S> <C> <C>

(3) ARTICLES OF
INCORPORATION AND BY-
LAWS

(a) Restated Certificate of Incorporation of UPS. Incorporated by Reference to Exhibit 4(iv) to Form S-8 Registration Statement (No. 33-19622).

(b) By-laws of UPS, as amended through December 19, 1995. Incorporated by Reference to Current Report on Form 8-K (Date of Earliest Event Reported December 19, 1995), filed December 21, 1995.

(4) INSTRUMENTS
DEFINING THE
RIGHTS OF SECURITY
HOLDERS, INCLUDING
INDENTURES

- (a) Specimen Certificate of Capital Stock of UPS. Incorporated by Reference to Exhibit 3(a) to Form 10, as filed April 29, 1970.
- (b) UPS Managers Stock Trust Agreement, as amended and restated. Incorporated by Reference to Exhibit 4(b) to Post-Effective Amendment No. 1 to Registration Statement on Form S-3 (No. 33-54297).
- (c) Specimen Certificate of 8 3/8% Debentures due April 1, 2020. Incorporated by Reference to Exhibit 4(c) to Registration Statement No. 33-32481, filed December 7, 1989.
- (d) 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.
- (e) UPS Employees Stock Trust Agreement. Incorporated by Reference to Exhibit 4(iv) to Registration Statement on Form S-8 (No. 33-62169) as filed August 28, 1995.
- (f) Specimen Certificate of \$200,000,000 of 5.5% Eurobond Notes due January 4, 1999. Available to the Commission upon request.
- (g) Indenture relating to \$200,000,000 of 5.5% Eurobond Notes due January 4, 1999. Available to the Commission upon request.
- (h) Specimen Certificate of \$166,000,000 of 3.25% Swiss Franc Notes due October 22, 1999. Available to the Commission upon request.
- (i) Indenture Available to the Commission upon request.

relating to \$166,000,000 of 3.25% Swiss Franc Notes due October 22, 1999.	request.
(j) Specimen Certificate of Sterling 100 million of 6.875% Notes due 2000.	Available to the Commission upon request.
(k) Indenture relating to Sterling 100 million of 6.875% Note due 2000.	Available to the Commission upon request.
(l) Specimen Certificate of \$500,000,000 of Temporary and Permanent Global Notes in connection with the European medium term note program.	Available to the Commission upon request.
(m) Indenture relating to the \$500,000,000 European Medium term note program.	Available to the Commission upon request.

</TABLE>

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<TABLE>

<S> <C> <C>

<C>

(10) MATERIAL CONTRACTS

(a) UPS Thrift Plan, as Amended and Restated
January 1, 1976, including Amendments
Nos. 1 and 2.

(1) Amendment No. 3 to the UPS Thrift
Plan.

Incorporated by Reference to Exhibit
20(b) to 1980 Annual Report on Form 10-
K.

(2) Amendment No. 4 to the UPS Thrift
Plan.

Incorporated by Reference to Exhibit
20(b) to 1981 Annual Report on Form 10-
K.

(3) Amendment No. 5 to the UPS Thrift
Plan.

Incorporated by Reference to Exhibit
19(b) to 1983 Annual Report on Form 10-
K.

(4) Amendment No. 6 to the UPS Thrift Plan.	Incorporated by Reference to Exhibit 10(a)(4) to 1985 Annual Report on Form 10-K.
(5) Amendment No. 7 to the UPS Thrift Plan.	Incorporated by Reference to Exhibit 10(a)(5) to 1985 Annual Report on Form 10-K.
(6) Amendment No. 8 to the UPS Thrift Plan.	Incorporated by Reference to Exhibit 10(a)(6) to 1987 Annual Report on Form 10-K.
(7) Amendment No. 9 to the UPS Thrift Plan.	Incorporated by Reference to Exhibit 10(a)(7) to 1987 Annual Report on Form 10-K.
(8) Amendment No. 10 to the UPS Thrift Plan.	Incorporated by Reference to Exhibit 10(a)(8) to 1990 Annual Report on Form 10-K.
(9) Amendment No. 11 to the UPS Thrift Plan.	Incorporated by Reference to Exhibit 10(a)(9) to 1991 Annual Report on Form 10-K.
(10) Amendment No. 12 to the UPS Thrift Plan.	Incorporated by Reference to Exhibit 10(a)(10) to 1991 Annual Report on Form 10-K.
(11) Amendment No. 13 to the UPS Thrift Plan.	Incorporated by Reference to Exhibit 10(a)(11) to 1991 Annual Report on Form 10-K.
(12) Amendment No. 14 to the UPS Thrift Plan.	Incorporated by Reference to Exhibit 10(a)(12) to 1991 Annual Report on Form 10-K.
(13) Amendment No. 15 to the UPS Thrift Plan.	Incorporated by Reference to Exhibit 10(a)(13) to 1992 Annual Report on Form 10-K.
(14) Amendment No. 16 to the UPS Thrift Plan.	Incorporated by Reference to Exhibit 10(a)(14) to 1993 Annual Report on Form 10-K.
(15) Amendment No. 17 to the UPS Thrift Plan.	Incorporated by Reference to Exhibit 10(a)(15) to 1993 Annual Report on Form 10-K.
(16) Amendment No. 18 to the UPS Thrift Plan.	Incorporated by Reference to Exhibit 10(a)(16) to 1994 Annual Report on Form 10-K.
(17) Amendment No. 19 to the UPS Thrift Plan.	Incorporated by Reference to Exhibit 10(a)(17) to 1994 Annual Report on Form 10-K.
(18) Amendment No. 20 to the UPS Thrift Plan.	Incorporated by Reference to Exhibit 10(a)(18) to the 1995 Annual Report on Form 10-K.
(19) Amendment No. 21 to the UPS Thrift Plan.	Incorporated by Reference to Exhibit 10(a)(19) to the 1995 Annual Report on Form 10-K.
(20) Amendment No. 22 to the UPS Thrift Plan.	Filed herewith as Exhibit 10(a)(20).
(21) Amendment No. 23 to the UPS Thrift Plan.	Filed herewith as Exhibit 10(a)(21).

</TABLE>

<TABLE>

<S> <C> <C>

<C>

- | | |
|---|--|
| (b) UPS Retirement Plan (including amendments 1 through 4). | Incorporated by Reference to Exhibit 9 to 1979 Annual Report on Form 10-K. |
| (1) Amendment No. 5 to the UPS Retirement Plan. | Incorporated by Reference to Exhibit 20(a) to 1980 Annual Report on Form 10-K. |
| (2) Amendment No. 6 to the UPS Retirement Plan. | Incorporated by Reference to Exhibit 19(a) to 1983 Annual Report on Form 10-K. |
| (3) Amendment No. 7 to the UPS Retirement Plan. | Incorporated by Reference to Exhibit 10(b) (3) to 1984 Annual Report on Form 10-K. |
| (4) Amendment No. 8 to the UPS Retirement Plan. | Incorporated by Reference to Exhibit 10(b) (4) to 1985 Annual Report on Form 10-K. |
| (5) Amendment No. 9 to the UPS Retirement Plan. | Incorporated by Reference to Exhibit 10(b) (5) to 1985 Annual Report on Form 10-K. |
| (6) Amendment No. 10 to the UPS Retirement Plan. | Incorporated by Reference to Exhibit 19(a) to 1988 Annual Report on Form 10-K. |
| (7) Amendment No. 11 to the UPS Retirement Plan. | Incorporated by Reference to Exhibit 19(b) to 1988 Annual Report on Form 10-K. |
| (8) Amendment No. 12 to the UPS Retirement Plan. | Incorporated by Reference to Exhibit 10(b) (8) to 1989 Annual Report on Form 10-K. |
| (9) Amendment No. 13 to the UPS Retirement Plan. | Incorporated by Reference to Exhibit 10(b) (9) to 1989 Annual Report on Form 10-K. |
| (10) Amendment No. 14 to the UPS Retirement Plan. | Incorporated by Reference to Exhibit 10(b) (10) to 1990 Annual Report on Form 10-K. |
| (11) Amendment No. 15 to the UPS Retirement Plan. | Incorporated by Reference to Exhibit 10(b) (11) to 1992 Annual Report on Form 10-K. |
| (12) Amendment No. 16 to the UPS Retirement Plan. | Incorporated by Reference to Exhibit 10(b) (12) to 1994 Annual Report on Form 10-K. |
| (13) Amendment No. 17 to the UPS Retirement Plan. | Incorporated by Reference to Exhibit 10(b) (13) to 1994 Annual Report on Form 10-K. |
| (14) Amendment No. 18 to the UPS Retirement Plan. | Incorporated by Reference to Exhibit 10(b) (14) to the 1995 Annual Report on Form 10-K. |
| (15) Amendment No. 19 to the UPS Retirement Plan. | Incorporated by Reference to Exhibit 10(b) (15) to the 1995 Annual Report on Form 10-K. |
| (16) Amendment No. 20 to the UPS Retirement Plan. | Incorporated by Reference to Exhibit 10(b) (16) to the 1995 Annual Report on Form 10-K. |
| (17) Amendment No. 21 to the UPS Retirement Plan. | Filed herewith as Exhibit 10(b) (17) |
| (c) UPS Managers Incentive Plan (as amended). | Incorporated by Reference to Registration Statement No. 333-20319, as filed on January 24, 1997. |
| (d) Indemnification Contracts or Arrangements. | Incorporated by Reference to Item 8 of Form 10, as filed April 29, 1970. |

</TABLE>

<TABLE>

<C> <S>	<C>	<C>
(e) Agreement of Sale between Delaware County Industrial Development Authority and Penallen Corporation, dated as of December 1, 1985; Remarketing Agreement, dated as of December 1, 1985, among United Parcel Service of America, Inc., Penallen Corporation and Salomon Brothers Inc.; Guarantee Agreement, dated as of December 1, 1985, between United Parcel Service of America, Inc. and Irving Trust Company; Guarantee by United Parcel Service of America, Inc. to Delaware County Industrial Development Authority, dated as of December 1,	Incorporated by Reference to Exhibit 10(m) to 1985 Annual Report on Form 10-K.	

1985.

- (f) Receivables Incorporated by Reference to Exhibit
Purchase and 10(1) to 1987 Annual Report on Form 10-
Sale K.
Agreement,
dated as of
November 24,
1987, among
United
Parcel
Service,
Inc., an
Ohio
corporation,
United
Parcel
Service,
Inc., a New
York
corporation,
United
Parcel
Service of
America,
Inc.,
Cooperative
Receivables
Corporation
and Citicorp
North
America,
Inc.
- (g) Receivables Incorporated by Reference to Exhibit
Purchase and 10(m) to 1987 Annual Report on Form 10-
Sale K.
Agreement,
dated as of
November 24,
1987, among
United
Parcel
Service,
Inc., an
Ohio
corporation,
United
Parcel
Service,
Inc., a New
York
corporation,
United
Parcel
Service of
America,
Inc.,
Citibank,
N.A., and

Citicorp
North
America,
Inc.

- (h) Membership Agreement, dated as of November 24, 1987, by and between Cooperative Receivables Corporation and United Parcel Service of America, Inc. Incorporated by Reference to Exhibit 10(n) to 1987 Annual Report on Form 10-K.
- (i) Amended and Restated Facility Lease Agreement, dated as of November 6, 1990, among Overseas Partners Leasing, Inc., United Parcel Service General Services Co. and United Parcel Service of America, Inc. Incorporated by Reference to Exhibit 10(r) to 1990 Annual Report on Form 10-K.
- (j) Amended and Restated Facility Lease Agreement, dated as of November 6, 1990, among Overseas Partners Leasing, Inc., United Parcel Service Co. and United Parcel Service of America, Inc. Incorporated by Reference to Exhibit 10(s) to 1990 Annual Report on Form 10-K.
- (k) Agreement of Incorporated by Reference to Exhibit

Sale, dated 10(t) to 1989 Annual Report on Form 10-
as of K.
December 28,
1989,
between
Edison
Corporation
and Overseas
Partners
Leasing,
Inc.

- (l) Assignment Incorporated by Reference to Exhibit
and 10(u) to 1989 Annual Report on Form 10-
Assumption K.
Agreement,
dated as of
December 28,
1989,
between and
among Edison
Corporation,
Overseas
Partners
Leasing,
Inc.,
McBride
Enterprises,
Inc. and
Ramapo
Ridge-
McBride
Office Park.
- (m) UPS Deferred Incorporated by Reference to Exhibit
Compensation 10(v) to 1990 Annual Report on Form 10-
Plan for K.
Non-Employee
Directors.

