

UNITED PARCEL SERVICE INC
 Form 424B5
 January 11, 2008
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FILED PURSUANT TO

RULE 424(B)(5)

REGISTRATION NO. 333-147737

CALCULATION OF REGISTRATION FEE

| | Amount to be Registered | Proposed Maximum Offering Price Per Unit | Proposed Maximum Aggregate Offering Price | Amount of Registration Fee (1) |
|-----------------------------|--------------------------------|---|--|---------------------------------------|
| 4.50% Senior Notes Due 2013 | \$1,750,000,000 | 99.575% | 1,742,562,500 | \$68,483 |
| 5.50% Senior Notes Due 2018 | \$ 750,000,000 | 99.802% | 748,515,000 | \$29,417 |
| 6.20% Senior Notes Due 2038 | \$1,500,000,000 | 99.487% | 1,492,305,000 | \$58,648 |

(1) Calculated in accordance with Rule 457(r) of the Securities Act.

PROSPECTUS SUPPLEMENT

TO PROSPECTUS DATED NOVEMBER 30, 2007

\$4,000,000,000

UNITED PARCEL SERVICE, INC.

4.50% Senior Notes due 2013

5.50% Senior Notes due 2018

6.20% Senior Notes due 2038

We are offering \$1,750,000,000 of 4.50% Senior Notes due January 15, 2013, which we refer to as the 2013 Notes, \$750,000,000 of 5.50% Senior Notes due January 15, 2018, which we refer to as the 2018 Notes and \$1,500,000,000 of 6.20% Senior Notes due January 15, 2038, which we refer to as the 2038 Notes. We refer to the 2013 Notes, the 2018 Notes and the 2038 Notes collectively as the notes.

We will pay interest on the notes on January 15 and July 15 of each year beginning July 15, 2008. The 2013 Notes will bear interest at a rate of 4.50% per year, the 2018 Notes will bear interest at a rate of 5.50% per year and the 2038 Notes will bear interest at a rate of 6.20% per year. We may redeem any of the notes at any time by paying the greater of the principal amount of the notes or a make-whole amount, plus, in each case, accrued interest.

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The notes will be unsecured and will rank equally with our other unsecured and unsubordinated debt.

| | Price to the Public | Underwriting Discounts and Commissions | Proceeds to UPS |
|----------------|------------------------|---|--------------------|
| Per 2013 Note | 99.575% | 0.350% | 99.225% |
| Per 2018 Note | 99.802% | 0.450% | 99.352% |
| Per 2038 Note | 99.487% | 0.875% | 98.612% |
| Combined Total | \$ 3,983,382,500 | \$ 22,625,000 | \$ 3,960,757,500 |

Delivery of the notes will be made in book-entry form only through the facilities of The Depository Trust Company (DTC) and its direct and indirect participants, including Euroclear Bank S.A./N.V. (Euroclear) and Clearstream Banking, société anonyme (Clearstream), on or about January 15, 2008.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus to which it relates is truthful or complete. Any representation to the contrary is a criminal offense.

Investing in the notes involves risk. See Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2006.

Joint Book-Running Managers

CITI GOLDMAN, SACHS & CO. MERRILL LYNCH & CO. MORGAN STANLEY

Senior Co-Managers

BARCLAYS CAPITAL

UBS INVESTMENT BANK

Co-Managers

BEAR, STEARNS & CO. INC.
DEUTSCHE BANK SECURITIES
CASTLEOAK SECURITIES, L.P.

BNP PARIBAS
WACHOVIA SECURITIES

CREDIT SUISSE
WELLS FARGO SECURITIES
THE WILLIAMS CAPITAL GROUP, L.P.

The date of this prospectus supplement is January 10, 2008

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We have not, and the underwriters have not, authorized any dealer, salesperson or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate, nor do this prospectus supplement and the accompanying prospectus constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information contained in this prospectus supplement and the accompanying prospectus, or incorporated by reference in these documents, is accurate only as of the date of the applicable document. When we deliver this prospectus supplement and the accompanying prospectus or make a sale pursuant to this prospectus supplement and the accompanying prospectus, we are not implying that the information is current as of the date of the delivery or sale.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document has two parts. The first part consists of this prospectus supplement, which describes the specific terms of this offering and the notes offered. The second part, the accompanying prospectus, provides more general information about securities which we may offer, some of which does not apply to this offering. If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

Before purchasing any notes, you should carefully read both this prospectus supplement and the accompanying prospectus, together with the additional information described under the heading "Incorporation of Certain Documents by Reference" in this prospectus supplement.

Unless otherwise indicated, all references in this prospectus supplement to we, our or UPS refer to United Parcel Service, Inc., a Delaware corporation, and its consolidated subsidiaries.

DESCRIPTION OF UPS

We are the world's largest package delivery company and a global leader in supply chain management. We were founded in 1907 as a private messenger and delivery service in Seattle, Washington. Today, we deliver packages each business day for 1.8 million shipping customers to 6.1 million consignees in over 200 countries and territories. In 2006, we delivered an average of 15.6 million pieces per day worldwide. In addition, our supply chain solutions capabilities are available to clients in over 175 countries and territories.

Total revenue in 2006 was over \$47.5 billion. Although our primary business is the time-definite delivery of packages and documents, we have extended our capabilities in recent years to encompass the broader spectrum of services known as supply chain solutions, such as freight forwarding, customs brokerage, fulfillment, returns, financial transactions and even repairs. We are also a leading provider of less-than-truckload transportation services. We have established a global transportation infrastructure and a comprehensive portfolio of services and integrated solutions. We support these services with advanced operational and customer-facing technology. Our supply chain solutions provide visibility into moving inventory across the global supply chain.

Our principal executive office is located at 55 Glenlake Parkway, N.E., Atlanta, Georgia 30328, telephone (404) 828-6000.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the documents incorporated by reference herein may contain statements, estimates or projections that constitute forward-looking statements as defined under U.S. federal securities laws. The words believes, expects, anticipates, we see, and similar expressions are intended to identify forward-looking statements. These statements include statements regarding our intent, belief and current expectations about our strategic direction, prospects, future results and other matters. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our Company's historical experience and our present expectations or projections. These risks and uncertainties are discussed in our filings with the SEC, including, without limitation, our Annual Report on Form 10-K for the year ended December 31, 2006 and our subsequently filed Quarterly Reports on Form 10-Q, which filings are available from the SEC.

USE OF PROCEEDS

We estimate that the net proceeds to us from this offering will be approximately \$3.958 billion, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to

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use all of the net proceeds of this offering to repay a portion of the outstanding commercial paper issued in connection with our December 26, 2007 payment to the Central States, Southeast and Southwest Areas Pension Fund (the Central States Pension Fund) in connection with our withdrawal from the Central States Pension Fund. As of January 8, 2008 our outstanding commercial paper had a weighted average interest rate of 4.35% per year and a weighted average maturity of 51.8 days. Pending such use of the net proceeds, we may invest the proceeds in highly liquid short-term securities.

CAPITALIZATION

The table below sets forth our consolidated capitalization as of September 30, 2007:

on an actual basis;

as adjusted to give effect to (i) our payment of \$6.1 billion to the Central States Pension Fund on December 26, 2007 in connection with our withdrawal from the Central States Pension Fund and (ii) our issuance of \$6.1 billion of commercial paper to fund such payment; and

as further adjusted to give effect to the issuance of notes offered hereby and the application of the net proceeds from the sale of the notes. See Use of Proceeds.