</TABLE>

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<TABLE>

<S> <C> <C>

- | | |
|--|---|
| (n) UPS Retirement Plan for Outside Directors. | <C>
Incorporated by Reference to Exhibit 10(w) to 1990 Annual Report on Form 10-K. |
| (o) UPS Savings Plan, as Amended and Restated, including Amendments No. 1-5. | Incorporated by Reference to Exhibit 10(x) to 1990 Annual Report on Form 10-K. |
| (1) Amendment No. 6 to the UPS Savings Plan. | Incorporated by Reference to Exhibit 10(x) (1) to 1990 Annual Report on Form 10-K. |
| (2) Amendment No. 7 to the UPS Savings Plan. | Incorporated by Reference to Exhibit 10(x) (2) to 1991 Annual Report on Form 10-K. |
| (3) Amendment No. 8 to the UPS Savings Plan. | Incorporated by Reference to Exhibit 10(x) (3) to 1992 Annual Report on Form 10-K. |

(4) Amendment No. 9 to the UPS Savings Plan.	Incorporated by Reference to Exhibit 10(x)(4) to 1992 Annual Report on Form 10-K.
(5) Amendment No. 10 to the UPS Savings Plan.	Incorporated by Reference to Exhibit 10(x)(5) to 1992 Annual Report on Form 10-K.
(6) Amendment No. 11 to the UPS Savings Plan.	Incorporated by Reference to Exhibit 10(x)(6) to 1994 Annual Report on Form 10-K.
(7) Amendment No. 12 to the UPS Savings Plan.	Incorporated by Reference to Exhibit 10(x)(7) to 1994 Annual Report on Form 10-K.
(8) Amendment No. 13 to the UPS Savings Plan.	Incorporated by Reference to Exhibit 10(x)(8) to 1994 Annual Report on Form 10-K.
(9) Amendment No. 14 to the UPS Savings Plan.	Incorporated by Reference to Exhibit 10(x)(9) to 1994 Annual Report on Form 10-K.
(10) Amendment No. 15 to the UPS Savings Plan.	Incorporated by Reference to Exhibit 10(x)(10) to 1994 Annual Report on Form 10-K.
(11) Restatement Amendment No. 1 to the UPS Savings Plan.	Incorporated by Reference to Exhibit 10(x)(11) to the 1995 Annual Report on Form 10-K.
(12) Restatement Amendment No. 2 to the UPS Savings Plan.	Incorporated by Reference to Exhibit 10(x)(12) to the 1995 Annual Report on Form 10-K.
(13) Restatement Amendment No. 3 to the UPS Savings Plan.	Filed herewith as Exhibit 10(o)(13).
(14) Restatement Amendment No. 4 to the UPS Savings Plan.	Filed herewith as Exhibit 10(o)(14).
(15) Restatement Amendment No. 5 to the UPS Savings Plan.	Filed herewith as Exhibit 10(o)(15).
(p) Credit Agreement (364-Day Facility) dated June 10, 1996 among United Parcel Service of America, Inc., the initial lenders named therein, NationsBank of Georgia, N.A., as Agent, and Citibank, N.A., as Agent.	Incorporated by Reference to Exhibit 10(a) to Quarterly Report on Form 10-Q for the Quarter Ended June 30, 1996.
(q) Credit Agreement (Five-Year Facility) dated June 10, 1996 among United Parcel Service of America, Inc., the initial lenders named therein, NationsBank of Georgia, N.A., as Agent, and Citibank, N.A., as Agent.	Incorporated by Reference to Exhibit 10(b) to the Quarterly Report on Form 10-Q for the Quarter ended June 30, 1996.
(r) UPS 1991 Stock Option Plan (Amended and Restated as of February 20, 1992).	Incorporated by Reference to Exhibit 10(z) to 1991 Annual Report on Form 10-K.

</TABLE>

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<TABLE>

<S> <C> <C>

(s) UPS Coordinating Benefit Plan.

<C>

Incorporated by Reference to Exhibit 10(aa) to 1991 Annual Report on Form 10 K.

(1) Amendment No. 1 to UPS Coordinating

Incorporated by Reference to Exhibit

Benefit Plan.	10(aa)(1) to 1992 Annual Report on Form 10 K.
(2) Amendment No. 2 to UPS Coordinating Benefit Plan.	Incorporated by Reference to Exhibit 10(aa)(2) to 1992 Annual Report on Form 10 K.
(t) Employees Stock Purchase Plan, as amended.	Incorporated by Reference to Exhibit 10(e) to Quarterly Report on Form 10-Q for the Quarter Ended September 30, 1995.
(u) UPS 1996 Stock Option Plan, as amended and restated.	Filed herewith as Exhibit 10(u).
(21) SUBSIDIARIES OF THE REGISTRANT.	Filed herewith as Exhibit 21.
(23) CONSENT OF DELOITTE & TOUCHE LLP.	Filed herewith as Exhibit 23.
(27) FINANCIAL DATA SCHEDULE	Filed with EDGAR version of this 1996 Annual Report on Form 10-K.

</TABLE>

AMENDMENT NO. 22

TO

THE UPS THRIFT PLAN

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

WHEREAS, the Plan has been restated to incorporate Amendments No. 1 through 19, and has been submitted to the Internal Revenue Service on March 31, 1995, for purposes of receiving a favorable determination letter that considers the requirements of the Tax Reform Act of 1986, and the regulations promulgated thereunder; and

WHEREAS, pursuant to the request of the Internal Revenue Service, it is proposed to incorporate language that comports with the requirements of Internal Revenue Code Section 401(m)(9), and the regulations promulgated thereunder, with regard to preventing "Multiple Use" of the alternative limitation;

NOW THEREFORE, pursuant to the authority vested in the Board of Directors by Section 16.1 of the Plan, the Plan is hereby amended in the following respects, effective January 1, 1989:

1. Section 6.2(e) is amended by adding a new subparagraph (e)(4) to read as follows:

"(4) 'Aggregate Limit' shall mean the sum of (i) 125 percent of the greater of the Average Deferral Percentage of the Non-highly Compensated Employees for the Plan Year or the Average Contribution Percentage of Non-highly Compensated Employees under the plan subject to Code section 401(m), for the Plan Year beginning with or within the Plan Year of the

CODA and (ii) the lesser of 200% or two plus the lesser of such Average Deferral Percentage or Average Contribution Percentage. 'Lesser' is substituted for 'greater' in '(i)', above, and 'greater' is substituted for 'lesser' after 'two plus the' in '(ii)' if it would result in a larger Aggregate Limit." and

2. Section 6.2 is amended by adding new subparagraph (f) to read as follows:

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

IN WITNESS WHEREOF, United Parcel Service of America, Inc. , based upon the action by the Board of Directors, has caused this amendment to the Plan to be executed this 16th day of December 1996.

ATTEST:

UNITED PARCEL SERVICE OF AMERICA, INC.

/S/ JOSEPH R. MODEROW

Secretary

By: /S/ KENT C. NELSON

Chairman

AMENDMENT NO. 23

TO THE

UPS THRIFT PLAN

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

WHEREAS, the Plan as adopted and amended from time to time, was amended and restated in its entirety, replacing all of the provisions of the Plan then in effect, effective as of January 1, 1976, to comply with the Employee Retirement Income Security Act of 1974 ("ERISA"); and

WHEREAS, the Plan has been amended further since January 1, 1976, the most recent being Amendment No. 22, effective as of January 1, 1989; and

WHEREAS, it is desired to amend the Plan further to permanently extend the special withdrawal opportunity provided by Amendment No. 20:

NOW THEREFORE, pursuant to the authority vested in the Board of Directors by section 16.1 of the Plan, the Plan and the Trust Agreement forming a part thereof, the Plan is hereby amended as follows, effective August 1, 1996 unless specifically noted otherwise below:

1. Sections 4.1(b) (2) and 4.2(b) are deleted.
2. Section 4.3 is amended and restated as follows:

Section 4.3 Reductions of Employer's Tentative Contribution. The

Basic and contribution with respect to each Employer shall be reduced to the extent that such Tentative Basic Contribution may not be allocated to the Participants in the Plan

employed by such Employer because of the limitations provided in Section 5.6(b) (3), 6.1 and 6.2 of the Plan. The Tentative Basic Contribution of each Employer so reduced, which shall be referred to as the "Basic Contribution" (or the "Contribution") of such Employer, shall be contributed to the Plan by such Employer out of its current or accumulated earnings and profits within the time limit prescribed in Section 4.5. The Contribution of each Employer, however, shall not exceed the amount allowable under the Internal Revenue Code to such

Employer or to a foreign subsidiary of such Employer as a deduction for contributions paid to this Plan.

3. Section 5.1 of the Plan is amended and restated as follows:

Section 5.1 Funds and Accounts Established.

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

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

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

4. Sections 5.3(b) and 5.3(c) are amended and restated as follows:

(b) Contributions made by the Employers shall be credited to the individual Employer Contributions Accounts main tained for Participants in the General Fund. Such credits shall be made as of

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the close of the calendar year for which an Employer contribution is made, but shall not be taken into account in determining the monthly balances of Participants for such calendar year.

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

5. Sections 5.5 (a) and (b) are amended to substitute the word "the" in place of the word "each" prior to the word "Fund."

6. Sections 5.5 (c) and (d) are deleted.

7. The first paragraph of Section 5.6 is amended and restated as follows:

Section 5.6 Allocation of Income and Contributions to Accounts. Allocation

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

8. Sections 5.6(a) and 5.6(b) (1) are amended and restated as follows:

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

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

9. Section 5.7 is deleted.

10. Article VII is deleted.

11. Effective September 1, 1996, Article IX is restated in its entirety as amended and follows:

Section 9.1 Withdrawal of Participant Savings Account. Amounts credited to

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

Section 9.2 Emergency Withdrawals. Emergency Withdrawals. If a

Participant establishes to the satisfaction of the Committee that he is faced with a financial emergency or necessity due to sickness or injury to himself or to one or more of his dependents the Committee may approve withdrawals from

accounts other than a Participant Savings Account. The Committee, in its discretion, may grant the application in whole or in part, and may provide for payment in a lump sum or in installments. Payments shall be made under this Section only after all funds from the Participant Savings Account of the Participant have been distributed pursuant to Section 9.1.

Section 9.3 Further Withdrawals. Further Withdrawals. Amounts in a

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

Section 9.4 Payment of Withdrawn Amounts. Payment of Withdrawn Amounts.

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

(a) to be eligible to receive a distribution of UPS stock from the Plan, the Participant:

(i) must be eligible to participate in the UPS Stock Ownership Program; and

(ii) agree to the terms of the UPS Stock Trust Agreement.

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

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

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

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

(i) in whole shares; and

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

Section 9.5 Timing of Payment. Subject to the provisions of

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

Section 9.6 Waiting Period. The Committee, notwithstanding any other

provisions of this Article IX, may provide by uniform rules for a waiting period of up to six months for the payment of any withdrawals.

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Section 9.7 Applications for Withdrawal. Applications for

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

12. Section 10.1 is amended and restated as follows:

Section 10.1 Distribution of Account Balances - If a Participant

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

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

(b) Immediate Distribution Option. Following a Participant's retirement, death

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

(c) Repayment of Prior Distribution in Event of Re-employment. If a

 former Participant, after receiving distribution of his accounts pursuant to this Article X, returns to Regular Employment with the Employer before the end of the 12-month period commencing on the date he terminated Regular Employment, he shall be permitted to restore all, but not less than all, of the amounts previously distributed to him, provided such restoration is made in a lump sum within six (6) months after his date of re-employment, and provided that such repayment is at least \$1,000. Upon repayment, the moneys previously distributed shall be credited to a newly established Participant's Savings Account in the General Fund.

(d) Repayment of Prior Distribution in Event of Return to Work following

 Disability or Leave or Absence Due to Health Reasons. If a former Participant,

 after receiving distribution of his accounts pursuant to this Article X, returns to Regular Employment with the Employer after a period of disability or a leave

of absence due to pregnancy, disability, or other health or medical problems, he shall be permitted to restore all, but not less than all, of the amounts, previously distributed to him, provided such restoration is made in a lump sum within six (6) months after his date of returning to Regular Employment, and provided that such repayment is at least \$1,000. Upon repayment, the moneys previously distributed shall be credited to a newly established Participant's Savings Account in the General Fund.

13. Section 10.4 is deleted.

14. Sections 10.5(b) (A) and 10.5(b) (B) are amended as follows:

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

(b) (B) A direct rollover to two or more eligible retirement plans shall not be permitted. Notwithstanding the foregoing, and subject to the limitation in subparagraph (A) above, a Participant receiving an in-kind distribution or withdrawal may elect to rollover the in-kind and cash portions of the distribution or withdrawal to separate eligible retirement plans, provided that, the number of eligible retirement plans selected does not exceed two.

15. Section 13.3 is deleted.

16. Section 13.4(c) is deleted.

17. Section 15.1 (c) is amended and restated as follows:

(c) does not require this Plan to provide any type or form of benefit, or any option, not otherwise provided under this Plan, except that, any interest in a

Participant's Accounts, including his Employer Contribution Account and Investment Income Account in the Fund, awarded to an Alternate Payee, may be distributed to or on behalf of the Alternate Payee as soon as practicable following the Committee's approval of the Qualified Domestic Relations Order;

IN WITNESS WHEREOF, United Parcel Service of America, Inc., based upon action by its Board of Directors, has caused this Amendment No. 23 to be executed this 16th day of December, 1996.

ATTEST:

UNITED PARCEL SERVICE OF AMERICA, INC.

/S/ JOSEPH R. MODEROW

By: /S/ KENT C. NELSON

Secretary

Chairman

AMENDMENT NO. 21

TO THE

UPS RETIREMENT PLAN

(As Amended and Restated January 1, 1976)

WHEREAS, United Parcel Service of America, Inc. and its affiliated corporations established the UPS Retirement Plan ("Plan") for the benefit of their eligible employees, in order to provide benefits to those employees upon their retirement, disability or death, effective as of September 1, 1961; and

WHEREAS, the UPS Retirement Plan was amended and restated in its entirety, replacing all of the provisions of the Plan then in effect, effective as of January 1, 1976, to comply with the Employee Retirement Income Security Act of 1974 ("ERISA"); and

WHEREAS, the Plan has been amended on a number of occasions since January 1, 1976, the most recent being Amendment No.20, effective as of January 1, 1995; and

WHEREAS, it is desired to amend the Plan further to provide retiree medical benefits to participants who by operation of federal statute or regulation cease to be eligible for their current job classification due to the attainment of a specified age.

NOW THEREFORE, pursuant to the authority vested in the Board of Directors by Section 7.1 of the Plan, the UPS Retirement Plan is hereby amended as follows, effective June 1, 1996:

1. The first two paragraphs of Section 12.2(d) are amended in their entirety to read as follows:

"Retired Participant" is defined for purposes of this Article XII (except as otherwise provided in the following paragraph), as an individual who (i) was a Participant who was actively working as an Employee until his or her Early, Normal or Postponed Retirement Date, (ii) in the case of a Participant who first became an Employee on or after January 1, 1989, had at least 10 Years of Service and at least one Year of Service as a Participant in this Plan, and (iii) retired from employment as an Employee and was thereupon immediately eligible to receive an Early or Normal Retirement Benefit hereunder. In addition, a Participant who attained his or her Early Retirement Date

(with, in the case of a Participant who first became an Employee on or after January 1, 1989, at least 10 Years of Service at least one of which was as a Participant in this Plan) and then dies while still employed as an Employee shall be considered a "Retired Participant" whose Covered Dependents are eligible to receive Medical Benefits in accordance with this Article.

No Participant shall be considered to be eligible to receive retirement benefits provided under the Plan if he or she is still employed by an Employer Company. No deferred vested Participant who terminated employment with an Employer Company prior to retirement, and no individual who first became an Employee on or after January 1, 1989 and who retired with less than 10 Years of Service with an Employer Company or less than One Year of Service as a Participant in this Plan shall be eligible to receive Medical Benefits under this Article XII. A Participant's retirement from active employment as an Employee at or after his or her Early or Normal Retirement Date, with the immediate right to receive a Retirement or Disability Benefit hereunder, or the death of a Participant following attainment of his or her Early Retirement Date while still actively employed as an Employee (with, in each case, the additional requirement that a Participant who first became an Employee on or after January 1, 1989 must have completed at least 10 Years of Service with an Employer Company, at least one of which was as a Participant in this Plan), are conditions to eligibility for Medical Benefits under this Article XII. Notwithstanding the foregoing, an individual who terminates employment as a result of ceasing to be eligible for his or her current job classification as the result of the application of a federal statutory or regulatory age limitation shall be eligible for Medical Benefits under this Article XII immediately upon termination of employment, provided, such individual has at least One Year of Service as a Participant in this Plan.

IN WITNESS WHEREOF, United Parcel Service of America, Inc. based upon action by its Board of Directors, has caused this Amendment No. 21 to be executed this 10th day of June 1996.

ATTEST:

UNITED PARCEL SERVICE OF
AMERICA, INC.

/S/ JOSEPH R. MODEROW

/S/ KENT C. NELSON

Secretary

Chairman

RESTATEMENT AMENDMENT NO. 3

TO

THE UPS SAVINGS PLAN

(Restated as of March 31, 1995)

WHEREAS, United Parcel Service of America, Inc. (the "Employer") established the UPS Savings Plan (the "Plan") for the benefit of Eligible Employees in order that they might enjoy the advantages of having funds put aside on a tax deferred basis pursuant to Section 401(k) of the Internal Revenue Code to provide for their retirement; and

WHEREAS, the Plan was amended sixteen times before the Restated Plan was adopted effective as of March 31, 1995; and

WHEREAS, the Restated Plan has been heretofore amended on two previous occasions, the most recent being Restatement Amendment No. 2, effective July 31, 1995 and

WHEREAS, it is desired to amend the Restated Plan to further establish rules pertaining to the acceptance of rollover contributions;

NOW, THEREFORE, pursuant to the authority vested in the Board of Directors of the Employer by Section 9.1 of the Plan, the Plan is hereby amended in the following respects, effective March 4, 1996.

1. Subsection 1.1(a) is revised to read as follows:

"Account" or "Individual Account" means the aggregate of a Participant's Elective Deferral Account and his or her Rollover Contribution Account, all established under Article IV.

(1) A Participant's "Elective Deferral Account" shall be the account established for recording contributions made on behalf of the Participant pursuant to his or her Elective Deferrals (pursuant to Section 3.1), and for classifying and summarizing the benefits attributable to such amounts.

(2) A Participant's "Rollover Contribution Account" shall be the account established for recording amounts transferred from another qualified plan or conduit individual retirement account (pursuant to Section 3.6) and for classifying and summarizing the benefits attributable to such amounts.

Section 2.3 is amended to read as follows:

Section 2.3 Transfer to Position Not Covered by Plan.

(b) If a Participant is transferred to a position with an Employer Company in which the Participant is no longer an Employee, as defined in Section 1.1(i), the Participant shall, if he or she is eligible to participate in any other Section 401(k) cash or deferred arrangement maintained by an Employer Company (including the Teamster-UPS National 401(k) Tax Deferred Savings Plan), cease to be a Participant hereunder and the entire amount of the Participant's Account shall be converted to cash and transferred to the trustee or trustees of such other plan, to be held as part of his or her account under that plan. Notwithstanding the foregoing, if the other plan will not accept the transfer of the Participant's Rollover Contribution Account because of restrictions or limitations under that plan, said subaccount shall not be transferred and shall remain under this Plan, subject to the Participant's right to elect to withdraw such amounts pursuant to Article VI.

(c) If the Participant is not eligible to participate in the Teamster-UPS National 401(k) Tax Deferred Savings Plan or any other Section 401(k) cash or deferred arrangement maintained by an Employer Company, or if his or her Rollover Contribution Account has been retained as described in the last sentence of subsection (a), he or she shall remain a Participant in this Plan, so long as employed by an Employer Company, with respect to Elective Deferral Contributions previously made on his or her behalf but will no longer be eligible to have Elective Deferral Contributions made to the Plan on his or her behalf unless and until he or she again becomes an Employee. In the event the Participant is subsequently transferred to a position in which he or she again becomes an Employee, as defined in Section 1.1(i), the Participant may elect to make Elective Deferral Contributions as of the first day of the month coincident with or next following the date on which he or she becomes an Employee.

Notwithstanding any other provision of this Plan, the Committee shall permit the contribution of funds to a Participant's Account which represent the transfer of his or her account from the Teamster-UPS National 401(k) Tax Deferred Savings Plan or any other Section 401(k) cash or deferred arrangement maintained by an Employer Company. Such funds shall be held in the appropriate subaccount (Elective Deferral Account, or Rollover Contribution Account) under this Plan and shall be invested in the options selected by the Participant in accordance with Article IV, in the same percentage amounts as are invested the Participant's Elective Deferral Contributions or as otherwise directed by the Participant with the approval of the Committee or its designee.

2. A new Section 3.6 is added to Article III to read as follows:

Section 3.6 Rollovers from Qualified Plans or Conduit IRAs.

(a) Any active Participant may contribute to the Trust an amount

consisting of an eligible rollover distribution from another qualified retirement plan, or transfer from a conduit IRA, provided that the contribution shall not jeopardize the qualifications of the Plan or the tax-exempt status of the Trust or create adverse tax consequences for the Employer Company. A Participant who has incurred a Separation from Service may contribute to the Trust in accordance with this Section 3.6(a), provided that the Participant has not otherwise received a distribution of his or her Individual Account pursuant to Section 6.5.

(b) Any such contribution shall at all times be fully vested and nonforfeitable. Such contribution shall be held in a sub-account under the Participant's Individual Account (the "Rollover Contribution Account"), and be invested in the investment options selected by the Participant in accordance with Article IV, in the same percentage amounts as are invested the Participant's Elective Deferrals, or as otherwise directed by the Participant. The Rollover Contribution Account shall be credited and/or debited with its allocable share of investment income and loss, and administration expenses in accordance with Article IV.

(c) For purposes of this Section, an eligible rollover distribution means:

(1) an eligible rollover distribution, within the meaning of Code Section 402, which is transferred to this Plan by the Participant no later than sixty (60) days following the date on which the Participant received the property distributed from another qualified retirement plan.

(2) an eligible rollover distribution, within the meaning of Code Section 402, which is transferred to this Plan directly by another qualified retirement plan at the Participant's direction pursuant to Code Section 401(a)(31).

In the case of an eligible rollover distribution described in (1) above, the Participant may contribute an amount equal to the gross amount of the distribution, notwithstanding that a portion of the distribution may have been subject to mandatory income tax withholding.

(d) For purposes of this Section a transfer from a conduit IRA means:

An amount transferred to this Plan within sixty (60) days of the Participant's receipt of distribution thereof, from an individual retirement account or annuity that has no assets other than assets (together with earnings thereon) which were previously distributed to the Participant as an eligible rollover distribution from another qualified retirement plan, and which were deposited in such conduit individual retirement account or annuity within sixty (60) days of such prior distribution.

4. The second sentence of Section 4.1 is deleted and the following

two sentences substituted in lieu thereof:

The Trustee shall establish and maintain on behalf of each Participant an Individual Account which shall be subdivided into separate subaccounts: (a) an Elective Deferral Contribution Account, and (b) a Rollover Contribution Account, all as described in subsection 1.1(a). There shall be credited to each above-described subaccount such sums of money from time to time contributed as Elective Deferral Contributions and Rollover Contributions, respectively, together with the subaccount's allocable share of earnings, profits and appreciation, and there shall be charged to each subaccount its allocable share of losses and depreciation and its allocable share of expenses of this Plan and Trust Agreement, pursuant to Section 4.11.

5. The second sentence of Section 4.4(a) is amended to read as follows:

In accordance with Section 4.6, each Participant shall have the opportunity to choose, in accordance with such procedures as the Committee or its designee may prescribe, among the following investment vehicles for the investment of monies contributed with respect to the Participant's Account.

6. Section 4.5 is modified by the addition of the following sentence after the first sentence thereof:

If the Participant's Account consists of more than one subaccount (i.e., Elective Deferral Account, and Rollover Contribution Account), each such -----
subaccount shall be invested in the same investment options and in accordance with the same percentages selected by the Participant with respect to the Participant's Elective Deferral Account, unless a separate investment allocation is made with respect to the Rollover Contribution Account by the Participant.

7. Section 4.10 is amended by revising paragraph (2) to read as follows:

(b) The amount of Elective Deferral and Rollover Contributions allocated to the Account, broken down among Options A, B, C, D, E and each Time Horizon Fund within Option F.

8. Section 4.12 is hereby deleted.

9. Section 6.1 is amended to read as follows:

Section 6.1 In-Service Withdrawals.

(a) Rollover Contribution Accounts.

An active Participant may withdraw all or a portion of his or her Rollover Contribution Account at any time, by submitting a request for withdrawal in accordance with the procedures adopted by the Committee or their designee for this purpose. Such withdrawal shall be subject to any additional restrictions, uniformly applied with respect to Participants similarly situated, as are prescribed by the Committee regarding the frequency and minimum amount of such withdrawal.

(b) Withdrawals After Age 59 1/2.

An active Participant may withdraw all or a portion of his or her Elective Deferral Account following attainment of age 59 1/2, by submitting a request for withdrawal in accordance with procedures adopted by the Committee or their designee for this purpose. Such withdrawal shall be subject to any additional restrictions, uniformly applied with respect to Participants similarly situated, as are prescribed by the Committee regarding the frequency and minimum amount of such withdrawal.

(c) Hardship.

An active Participant may withdraw, for reasons of financial hardship as defined in Section 6.2, that portion of his or her Elective Deferral Account, as of the Valuation Date preceding the withdrawal, consisting of contributions pursuant to Elective Deferrals, in an amount not greater than the amount necessary to satisfy the financial hardship need. Such a hardship withdrawal may be applied for by completing and filing with the Plan Administrator a hardship withdrawal application, in such form as provided by the Committee or their designee, together with all documentation required by said application to enable the Committee, or their designee, to determine whether the Participant satisfies the conditions for a hardship withdrawal.

(d) Withdrawals, if approved by the Committee or their designee, will be payable no later than the last day of the month following the month in which the Participant's completed withdrawal request or application, on a form provided by the Committee or their designee, is received by the Committee or their designee for such purpose.

10. Section 6.8 is revised by adding the following sentence to the end of subsection (c) thereof:

The distributee shall be afforded at least 30 days after receipt of the written explanation to consider the decision whether or not to elect a

direct rollover, but if he or she thereafter makes an affirmative election before said 30 day period expires, then the election may be implemented without regard to the aforesaid 30-day time period.

IN WITNESS WHEREOF, United Parcel Service of America, Inc. has caused this Amendment No. 3 to the Restated Plan to be executed this 16th day of December, 1996.

ATTEST:

UNITED PARCEL SERVICE OF AMERICA, INC.

BY: /s/ JOSEPH R. MODEROW

/s/ KENT C. NELSON

Secretary

Chairman

RESTATEMENT AMENDMENT NO. 4

TO

THE UPS SAVINGS PLAN

(Restated as of March 31, 1995)

WHEREAS, United Parcel Service of America, Inc. (the "Employer") established the UPS Savings Plan (the "Plan") for the benefit of Eligible Employees in order that they might enjoy the advantages of having funds put aside on a tax deferred basis pursuant to Section 401(k) of the Internal Revenue Code to provide for their retirement; and

WHEREAS, the Plan was amended sixteen times before the Restated Plan was adopted effective as of March 31, 1995; and

WHEREAS, the Restated Plan has been heretofore amended on three previous occasions, the most recent being Restatement Amendment No.3, effective March 4, 1996 and

WHEREAS, it is desired to amend the Restated Plan to permit the automatic enrollment of Eligible Employees and to permit Participants to make after-tax contributions to supplement their elective deferrals; and

WHEREAS, it is desired to add a Participant loan program to allow Participants to borrow funds in their Account under certain prescribed circumstances;

NOW, THEREFORE, pursuant to the authority vested in the Board of Directors of the Employer by Section 9.1 of the Plan, the Plan is hereby amended in the following respects, effective July 29, 1996.

1. Subsection 1.1(a) is amended to read in its entirety as follows:

(a) "Account" or "Individual Account" means the aggregate of a Participant's Elective Deferral Account, Voluntary Contribution Account, and Rollover Contribution Account, all established under Article IV.

(1) A Participant's "Elective Deferral Account" shall be the account to which shall be allocated amounts contributed on behalf of the Participant in accordance with his or her Elective Deferrals (pursuant to Section 3.1) and the earnings thereon.

(2) A Participant's "Voluntary Contribution Account" shall be the

account to which shall be allocated the Participant's Voluntary Contributions (pursuant

to Section 3.7) and the earnings thereon.

(3) A Participant's "Rollover Contribution Account" shall be the account to which shall be allocated amounts rolled over from another qualified plan or conduit individual retirement account (pursuant to Section 3.6) ("Rollover Contributions") and the earnings thereon.

2. Subsection 1.1(g) is amended to read in its entirety as follows:

"(g) "Elective Deferral" means the amount by which an Eligible Employee elects to have his or her Eligible Compensation reduced in consideration of a contribution of such amount by his or her Employer Company on his or her behalf to this Plan. Said election once made may be changed only prospectively and shall not affect contributions previously made, if any. Unless the context requires otherwise, the term Elective Deferrals shall include Bonus Elective Deferrals.

3. A new Section 1.1(ee) is added, to read as follows:

"(ee) "Voluntary Contribution" shall mean the amount contributed by an Eligible Employee, on an after-tax basis, to his or her Voluntary Contribution Account, in accordance with Section 3.7.

4. Section 2.2 is amended to read as follows:

Section 2.2 Application to Participate.

An Eligible Employee shall become a Participant in this Plan by electing to make an Elective Deferral, a Voluntary Contribution, or a Rollover Contribution to the Plan. An election to make an Elective Deferral, Voluntary Contribution or Rollover Contribution shall be made through the automated enrollment procedure established by the Committee or its designee, or in accordance with such other procedure as may be prescribed by the Committee or its designee for such purpose from time to time.

Each Eligible Employee upon enrolling in the Plan shall:

(a) designate and authorize, subject to Articles III and IX of the Plan, one or more of the following: (i) an Elective Deferral percentage by which he or she desires to have his or her Eligible Compensation reduced in accordance with the requirements of Section 3.1(a), and contributed by the Employer Company on his or her behalf to the Plan; (ii) a Bonus Elective Deferral percentage by which he or she desires to have his or her extraordinary bonus reduced in accordance with the requirements of Section 3.1(b) and contributed by the Employer Company on his or her behalf to the Plan; (iii) a Voluntary Contribution percentage by which he or she wishes to have his or her

Eligible Compensation reduced in accordance with Section 3.7(a), and contributed by the Employer Company on his or her behalf to the Plan; and (iv) a Rollover Contribution consisting of an eligible rollover distribution (within

the meaning of Section 3.6(c)) from another qualified retirement plan or conduit IRA, and

(b) direct the investment of funds in his or her Account in accordance with Article IV.

The Committee or its designee shall promptly process the application and notify the Eligible Employee in writing of their acceptance or non-acceptance thereof.

5. Section 2.3 is amended to read as follows:

Section 2.3 Transfer to Position Not Covered by Plan.

(a) If a Participant is transferred to a position with an Employer Company in which the Participant is no longer an Employee, as defined in Section 1.1(i), the Participant shall, if he or she is eligible to participate in any other 401(k) cash or deferred arrangement maintained by the Employer Company (including the Teamster-UPS National 401(k) Tax Deferred Savings Plan), cease to be a Participant hereunder and the entire amount of the Participant's Account hereunder shall be converted to cash and transferred to the trustee or trustees of such other plan, to be held as part of the Participant's account or accounts under that plan. Notwithstanding the foregoing, if the other plan will not accept the transfer of one or more of the Participant's subaccounts hereunder because of restrictions or limitations under that plan, said sub-account or sub-accounts shall not be transferred and shall remain in this Plan, subject to the Participant's right to elect to withdraw such amounts pursuant to Article VI. If the transferring Participant has an outstanding loan balance, pursuant to Article XIII of the Plan, which cannot be transferred to the other plan, and if the Committee have instituted procedures under Section 13.1(i) to permit such Participant to continue to make payments of interest and principal thereon, the loan together with the corresponding portion of the Participant's Account securing said loan, and the associated repayment obligation, shall not be transferred and shall remain under this Plan.

(b) If a transferred Participant is not eligible to participate in the Teamster-UPS National 401(k) Tax Deferred Savings Plan or any other Section 401(k) cash or deferred arrangement maintained by an Employer Company, or if one or more of the Participant's subaccounts have been retained as described in the next to last sentence of subsection 2.3(a) above, the Participant shall remain a Participant in this Plan, with respect to contributions previously made on his or her behalf but shall no longer be eligible to make Voluntary Contributions, Rollover Contributions or to have Elective Deferrals made to the Plan on his or her behalf unless and until he or she again becomes an Employee. In the event the Participant is subsequently transferred to a position in which he or she

again becomes an Employee, as defined in Section 1.1(i), the Participant may elect to make Elective Deferrals or Voluntary Contributions. Such election shall be implemented as soon as practicable after the election is made.

Notwithstanding any other provision of this Plan, the Committee shall permit the contribution of funds to a Participant's Account under this Plan which represent the

transfer of his or her account from the Teamster-UPS National 401(k) Tax Deferred Savings Plan or any other Section 401(k) cash or deferred arrangement maintained by an Employer Company. Such funds shall be held in the appropriate sub-account (Elective Deferral Account, Voluntary Contribution Account or Rollover Contribution Account) under this Plan and shall be invested in the investment options selected by the Participant in accordance with Article IV, in the same percentage amounts as are invested the Participant's Elective Deferrals, or, in the absence thereof, as are invested the Participant's Voluntary Contributions pursuant to Section 4.5, or as otherwise directed by the Participant with the approval of the Committee or its designee.

6. Section 3.1 is amended to read as follows:

Section 3.1 Elective Deferral Contributions.

(a) Each Eligible Employee may elect to reduce his or her Eligible Compensation by a whole percentage up to but not exceeding fifteen (15%) percent of such Eligible Employee's Eligible Compensation earned during the Plan Year (or, with respect to Eligible Employees employed in Puerto Rico, such lower percentage as may be permitted under the laws of Puerto Rico) and to have such amount contributed to the Plan on his or her behalf as an Elective Deferral. An election to make an Elective Deferral shall state (in a whole percentage) the portion of the Eligible Employee's Eligible Compensation to be deferred hereunder and shall be communicated to the Trustee via the telephone response unit ("VRU") or in accordance with such other procedures adopted by the Committee or its designee from time to time. With respect to each Eligible Employee for whom there is in effect an Elective Deferral and who is receiving Eligible Compensation from an Employer Company, there shall be contributed to the Trust an amount equal to the amount by which such Eligible Employee's Eligible Compensation was reduced pursuant to the Eligible Employee's Elective Deferral. Elective Deferrals shall be paid to the Trust by the Employer Company as soon as practical following the date on which the deferred amount would have (but for the Eligible Employee's Elective Deferral) been paid to the Eligible Employee (but no later than the date required by law) and shall be credited to the Eligible Employee's Elective Deferral Account upon receipt by the Plan of the Eligible Employee's Elective Deferral. The Elective Deferral percentage selected by the Eligible Employee shall remain in effect until changed by the Eligible Employee in accordance with Section 3.4 or until reduced by the Committee or its designee in accordance with Section 3.2.

(b) In addition, a Participant may file a separate election, in accordance with procedures adopted by the Committee or its designee, to defer receipt of all or any portion of any extraordinary bonus (which shall not, for this purpose, include the value of any award pursuant to the UPS Manager's Incentive Plan) payable to the Participant and to have such deferred amount contributed to the Participant's Elective Deferral Account as a Bonus Elective Deferral. Amounts deferred pursuant to a Participant's Bonus Elective Deferral shall be contributed to the Trust at such time and in accordance with such procedures as set forth in paragraph (a) above, with respect to the Participant's Elective Deferral.

(c) Notwithstanding the foregoing, a Participant may not defer under this Plan, during any calendar year, in excess of \$9,500, or such higher amount as may be prescribed by the Secretary of the Treasury pursuant to Code Section 402(g)(5) (or, with respect to Participants employed in Puerto Rico, such lower limit as may be prescribed under Puerto Rico law). Elective Deferrals in excess of the Code Section 402(g)(5) limit (as adjusted), plus any income and minus any loss allocable thereto, shall be distributed no later than April 15 following the calendar year in which such deferrals were made to the Participants on whose behalf and to whose Accounts said excess Elective Deferrals were allocated. If a Participant also participates during the calendar year in any other plan or plans which are subject to the limitations of Code Section 402(g) and has made Elective Deferrals under this Plan which, when combined with elective deferrals made under such other plan or plans, would exceed the limitations under Code Section 402(g)(5) for such calendar year, to the extent the Participant designates, no later than March 1 of the calendar year following the calendar year in which Elective Deferrals hereunder were made, any Elective Deferrals under this Plan as excess deferrals, the amount of such designated excess, increased by any income and decreased by any losses attributable thereto, shall be refunded to the Participant no later than April 15 of the calendar year following the calendar year for which the Elective Deferrals were made.

(d) A Participant who has received a hardship distribution, pursuant to Section 6.2(c), shall be suspended from making any Elective Deferrals, and shall be limited in the amount of Elective Deferrals the Participant may make in the taxable year immediately following the taxable year of the hardship distribution, in accordance with provisions of paragraph (3) of Section 6.2(c).

7. Section 3.4 is revised to read as follows:

Section 3.4 Change in Elective Deferral and/or Voluntary

Contribution. A Participant may increase or decrease his or her Elective Deferral percentage and/or Voluntary Contribution percentage (including a reduction to zero) at any time. The change must be made via the VRU or in accordance with such other procedures established by the Committee or its designee and shall be implemented as soon as practicable following the date on which the change is made as to amounts not yet paid to the Participant.

8. Section 3.5 is deleted and reserved for future use.

9. The first sentence of Section 3.6(a) is amended to change the first three words thereof from "Any active Participant" to the words "An Eligible Employee."

10. Section 3.6(b) is amended to read in its entirety as follows:

Such contribution shall be held in a sub-account under the Participant's Account (the "Rollover Contribution Account"), and, except as provided in Section 4.5, be invested in same investment options and in the same percentage amounts as are invested the Participant's Elective Deferrals, or, in the absence thereof, as are invested the Participant's Voluntary Contributions. A Participant shall at all times be fully vested in amounts allocated to his Rollover Contribution Account.

11. A new Section 3.7 is added to read as follows:

Section 3.7 Voluntary Contributions.

(a) Each Eligible Employee may elect to reduce his or her Eligible Compensation in a whole percentage up to but not exceeding five (5%) percent of such Eligible Employee's Eligible Compensation earned during the Plan Year (or, with respect to Eligible Employees employed in Puerto Rico, such lower percentage as may be permitted under the laws of Puerto Rico) and to have such amount contributed to the Plan on his or her behalf as a Voluntary Contribution. An election to make a Voluntary Contribution shall state the portion of the Eligible Employee's Eligible Compensation to be contributed to the Plan as a Voluntary Contribution and shall be communicated to the Trustee via the VRU or in accordance with such other procedures as are adopted by the Committee or its designee from time to time. With respect to each Eligible Employee for whom there is in effect an election to make Voluntary Contributions hereunder and who is receiving Eligible Compensation from an Employer Company, there shall be contributed to the Trust an amount equal to the amount by which such Eligible Employee's Eligible Compensation was reduced pursuant to the Eligible Employee's Voluntary Contribution election. Voluntary Contributions shall be made only by means of payroll withholding and shall be contributed to the Trust by the Employer Company as soon as practical following the date on which the withheld amount would have (but for the Eligible Employee's Voluntary Contribution election) been paid to the Eligible Employee (but no later than the date required by law). Voluntary Contributions shall be credited to the Eligible Employee's Voluntary Contribution Account upon receipt by the Plan of the Eligible Employee's Voluntary Contribution. The Voluntary Contribution percentage selected by the Eligible Employee hereunder shall remain in effect until changed by the Eligible Employee in accordance with Section 3.4.

(b) A Participant who has received a hardship distribution pursuant to Section 6.2(c) shall be suspended from making any Voluntary Contributions, in accordance with the provisions of paragraph (3) of Section 6.2(c).

12. Article IV is amended by deleting the words "Time Horizon" in all places where they appear and by substituting in lieu thereof the words "Bright Horizon."

13. The second and third sentences of Section 4.1 are amended to read as follows:

The Trustees shall establish and maintain in the Trust for each Participant an Individual Account which shall be subdivided into three (3) separate sub-accounts: (a) an Elective Deferral Account, (b) a Voluntary Contribution Account and (c) a Rollover Contribution Account, all as described in subsection 1.1(a). There shall be credited to each above-described sub-account such sums of money from time to time contributed as Elective Deferrals, Voluntary Contributions and Rollover Contributions, respectively, together with the sub-account's pro-rata share of earnings, profits and losses and the sub-account's pro-rata share of appreciation and depreciation and the Participant's pro-rata share of expenses of this Plan, pursuant to Section 4.11.

14. Section 4.2 is deleted and reserved for future use.

15. A new Section 4.4(b)(3) is added, to read as follows:

The Trustee shall provide each Participant with confirmation statements, as applicable, to report (i) his or her enrollment; (ii) the Elective Deferral percentage selected by the Participant; (iii) the Voluntary Contribution percentage selected by the Participant; (iv) loans, if any, made to the Participant from the Plan; (v) Rollover Contributions made by the Participant; and (vi) withdrawals and distributions from the Participant's Account.

16. The second sentence of Section 4.5 is deleted and the following sentences are substituted in lieu thereof:

The same investment options designated by the Participant and the same percentage allocations with respect to each investment option selected shall apply to the Participant's Elective Deferrals and Voluntary Contributions. If a Participant has not directed the investment allocation of funds in his or her Elective Deferrals due to the fact that such Participant had not previously made any Elective Deferrals to the Plan, the Participant shall be permitted to direct the investment allocation of his or her Voluntary Contributions, if any. Except as otherwise permitted by this Section 4.5, a Participant's Rollover Contribution shall be invested in the investment options and in accordance with the same percentages selected by the Participant with respect to the Participant's Elective Deferrals or, if none, the Participant's Voluntary Contributions. If a Participant has not directed the investment allocation of his or her Elective Deferrals or Voluntary Contributions due to the fact that the Participant had not previously made any Elective Deferrals or Voluntary Contributions to the Plan, then the Participant shall be permitted to direct the investment allocation of his or her Rollover Contributions. Notwithstanding the foregoing, a Participant may, on a form provided by the Trustee, make a separate written election with respect to the Participant's Rollover

Contribution to have his or her Rollover Contribution invested in a manner independent of the Participant's Elective Deferrals or Voluntary Contributions, so long as such written election is transmitted to the Trustee at the same time as the Rollover Contribution is made to the Plan.

17. Section 4.6 is amended to read as follows:

Change in Investment Allocation of Future Contributions. Each

Participant may elect to change the investment allocation of future Elective Deferrals or, if none, his or her future Voluntary Contributions at any time. Each election to change a Participant's investment allocation shall be made via the VRU or in accordance with such other procedures as are established by the Committee from time to time, and shall be effective as soon as practicable following the receipt thereof. Such election shall apply uniformly to all future Elective Deferrals and Voluntary Contributions made by or on behalf of the Participant. Changes must be made in ten percent (10%) adjustments up or down and must result in a total investment of one hundred percent (100%) of the Participant's contributions under the Plan. Change authorizations which do not result in an allocation of one hundred percent (100%) of the Participant's future contributions or which are incorrect in any other respect will

not be processed and the prior allocation shall continue in effect.

18. Section 4.7 is amended to read as follows:

Transfer of Account Balances Between Investment Options. Each

Participant may elect to transfer the balances in his or her Account among available investment options at any time. Transfers pursuant to this Section 4.7 shall apply uniformly to all amounts allocated to each sub-account within the Participant's Account at the time of such election. Such election shall be made via the VRU, or in accordance with such other procedures as shall be established by the Committee or its designee from time to time, and shall be effective as soon as practicable following receipt thereof, subject to limitations, if any, of the investment vehicles selected. Such transfers must be in multiples of ten percent (10%) and must result in the investment of one hundred percent (100%) of the Participant's Account. If a transfer authorization does not result in the allocation of one hundred percent (100%) of the Participant's Account among Options A, B, C, D, E and each Bright Horizon Fund within Option F in percentages which are multiples of ten percent (10%) or if it is incorrect in any other respect, the transfer authorization will not be processed by the Committee or its designee and the prior allocation will continue in effect.

19. Section 4.10 is amended by revising paragraph (b) to read as follows:

(b) The amount of Elective Deferrals, Voluntary Contributions and Rollover Contributions allocated to the Account, broken down among Options A, B,

C, D, E and each Bright Horizon Fund within Option F.

20. Section 6. 1 (a) is amended to read as follows:

Section 6.1 In-Service Withdrawals.

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(a) Voluntary and Rollover Contribution Accounts.

A Participant may withdraw all or a portion of his or her Voluntary Contribution Account and/or Rollover Contribution Account at any time, by making a request for withdrawal via the VRU or in accordance with such other procedures established by the Committee or its designee from time to time. Withdrawals shall reduce, pro rata, the amounts allocated to each investment option within each sub-account from which the withdrawals are made. Withdrawals shall be subject to any additional restrictions, uniformly applied with respect to Participants similarly situated, as may be prescribed by the Committee or its designee regarding the frequency and minimum amount of a withdrawal.

In the case of a withdrawal from the Participant's Voluntary Contribution Account and/or Rollover Contribution Account, each such sub-account shall be considered a separate "contract" for purposes of Code Section 72(d) and a withdrawal therefrom shall be allocated on a pro-rata basis with respect to the pre-and post-tax monies held in each respective sub-account.

If a withdrawal request fails to specify the sub-account from which the withdrawal is to be made, such withdrawal shall first reduce the amounts credited to the Participant's Voluntary Contribution Account until such sub-account balance has been reduced to zero, and shall then reduce amounts credited to the Participant's Rollover Contribution Account.

21. Subsection 6.2(b) (3) is amended to read in its entirety as follows:

(3) By the cessation of Elective Deferrals and Voluntary Contributions to the Plan.

22. Subsection 6.2(c) (3) is amended by deleting the word "elective" after the words "and all other" and by deleting the word "other" after the word "any" and before the words "qualified plan".

23. Section 10.4 is amended to read as follows:

Section 10.4 Annual Additions.

For purposes of this Article, the term "Annual Addition" means the sum of the following amounts credited to a Participant's Account (or to his or her account under any other qualified defined contribution plan which must be taken

into account for purposes of this Article) for the Limitation Year:

- (1) the Employer Company's contributions;
 - (2) the Employee's contributions (other than Rollover Contributions);
- and
- (3) forfeitures, if any.

24. A new Article XIII is added to read as follows:

ARTICLE XIII

LOANS

13.1 Terms and Conditions of Loans. The Trustee shall make loans

available on a reasonably equivalent basis to all Participants in accordance with the terms and conditions set forth below.

(a) A Participant may request a loan by making application therefor to the Trustee via the VRU or in accordance with such other procedures as are established by the Committee or its designee from time to time. Loans shall only be approved for the purposes described in subsection 13.1(c). The minimum amount for which a loan may be requested shall be \$1,000.00. No more than two loans are permitted to be outstanding to any Participant at any time. Notwithstanding the foregoing, an application for a second loan shall not be

approved while there is an outstanding loan unless the Participant is current with respect to payments of principal and interest on such outstanding loan.

(b) No loan may be made to a Participant to the extent that such loan when made would exceed the lesser of: (i) \$50,000, reduced by the highest outstanding loan balance during the 12-month period ending on the day before the loan is made, or (ii) 50% of the Participant's vested Account balance under the Plan. For purposes of this limitation, all loans from all plans of the Employer or an affiliated employer (within the meaning of Code Section 414(b), (c), or (m)) shall be aggregated.

(c) Loans shall be available from this Plan only for the purposes described below:

(1) Costs directly related to the purchase of a principal residence for the Participant.

(2) The payment of expenses for tuition, related educational fees and room and board expenses for the next twelve (12) months of post-secondary education of the Participant or the Participant's spouse or dependents (as

defined in Code Section 152).

(3) Payments necessary to prevent the eviction of the Participant from the Participant's principal residence or foreclosure on the mortgage on that residence.

(4) The payment of expenses for medical care (as described in Code Section 213(d)) previously incurred by the Participant, the Participant's spouse or dependents (as defined in Code Section 152), or necessary for these persons to obtain medical care.

(d) A secured promissory note shall be delivered to the Trustee pledging as collateral up to one-half of the Participant's vested interest in his or her Account. Such promissory note shall provide that the loan principal, and all interest accrued thereon, shall be due and payable upon the Participant's Separation from Service.

(e) A loan to a Participant shall be considered a separate investment of the Account of the Participant. The proceeds of the loan shall be withdrawn from the Participant's subaccounts in the following order: first, from the Participant's Elective Deferral Account, second, from the Participant's Rollover Contribution Account and third, from the Participant's Voluntary Contribution Account, and pro rata from each investment option in which the Participant's respective sub-account is invested at the time of the loan. Repayments of principal and interest on the loan shall be credited to the Participant's subaccounts in the reverse order from which the loan proceeds were withdrawn and shall be invested in the investment options in effect at the time of repayment pursuant to the Participant's investment election under Article IV.

(f) Each loan shall be repaid in substantially equal installments not less frequently than quarterly over a period not to exceed five (5) years by means of payroll deductions. Notwithstanding the foregoing, a loan for the purchase of the Participant's principal residence may be for a term of up to fifteen (15) years or such shorter period as may

be required by law. Notwithstanding the foregoing, repayments on a loan may be suspended for a period of up to one year following the commencement of a Leave of Absence during which the Participant is not paid by an Employer Company or is paid at a rate that is less than the amount of level payments required under the terms of the loan (after taking income and employment taxes into account), although in no case shall this provision extend the original term of the loan. During a Leave of Absence loan repayments may be made directly by the Participant to the Trustee. For this purpose, a "Leave of Absence" shall mean any leave authorized by an Employer Company, any health-related absence or any other absence that does not constitute a Separation from Service.

(g) Each loan shall bear interest at a fixed rate equal to one percentage point above the prime rate as published in The Wall Street Journal on the last business day of the month prior to the month in which the Participant makes application for a loan.

(h) If any required installment is not paid within thirty (30) days following the due date thereof, the Trustee shall provide written notice to the Participant. If such installment payment is not paid within ninety (90) days following the due date thereof, the Trustee shall declare the loan to be in default. The Trustee shall reduce (offset) the Participant's vested interest in his or her Account by the amount of the unpaid loan balance plus accrued but unpaid interest at such time that the Participant's Account becomes distributable by reason of the earlier of the Participant's Separation from Service or attainment of age 59 1/2.

(i) If a Participant incurs a Separation from Service before the loan is repaid in full, the loan shall be deemed to be in default and the unpaid balance of the loan, together with interest thereon, shall become immediately due and payable. The Trustee shall reduce (offset) the Participant's Account by an amount equal to the outstanding loan balance plus accrued but unpaid interest. The Committee may (but shall not be required to) institute procedures whereby a Participant who has not incurred a Separation from Service, but is no longer an Eligible Employee under the terms of this Plan, may continue to make payments of interest and principal on his or her outstanding loan, provided that such loan is not in default as set forth in subparagraph (h) above.

(j) A Participant may prepay a loan in its entirety without penalty at any time.

13.2 Administration of Loan Program.

(a) The determination of whether a Participant satisfies the criteria for a loan shall be made by the Trustee, who shall administer the loan program. All requests for loans hereunder shall be made via the VRU or in accordance with such other procedures established by the Committee from time to time. The Trustee may request such information and documentation as it deems necessary to ascertain the qualification of a Participant for a loan in accordance with this Article XIII. The Trustee shall determine whether a Participant qualifies for a loan within five (5) business days of its receipt of a completed Promissory Note

and Certification, unless it advises the Participant in writing that additional time or information is needed. The Committee or its designee shall be authorized to charge an application fee to process each loan application, and, in addition, may deduct from the Participant's Account, or from the proceeds of any loan, a reasonable fee representing the estimated or actual cost of distribution of the loan proceeds.

(b) Any loan granted under this Article XIII shall be administered by the Trustee, who shall establish written guidelines and procedures relating to the Participant loan program which are consistent with the terms contained herein. Such guidelines and procedures shall provide, among other matters, the following:

- (1) the procedure for applying for loans;
- (2) the basis on which loans will be approved or denied;
- (3) limitations, if any, on the types and amounts of loans offered;
- (4) the types of collateral which may secure a Participant loan;
- (5) the events constituting default and the steps that will be taken to preserve plan assets.

IN WITNESS WHEREOF, the undersigned have caused this Restatement Amendment No. 4 to the Restated Plan to be executed this 16th day of December, 1996.

Attest: United Parcel Service of America, Inc.

BY: /S/ JOSEPH R. MODEROW

Secretary

BY: /S/ KENT C. NELSON

Chairman

RESTATEMENT AMENDMENT NO. 5

TO

THE UPS SAVINGS PLAN

(Restated as of March 31, 1995)

WHEREAS, United Parcel Service of America, Inc. ("UPS") and its affiliated corporations established, effective July 1, 1988, the UPS Savings Plan (the "Plan") in order to permit their eligible employees to put money aside on a tax deferred basis to supplement that which they will receive under Social Security and other pension and retirement plans; and

WHEREAS, the Plan has been restated to incorporate Amendments No. 1 through 15, and has been submitted to the Internal Revenue Service on March 31, 1995, for purposes of receiving a favorable determination letter that considers the requirements of the Tax Reform Act of 1986, and the regulations promulgated thereunder; and

WHEREAS, the Restated Plan has been heretofore amended on four previous occasions, the most recent being Restatement Amendment No. 4, effective July 29, 1996.

WHEREAS, pursuant to the request of the Internal Revenue Service, it is proposed to incorporate language that comports with the requirements of Internal Revenue Code Section 401(m)(9), and the regulations promulgated thereunder, with regard to preventing "Multiple Use" of the alternative limitation;

NOW THEREFORE, pursuant to the authority vested in the Board of Directors by Section 9.1 of the Plan, the Plan is hereby amended in the following respects, effective January 1, 1989:

1. Section 3 is amended by adding a new subsection 3.6 to read as follows:

"Section 3.6 Multiple Use. (a) If one or more Highly Compensated

Employees participate in this Plan and a plan maintained by the Employer or a

Related Employer subject to the Actual Contribution Percentage Test, as defined in Code Section 401(k)(2), and the sum of the Average Deferral Percentage and Average Contribution Percentage of those Highly Compensated Employees subject to either or both tests exceeds the Aggregate Limit, then the Average Contribution Percentage of those Highly Compensated Employees will be reduced (beginning with

such Highly Compensated Employee whose Average Contribution Percentage is the highest) so that the limit is not exceeded. The amount by which each Highly Compensated Employee's Contribution Percentage Amount is reduced shall be treated as an Excess Contribution. The Average Deferral Percentage and Average Contribution Percentage of the Highly Compensated Employees are determined after any corrections required to meet the Average Deferral Percentage under this Plan and the Average Contribution Percentage test under any plan maintained by the Employer. Multiple use does not occur if either the Average Deferral Percentage or Average Contribution Percentage of the Highly Compensated Employees does not exceed 1.25 multiplied by the Average Deferral Percentage and Average Contribution Percentage of the Non-highly Compensated Employees. If a Highly Compensated Employee participates in two or more CODAs that have different plan years, all CODAs ending with or within the same calendar year shall be treated as a single arrangement."

"(b) For purposes of this Section 3.6, the term 'Aggregate Limit' shall mean the sum of (i) 125 percent of the greater of the Average Deferral Percentage of the Non-highly Compensated Employees for the Plan Year or the Average Contribution Percentage of Non-highly Compensated Employees under the plan subject to Code section 401(m), for the Plan Year beginning with or within the Plan Year of the CODA and (ii) the lessor of 200% or two plus the lesser of such Average Deferral Percentage or Average Contribution Percentage. 'Lessor' is substituted for 'greater' in '(i)', above, and 'greater' is substituted for 'lesser' after 'two plus the' in '(ii)' if it would result in a larger Aggregate Limit."

IN WITNESS WHEREOF, United Parcel Service of America, Inc. has caused this amendment to the Plan to be executed this 16th day of December 1996.

ATTEST: UNITED PARCEL SERVICE OF AMERICA, INC.

By: /s/ Joseph R. Moderow

By: /s/ Kent C. Nelson

Secretary

Chairman

UNITED PARCEL SERVICE OF AMERICA, INC.
1996 STOCK OPTION PLAN
(AS AMENDED AND RESTATED ON FEBRUARY 12, 1997)

1. PURPOSE.

The purpose of this Amended and Restated Plan is to ensure continuity of management and increase the incentive for key managerial employees and non-employee members of the Board of the Company to make major contributions to the effective management or direction of the Company by providing them with an opportunity to acquire equity interests in the Company in the manner contemplated by this Amended and Restated Plan.

2. DEFINITIONS.

As used in this Amended and Restated Plan, the following definitions shall apply:

"Amended and Restated Plan" means the Plan, as amended and restated on February 12, 1997.

"Board" means the Board of Directors of the Company or, when appropriate, the Executive Committee of the Board of Directors, acting for the Board.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" means United Parcel Service of America, Inc.

"Current Price" of a Share at any time means the price per Share which the Board shall have determined to be the fair market value at which the Company may express its willingness to purchase Shares from shareowners who offer them for sale to the Company at that time.

"Employee Optionee" means any Optionee other than an Outside Director Optionee.

"Incentive Stock Option" means an Option that qualifies as an incentive stock option within the meaning of Section 422 of the Code.

"Nonqualified Option" means an Option that is not an Incentive Stock Option.

"Officer Compensation Committee" means the Officer Compensation Committee of the Board.

"Option" means the right to purchase Shares under the terms and conditions of the Amended and Restated Plan, as evidenced by an option certificate or

agreement in such form, not inconsistent with the Amended and Restated Plan, as the Committee may adopt for general use or for specific cases from time to time.

"Optionee" means the person to whom an Option has been granted under the Amended and Restated Plan and, where the context permits, the estate, personal representative or beneficiary to whom an Option has been transferred by will or the laws of descent and distribution.

"Outside Director" means any member of the Board who is not, as of the date of grant of an Option, an employee or a former employee of the Company or any Subsidiary.

"Outside Director Formula" has the meaning set forth in subparagraph E of paragraph 7 of this Amended and Restated Plan.

"Outside Director Optionee" means the Optionee who is, as of the date of grant of an Option, an Outside Director.

"Plan" means this United Parcel Service of America, Inc. 1996 Stock Option Plan as originally adopted by the Board on February 14, 1996 and by the shareowners of the Company at the 1996 Annual Meeting of Shareowners.

"Salary Committee" means the Salary Committee of the Board.

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"Shares" means shares of the Company's common stock, presently having a par value of \$0.10 per share.

"Subsidiary" means any corporation more than 50% of whose outstanding voting securities is owned by the Company or by one or more of the Company's other Subsidiaries.

"UPS Managers Stock Trust" means a trust arrangement established by agreements conforming to the trust agreement made as of April 15, 1958, as heretofore or hereafter amended (the "UPS Managers Trust Agreement"), among certain employees of the Company and First Union National Bank, as Trustee ("First Union"), or any successor trust arrangement.

An Option shall be deemed "granted" under the Amended and Restated Plan on the date of the action taken by the Salary Committee or Officer Compensation Committee approving the grant of an Option hereunder.

3. PLAN ADOPTION AND TERM.

A. The Plan was originally adopted by the Board on February 14, 1996 and by the shareowners of the Company at the 1996 Annual Meeting of Shareowners. The Amended and Restated Plan became effective upon its adoption by the Board on February 12, 1997, and Options may be issued from time to time thereafter;

provided however, that if this Amended and Restated Plan shall not receive shareowner approval at the 1997 Annual Meeting of Shareowners, the Plan shall remain in effect as it existed before February 12, 1997. If the Amended and Restated Plan receives shareowner approval at the 1997 Annual Meeting of Shareowners, all Options theretofore granted under the Plan shall remain in effect.

B. No Option may be granted hereunder after March 31, 2001, but Options granted on or before that date may extend beyond such date in accordance with their terms.

4. ADMINISTRATION OF THE AMENDED AND RESTATED PLAN.

A. Subject to the provisions of paragraph 7 regarding grant of options and paragraph 16 regarding amendment of the Amended and Restated Plan, this Amended and Restated Plan shall be administered by the Salary Committee or, if the Salary Committee shall consist of fewer than two persons, by the Board. All actions taken by the Salary Committee with respect to the Amended and Restated Plan shall be reported to the Board at the next regular meeting of the Board.

B. The Salary Committee shall have the authority to interpret the provisions of the Amended and Restated Plan, to construe the terms of any Option, to prescribe, amend and rescind rules and regulations relating to the Amended and Restated Plan, and to make all other determinations in the judgment of the Salary Committee necessary or desirable for the administration of the Amended and Restated Plan. The Salary Committee may correct any defect, supply any omission or reconcile any inconsistency in the Amended and Restated Plan or in any Option in the manner and to the extent it shall deem expedient to effectuate the purposes and intent of the Amended and Restated Plan.

C. Any power granted to the Salary Committee, either in this Amended and Restated Plan or by the Board, may at any time be exercised by the Board. Any determination by the Salary Committee shall be subject to review and reversal or modification by the Board on its own motion, except that the Board may not impair the rights of Optionees under Options previously granted.

D. Members of the Salary Committee, the Officer Compensation Committee, the Executive Committee, and the Board shall not be liable for any action or determination made by them in good faith.

5. ELIGIBILITY.

Key managerial employees of the Company and its Subsidiaries, and Outside Directors, shall be eligible to participate in the Amended and Restated Plan. All recipients of Options shall be selected on the basis of their having demonstrated an ability to contribute substantially to the effective management or direction of the

Company and its Subsidiaries. Members of the Board shall be eligible to receive Options under the Amended and Restated Plan, provided that: (i) a member shall not participate in any decision or action affecting such member other than a decision or action affecting all participants generally; and (ii) Outside Directors shall be eligible to receive only Nonqualified Options. No Option shall be issued under this Amended and Restated Plan to any individual who at the time an Option might be granted hereunder owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company, or of any parent or Subsidiary of the Company.

6. LIMITATION ON THE NUMBER OF SHARES.

Subject to adjustment as provided in paragraph 14, Options may be granted pursuant to the Amended and Restated Plan for the purchase of not more than 30,000,000 Shares. If prior to its exercise in full by an Optionee, any Option is canceled or terminates or lapses in whole or in part for any reason other than the termination of the Amended and Restated Plan as a whole, the number of Shares not purchased thereunder shall forthwith become available again for allocation under new Options, including new Options to such Optionee, in accordance with the Amended and Restated Plan.

7. GRANT OF OPTIONS.

A. At any time during the term of this Amended and Restated Plan, the Salary Committee may grant to any eligible employee who is (i) eligible under paragraph 5 hereof and (ii) not a member of the Board, a member of the Salary Committee, or a person who is an officer of the Company as defined in Rule 16a-1 under the Securities Exchange Act of 1934, as amended, an Option to purchase any number of the Shares reserved for issuance under the Amended and Restated Plan, subject to prior allocation of Shares to the same or other persons and to the limitation of paragraph 6.

B. At any time during the term of this Amended and Restated Plan, the Officer Compensation Committee may grant to any eligible employee who is a member of the Board, a member of the Salary Committee, or an officer of the Company as defined in Rule 16a-1 under the Securities Exchange Act of 1934, an Option to purchase any number of the Shares reserved for issuance under the Amended and Restated Plan, subject to prior allocation of Shares to the same or other persons and to the limitation of paragraph 6.

C. At the time of grant of each Option to an Employee Optionee, the Salary Committee or the Officer Compensation Committee, as appropriate, shall designate such Option as an Incentive Stock Option or as a Nonqualified Option. However, the aggregate fair market value, as determined at the time the Option is granted, of the Shares with respect to which incentive stock options may become exercisable for the first time by an Optionee during any calendar year (under the Amended and Restated Plan and any other stock option plan of the Company or any corporation which, at the time of the granting of such Option, is a parent or Subsidiary of the Company) shall not exceed \$100,000. To the extent that an Option designated as an Incentive Stock Option

may be or become exercisable for a number of Shares exceeding the limitation of the preceding sentence, such Option shall be deemed to be an Incentive Stock Option with respect to the maximum number of Shares permissible under the preceding sentence and a Nonqualified Option with respect to any remaining Shares.

D. At such time as the Salary Committee or the Officer Compensation Committee grants to any Employee Optionee an Option to purchase Shares pursuant to subparagraph A or B of paragraph 7, it may also grant to such Employee Optionee a right to receive money at the time of exercise of the Option in an amount equal to a designated percentage of the amount by which the Current Price of the Shares subject to the Option exceeds, at the time of exercise thereof, the option price.

E. On the first day of each year, during the term of this Amended and Restated Plan, on which any Option is granted to an Employee Optionee, each Outside Director shall be granted Options to purchase Shares, as provided in this subparagraph E of paragraph 7. Each Outside Director shall be granted Options to purchase that number of the Shares, equal to the Outside Director Formula, reserved for issuance under the Amended and Restated Plan, subject to prior allocation of Shares to the same or other persons and to the limitation of

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paragraph 6. In the case of each Outside Director, the Outside Director Formula shall be 109.5% of such Outside Director's annual director's fee as in effect on the date such Option is granted, divided by the Current Price of one Share on such date. The Salary Committee may at any time and from time to time modify or amend the Outside Director Formula; provided, however, that the Salary Committee may not: (i) modify or amend the Outside Director Formula more often than once during any twelve-month period; (ii) without shareowner approval modify or amend the Outside Director Formula in any respect that would materially increase the benefits accruing to Outside Directors under the Amended and Restate Plan; or (iii) without the consent of an Outside Director Optionee, make any modification or amendment of the Outside Director Formula that would affect such Outside Director Optionee's rights under an Option previously granted. All Options granted to Outside Director Optionees shall be designated as Nonqualified Options.

8. PURCHASE PRICE, DELIVERY OF SHARES, AND PAYMENT.

A. The purchase price for each Share represented by an Option shall be 100% of the Current Price of a Share at the time the Option is granted. Notwithstanding the foregoing, the purchase price per Share shall not be less than the par value of one Share.

B. Payment of the purchase price for Shares purchased shall be made upon exercise of an Option by payment, (i) in cash, (ii) in Shares owned by the purchaser for at least six months prior to the date of exercise and valued at

their then Current Price, or (iii) in any combination of cash and such Shares. Any payment in Shares shall be effected by the delivery thereof to the Secretary of the Company, endorsed in blank or accompanied by stock powers executed in blank. For such purpose, the Optionee may notify the Trustee under the UPS Managers Stock Trust, in writing, to transmit to the Secretary of the Company, endorsed in blank, Shares held by the Trustee for the Optionee's account under the UPS Managers Stock Trust.

C. All Shares issued by the Company to Employee Optionees upon exercise of Options shall be subject to the UPS Managers Stock Trust. As a condition to the receipt of Shares upon exercise of an Option, the Employee Optionee shall execute and deliver to the Trustee of the UPS Managers Stock Trust a trust deposit agreement. The Company shall then deposit with or deliver to the Trustee the Shares issued to the Employee Optionee to be held by the Trustee in trust for such Employee Optionee's benefit pursuant and subject to the terms of the UPS Managers Trust Agreement.

D. In the event that any Shares are issued or distributed by the Company to an Employee Optionee upon exercise of an Option on a date that is later than the date of termination of the Employee Optionee's employment with the Company and Subsidiaries (the "Termination Date"), then, for purposes of the UPS Managers Stock Trust, the Company's rights to repurchase the Shares so issued or distributed shall commence on the June 15 next following the first anniversary of the Termination Date and such Shares shall be treated as securities issued as a result of the distribution of rights appurtenant UPS common stock owned by the Employee Optionee and subject to the UPS Managers Stock Trust on the Termination Date.

E. All Shares issued by the Company to Outside Director Optionees shall be subject to such agreements with respect to the repurchase of such Shares, similar in purpose and effect to the provisions of the UPS Managers Stock Trust, as the Salary Committee shall prescribe. As a condition to the receipt of Shares upon exercise of an Option, the Outside Director Optionee shall execute and deliver such agreements as the Salary Committee shall prescribe.

9. DURATION OF OPTIONS.

Each Option and all rights thereunder shall expire five and one-half years from the date on which the Option is granted, and shall be subject to earlier termination as provided herein.

10. CONDITIONS RELATING TO EXERCISE.

A. Except as otherwise provided in Paragraph 11 hereof, no Option shall be exercisable until the expiration of five years from the date the Option is granted. Subject to the provisions of Paragraph 11, an Option

may be exercised only in its entirety and only during the period from April 1

to April 30 in the year in which the Option becomes exercisable.

B. No Option shall be transferable by an Optionee otherwise than by will or by the laws of descent and distribution.

C. All Options granted hereunder shall be exercisable during the lifetime of the Optionee only by the Optionee or the Optionee's guardian or legal representative.

D. An Option shall be exercised as follows:

(1) By delivering to the Company, at its principal office, to the attention of its Secretary, written notice of the number of Shares with respect to which the Option is being exercised; and

(2) By paying the purchase price for the Shares in accordance with paragraph 8 hereof and any withholding tax required to be paid pursuant to paragraph 15 hereof.

E. Notwithstanding any other provision in this Amended and Restated Plan, no Option shall be exercisable unless and until (i) the Shares may be legally issued and sold to the Optionee and (ii) the Optionee shall have executed such documents and taken such action as the Salary Committee reasonably shall deem advisable to assist the Company in complying with the requirements of any applicable law.

11.EFFECT OF TERMINATION OF EMPLOYMENT OR SERVICE.

A. In the event an Employee Optionee's employment with the Company and Subsidiaries shall terminate by reason of such Employee Optionee's retirement with the consent of the Company or in accordance with an applicable retirement plan, any Incentive Stock Option then held by such Employee Optionee, which shall not have lapsed or expired shall, at the election of the Employee Optionee: (i) be or immediately become fully exercisable but only for a period ending on the earlier of a date three months following the date of retirement or the date of expiration of the Option in accordance with its terms; or (ii) be unaffected by such retirement. Any Nonqualified Option held by such an Employee Optionee shall be unaffected by such retirement.

B. In the event an Employee Optionee's employment with the Company and Subsidiaries shall terminate by reason of such Employee Optionee's disability (within the meaning of Section 22(e)(3) of the Code), any Incentive Stock Option then held by such Employee Optionee, which shall not have lapsed or expired shall, at the election of the Employee Optionee: (i) be or immediately become fully exercisable but only for a period ending on the earlier of a date one year following the date of termination of employment or the date of expiration of the Option in accordance with its terms; or (ii) be unaffected by such termination of employment. Any Nonqualified Option held by such an Employee Optionee shall be unaffected by such termination of employment.

C. In the event of an Employee Optionee's death (including death while

retired or disabled), any Option then held by such Employee Optionee which shall not have lapsed or expired shall be or immediately become fully exercisable at any time before the date of expiration of the Option in accordance with its terms.

D. In the event an Employee Optionee shall cease to be employed by the Company and Subsidiaries for any reason other than those specified in subparagraphs A, B and C above, any Option then held by such Employee Optionee shall immediately terminate.

E. Whether an authorized leave of absence or absence in government or military service constitutes a termination of employment shall be determined by the Salary Committee, and the Salary Committee's determination shall be final and conclusive on all persons affected thereby; provided, however, that if such leave of absence or other absence shall be deemed a termination of employment for purposes of the UPS Managers Stock Trust, it will also constitute a termination of employment for purposes of the Amended and Restated Plan.

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F. In the case of any Option granted to an Outside Director Optionee, if such Outside Director Optionee ceases for any reason to be a member of the Board, then such Option shall be exercisable according to the following provisions, and shall terminate upon the expiration of the applicable exercise period, if any, specified in this subparagraph F of paragraph 11:

(i) If an Outside Director Optionee ceases to be a member of the Board for any reason other than resignation, removal for cause or death, any such Option held by such Outside Director Optionee which shall not have lapsed or expired shall, at the election of the Outside Director Optionee: (I) be or immediately become fully exercisable but only for a period ending on the earlier of a date three months following the date on which such Outside Director Optionee ceases to be a member of the Board or the date of expiration of the Option in accordance with its terms; or (II) be unaffected.

(ii) Except as provided in clause (iii) of this subparagraph F of paragraph 11, if during his term of office as a member of the Board an Outside Director Optionee resigns from the Board or is removed from office for cause, any Option held by the Outside Director Optionee which is not exercisable by the Outside Director Optionee immediately prior to resignation or removal shall terminate as of the date of resignation or removal, and any Option held by the Outside Director Optionee which is exercisable by the Outside Director Optionee immediately prior to resignation or removal shall be exercisable in accordance with its terms.

(iii) If during his term of office as a member of the Board an Outside Director Optionee's service on the Board shall terminate by reason of such Outside Director Optionee's disability (within the meaning of Section

22(e)(3) of the Code), any Option then held by such Outside Director Optionee, which shall not have lapsed or expired shall, at the election of the Outside Director Optionee: (I) be or immediately become fully exercisable but only for a period ending on the earlier of a date one year following the date on which such Outside Director Optionee ceases to be a member of the Board or the date of expiration of the Option in accordance with its terms; or (II) be unaffected.

(iv) Following the death of an Outside Director Optionee (including death after ceasing, for any reason other than resignation or removal for cause, to be a member of the Board) any Option held by the Outside Director Optionee which shall not have lapsed or expired shall be or immediately become fully exercisable at any time before the date of expiration of the Option in accordance with its terms.

12.NO SPECIAL RIGHTS RESPECTING EMPLOYMENT OR RATE OF COMPENSATION.

Nothing contained in the Amended and Restated Plan or in any Option shall confer upon any Employee Optionee any right with respect to the continuation of his or her employment by the Company or any Subsidiary or interfere in any way with the right of the Company or any Subsidiary at any time to terminate an Employee Optionee's employment or to increase or decrease the compensation of any Optionee from the rate in existence at the time of the grant of an Option.

13.RIGHTS AS A SHAREOWNER.

The holder of an Option shall have no rights as a shareowner with respect to any Shares covered by the Option until the date such Shares are issued as provided in paragraph 8. Except as provided in paragraph 14 below, no adjustment shall be made for rights for which the record date occurs prior to the date such Shares are issued.

14.ANTIDILUTION PROVISIONS.

A. In the event of a stock dividend, stock split, or other subdivision, reclassification or combination of the common stock of the Company, the Salary Committee may make such adjustments in the number of Shares for which Options may be granted under the Amended and Restated Plan, the number of Shares subject to unexercised Options, and the option prices as it deems equitable.

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B. In the event that the outstanding common stock of the Company is changed or converted into, or exchanged or exchangeable for, a different number or kind of shares or other securities of the Company or of another corporation, by reason of reorganization, merger, consolidation or combination, the Salary Committee may make such adjustments in the number and kind of Shares for which Options may be or may have been awarded under the Amended and Restated Plan as it deems equitable; provided, however, that in the event of any contemplated

transaction which may constitute a change in control of the Company, the Salary Committee, with the approval of a majority of the members of the Board who are not then holding Options, may modify any and all outstanding Options so as to accelerate, as a consequence of or in connection with such transaction, an Optionee's right to exercise any such Option.

C. Each Optionee will be notified of any such adjustment and any such adjustment, or the failure to make such adjustment, shall be binding on the Optionee.

15. WITHHOLDING TAXES.

Whenever Shares are to be issued or cash paid to an Optionee upon exercise of an Option, the Company shall have the right to require the Optionee to remit to the Company, as a condition of exercise of the Option, an amount sufficient to satisfy federal, state and local withholding tax requirements at the time of exercise.

16. MODIFICATION OR AMENDMENT OF THE AMENDED AND RESTATED PLAN.

The Amended and Restated Plan may at any time or from time to time be modified or amended by the affirmative votes of a majority of the Shares present, or represented, and entitled to vote at a meeting of the Company's shareowners. The Board or the Executive Committee of the Board may at any time and from time to time modify or amend the Amended and Restated Plan in any respect, or terminate the Amended and Restated Plan, except that, without shareowner approval the Board or the Executive Committee of the Board may not (a) materially increase the benefits accruing to participants under the Amended and Restated Plan, (b) materially increase the number of shares which may be issued under the Amended and Restated Plan, or (c) materially modify the requirements as to eligibility for participation in the Amended and Restated Plan. The termination, modification or amendment of the Amended and Restated Plan shall not, without the consent of an Optionee, affect the Optionee's rights under an Option previously granted. With the consent of the Optionee, the Board or the Executive Committee of the Board may amend outstanding Options in a manner not inconsistent with the Amended and Restated Plan.

SUBSIDIARIES OF UNITED PARCEL SERVICE OF AMERICA, INC.
AS OF
DECEMBER 31, 1996

WHOLLY-OWNED SUBSIDIARIES

<TABLE>

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SUBSIDIARIES -----	STATE OF INCORPORATION -----	DATE OF INCORPORATION -----
<S>	<C>	<C>
United Parcel Service Co.....	Delaware	January 22, 1953
United Parcel Service Deutschland Inc.....	Delaware	September 10, 1980
United Parcel Service General Services Co.....	Delaware	November 4, 1957
United Parcel Service, Inc.....	New York	June 27, 1930
United Parcel Service, Inc.....	Ohio	March 19, 1934
United Parcel Service, Inc. (Virginia).....	Virginia	September 21, 1970
UPS Customhouse Brokerage, Inc.....	Delaware	April 1, 1985
UPS International General Services Co.....	Delaware	August 12, 1988
UPS International, Inc.....	Delaware	July 5, 1988
UPS International Forwarding, Inc.....	Delaware	August 13, 1990
UPS of Ireland, Inc.....	Delaware	January 9, 1992
UPS of Argentina, Inc.....	Delaware	March 17, 1992
UPS of Brazil, Inc.....	Delaware	November 12, 1993
UPS of Portugal, Inc.....	Delaware	June 30, 1992
UPS of Norway, Inc.....	Delaware	September 25, 1992
United Parcel Service Espana Ltd.....	Delaware	December 4, 1992
United Parcel Service Italia, S.R.L.....	Delaware	January 11, 1993
UPS of China, Inc.....	Delaware	April 25, 1995
UPS Logistics Group, Inc.....	Delaware	May 24, 1996
UPS Truck Leasing, Inc.....	Delaware	September 11, 1991
UPS Worldwide Logistics, Inc.....	Delaware	December 18, 1992
Worldwide Dedicated Services, Inc.....	Delaware	June 9, 1995
Diversified Trimodal, Inc.....	Delaware	July 25, 1979
Roadnet Technologies, Inc.....	Delaware	May 12, 1986
SonicAir, Inc.....	Arizona	February 16, 1995
UPS Worldwide Forwarding, Inc.....	Delaware	August 12, 1988
UPICO Corporation.....	Delaware	December 26, 1974
UPS Aviation Services, Inc.....	Delaware	February 7, 1989
Merchants Parcel Delivery.....	Washington	April 5, 1909
Trailer Conditions, Inc.....	Delaware	March 22, 1982
II Morrow, Inc.....	Oregon	March 9, 1982
Red Arrow Bonded Messenger Corporation.....	California	November 16, 1922
UPS Air Leasing, Inc.....	Delaware	October 12, 1989
Avenair Corporation.....	Nevada	November 14, 1994

Nevair Corporation.....	Nevada	November 10, 1994
UPS Telecommunications, Inc.....	Delaware	April 25, 1990
UPS Properties, Inc.....	Delaware	May 9, 1990
El Paso Distribution Center, Inc. (One).....	Texas	September 17, 1990
El Paso Distribution Center, Inc. (Two).....	Texas	September 17, 1990
Tri-State Distribution, Inc. (One).....	Illinois	September 14, 1990
Tri-State Distribution, Inc. (Two).....	Illinois	September 14, 1990
Tri-State Distribution, Inc. (Three).....	Illinois	September 14, 1990
Tri-State Distribution, Inc. (Four).....	Illinois	September 14, 1990
Tri-State Distribution, Inc. (Five).....	Illinois	September 14, 1990

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SUBSIDIARIES -----	STATE OF INCORPORATION -----	DATE OF INCORPORATION -----
<S>	<C>	<C>
Vista Distribution Center, Inc. (One) ..	Nevada	September 14, 1990
Vista Distribution Center, Inc. (Two) ..	Nevada	September 14, 1990
Vista Distribution Center, Inc. (Three).....	Nevada	September 14, 1990
Vista Distribution Center, Inc. (Four).....	Nevada	September 14, 1990
Vista Distribution Center, Inc. (Five).....	Nevada	September 14, 1990
Upinsco, Inc.....	U.S. Virgin Islands	December 1, 1994
Velleb, Inc.....	Washington	November 1, 1993
Adi Realty Company.....	Idaho	March 30, 1979
Alko Corporation.....	Oklahoma	December 7, 1976
Bardale Company.....	Illinois	July 1, 1963
Basplas Corporation.....	Delaware	January 16, 1987
Brastock Corporation.....	Nebraska	April 15, 1974
Brookind Corporation.....	Illinois	January 26, 1970
Buckroe Corporation.....	Alabama	September 17, 1984
Burdence Corporation.....	Rhode Island	September 26, 1969
Chasreal, Inc.....	West Virginia	January 10, 1965
Cleve Company.....	Ohio	December 19, 1958
Cova Corporation.....	Virginia	March 13, 1978
Dakkel Corporation.....	South Dakota	February 11, 1971
Dalho Corporation.....	Texas	January 29, 1970
Darico, Inc.....	Connecticut	May 26, 1969
Daven Corporation.....	Iowa	June 14, 1976
Deerfield Corporation.....	Illinois	June 20, 1986
Denado Corporation.....	Colorado	March 1, 1971
Dullesport Corporation.....	Virginia	September 2, 1987
Edison Corporation.....	New Jersey	April 21, 1970
Elsil Corporation.....	Illinois	July 3, 1986

Evind Corporation.....	Indiana	November 6, 1969
Fardak Corporation.....	North Dakota	February 11, 1971
Galanta Company.....	Georgia	July 15, 1968
Kylou, Inc.....	Kentucky	May 24, 1982
Labar Corporation.....	Louisiana	October 12, 1983
Lakefair Corporation.....	Virginia	September 1, 1987
Mascester Company, Inc.....	Massachusetts	June 13, 1969
Masreal Company, Inc.....	Massachusetts	November 8, 1962
Mexalb Corporation.....	New Mexico	September 15, 1975
Minneagen Real Estate Company.....	Minnesota	January 26, 1985
Missjack Company.....	Mississippi	January 4, 1971
Montbill Corporation.....	Montana	July 22, 1976
Moroc Corporation.....	Missouri	October 6, 1972
Newbany Corporation.....	New York	September 23, 1969
Nubee, Inc.....	New York	December 9, 1943
Oshaon Corporation.....	Wisconsin	April 16, 1974
Parkprop, Inc.....	Kansas	March 7, 1989
Penallen Corporation.....	Pennsylvania	July 7, 1969
Ralcar Corporation.....	North Carolina	April 20, 1970
Rockapar Corporation.....	Arkansas	April 30, 1973
Royoak, Incorporated.....	Michigan	July 10, 1969
Sallad Corporation.....	Texas	February 26, 1982
Saluta Corporation.....	Utah	February 22, 1977

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SUBSIDIARIES	STATE OF INCORPORATION	DATE OF INCORPORATION
-----	-----	-----
<S>	<C>	<C>
Saskan Corporation.....	Kansas	June 16, 1969
Kacika Corporation.....	Kansas	November 13, 1984
Socol Corporation.....	South Carolina	July 2, 1969
Solacal Company.....	California	February 16, 1966
Lacalos Corporation.....	Nevada	January 29, 1986
Sophil Company.....	Pennsylvania	August 22, 1962
South Seventh Corporation.....	Washington	June 11, 1969
Stadiana, Inc.....	Indiana	April 1, 1959
Swanpor Corporation.....	Oregon	May 13, 1970
Temphis Corporation.....	Tennessee	September 10, 1969
Valacal Company.....	California	July 7, 1966
Verbal Corporation.....	Maryland	September 18, 1969
Verlas Corporation.....	Nevada	March 24, 1971
Willmanch Corporation.....	New Hampshire	October 30, 1973
Wyoas Corporation.....	Wyoming	June 10, 1976
Wyld, Inc.....	Delaware	September 5, 1980

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INTERNATIONAL SUBSIDIARIES

<TABLE>
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SUBSIDIARY -----	COUNTRY -----	DATE OF INCORPORATION -----
<S>	<C>	<C>
United Parcel Service Pty. Ltd.	Australia	December 7, 1990
UPS Pty. Ltd.....	Australia	January 19, 1990
United Parcel Service Speditionsgesellschaft m.b.H.....	Austria	September 2, 1986
UPS Transport GmbH.....	Austria	November 5, 1986
United Parcel Service (Bahrain) WLL.....	Bahrain	February 19, 1983
United Parcel Service Belgium N.V.....	Belgium	December 22, 1988
United Parcel Service (Bermuda) Ltd.....	Bermuda	June 25, 1985
UPS DO Brasil & Cia.....	Brazil	January 24, 1994
2855-8278 Quebec Inc.....	Canada	April 24, 1991
724352 Ontario Inc.....	Canada	June 19, 1987
United Parcel Service Canada Ltd.	Canada	September 19, 1974
United Parcel Service Cayman Islands Limited.....	Cayman Islands	June 5, 1992
UPS De San Jose, S.A.....	Costa Rica	July 27, 1995
UPS Denmark A/S.....	Denmark	January 1, 1989
United Parcel Services Finland OY.....	Finland	January 28, 1987
United Parcel Service France S.N.C.....	France	March 31, 1994
Prost-Transports S.A. Speditionsgesellschaft gmbH.....	Germany	1989
United Parcel Service Deutschland Inc.	Germany	October 16, 1980
UPS Air Cargo Service GmbH.....	Germany	January 12, 1988
UPS Grundstuecksverwaltungs GmbH.....	Germany	February 25, 1985
UPS Transport GmbH.....	Germany	August 5, 1976
UPS Transport GmbH II.....	Germany	July 23, 1990
UPS Worldwide Logistics GmbH.....	Germany	August 17, 1993
UPS Parcel Delivery Service Limited.....	Hong Kong	November 6, 1987
United Parcel Service CSTC Ireland Limited..	Ireland	June 8, 1995
United Parcel Service of Ireland Limited....	Ireland	March 25, 1986
United Parcel Service Italia, S.R.L.....	Italy	July 30, 1986
United Parcel Service Co., Japan Branch.....	Japan	September 28, 1990
UPS Japan Limited.....	Japan	October 14, 1986

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SUBSIDIARY -----	COUNTRY -----	DATE OF INCORPORATION -----
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<S>	<C>	<C>
United Parcel Service Jersey Limited.....	Jersey	October 23, 1973
United Parcel Service (M) Sdn. Bhd.....	Malaysia	August 17, 1988
United Parcel Service (Transport) Sdn. Bhd.....	Malaysia	October 2, 1989
United Parcel Service De Mexico S.A. De C.V.....	Mexico	November 22, 1989
Prost-Transports Nederland B.V.....	Netherlands	July 20, 1988
United Parcel Service Nederland B.V.....	Netherlands	December 19, 1985
UPS Norge A/S.....	Norway	August 8, 1986
UPS of Norway, Inc., Oslo Branch.....	Norway	September 25, 1992
UPS of Portugal, Inc., Lisbon Branch.....	Portugal	June 30, 1992
United Parcel Service Co., Singapore Branch.....	Singapore	October 13, 1994
United Parcel Service Singapore PTE Ltd....	Singapore	June 15, 1988
United Parcel Service Co., Korean Branch....	South Korea	January 3, 1990
Sociedad Iversora Sanrelman, S.A.....	Spain	November 17, 1988
United Parcel Service Espana Ltd. Y Compania, S.R.C.....	Spain	January 1, 1993
UPS Spain, S.L.....	Spain	March 9, 1988
United Parcel Service Sweden AB.....	Sweden	January 1, 1966
United Parcel Service (Switzerland).....	Switzerland	August 28, 1986
UPS International, Inc., Taiwan Branch.....	Taiwan	July 5, 1988
UPS Parcel Delivery Service Limited.....	Thailand	September 28, 1988
Atexco (1991) Limited.....	United Kingdom	March 6, 1985
Atlasair Limited.....	United Kingdom	July 24, 1947
Carryfast Limited.....	United Kingdom	August 4, 1941
IML Air Services Group Limited.....	United Kingdom	February 11, 1969
United Parcel Service of America.....	United Kingdom	October 28, 1991
UPS (UK) Limited.....	United Kingdom	October 2, 1984
UPS Limited.....	United Kingdom	July 24, 1985
UPS of America Limited.....	United Kingdom	March 5, 1985

</TABLE>

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements No. 33-46840, 333-23971, 333-23969, 333-20319 (on Form S-8) and No. 333-08369 (on Form S-3) of United Parcel Service of America, Inc. of our report dated February 10, 1997, appearing in this Annual Report on Form 10-K of United Parcel Service of America, Inc. for the year ended December 31, 1996.

Deloitte & Touche LLP

Atlanta, Georgia
March 27, 1997

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