You should read the table together with our consolidated financial statements and the notes thereto incorporated by reference into this prospectus supplement and accompanying prospectus.

| | As of September 30, 2007 | | |
|---|--------------------------|-------------------------|---------------------------|
| | Actual | As Adjusted | As Further Adjusted |
| | (amounts in millions) | | |
| Cash and Short-Term Investments | | | |
| Cash and Cash Equivalents | \$ 1,245 | \$ 1,245 | \$ 1,245 |
| Marketable Securities and Short-Term Investments | 754 | 754 | 754 |
| Total Cash and Short-Term Investments | \$ 1,999 | \$ 1,999 | \$ 1,999 |
| Debt included in Current Liabilities: | | | |
| Current maturities of Long-Term Debt and Commercial Paper | \$ 1,374 | \$ 7,474 ⁽¹⁾ | \$ 3,516 |
| Debt included in Long-Term Liabilities: | | | |
| Long-Term Debt, excluding Current Installments | 3,287 | 3,287 | 7,287 |
| Total Debt | \$ 4,661 | \$ 10,761 | \$ 10,803 |
| Shareowners' Equity | 15,569 | 11,763 ⁽²⁾ | 11,763 |
| Total Debt and Shareowners' Equity | \$ 20,230 | \$ 22,524 | \$ 22,566 |

(1) Reflects our issuance of \$6.1 billion of commercial paper, to fund a payment in that amount to the Central States Pension Fund.

(2) Reflects a decrease of approximately \$3.9 billion in shareowners' equity to reflect the after-tax charge resulting from the payment to the Central States Pension Fund, using an estimated tax rate of 36%.

DESCRIPTION OF THE NOTES

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We are offering \$1,750,000,000 aggregate principal amount of our 4.50% Senior Notes due January 15, 2013, \$750,000,000 aggregate principal amount of our 5.50% Senior Notes due January 15, 2018 and \$1,500,000,000 aggregate principal amount of our 6.20% Senior Notes due January 15, 2038. The 2013 Notes, 2018 Notes and 2038 Notes will each constitute a series of senior debt securities described in the accompanying prospectus. The following description supplements, and to the extent it is inconsistent with replaces, the description of the general terms and provisions contained in Description of Debt Securities in the accompanying prospectus.

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Each series of notes will be issued under the indenture dated as of August 26, 2003 entered into with The Bank of New York Trust Company, N.A. (as successor to Citibank N.A.), as trustee. We urge you to read the indenture because it, not the summaries below and in the accompanying prospectus, defines your rights. You may obtain a copy of the indenture from us without charge. See the section entitled "Where You Can Find More Information" in the accompanying prospectus.

General

The 2013 Notes will mature on January 15, 2013, and will bear interest at a rate of 4.50% per annum from January 15, 2008, or from the most recent date to which interest has been paid or provided for, payable semiannually in arrears to holders of record at the close of business on the January 1 and July 1 immediately preceding the interest payment date on January 15 and July 15 of each year, commencing July 15, 2008.

The 2018 Notes will mature on January 15, 2018, and will bear interest at a rate of 5.50% per annum from January 15, 2008, or from the most recent date to which interest has been paid or provided for, payable semiannually in arrears to holders of record at the close of business on the January 1 and July 1 immediately preceding the interest payment date on January 15 and July 15 of each year, commencing July 15, 2008.

The 2038 Notes will mature on January 15, 2038, and will bear interest at a rate of 6.20% per annum from January 15, 2008, or from the most recent date to which interest has been paid or provided for, payable semiannually in arrears to holders of record at the close of business on the January 1 and July 1 immediately preceding the interest payment date on January 15 and July 15 of each year, commencing July 15, 2008.

If any interest payment date, redemption date or the maturity date of any of the notes is not a business day, then payment of principal and interest will be made on the next succeeding business day. No interest will accrue on the amount payable for the period from the interest payment date, redemption date or maturity date, as the case may be, to the date payment is made. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The notes do not contain any sinking fund provisions.

In some circumstances, we may elect to discharge our obligations on a series of the notes through defeasance or covenant defeasance. See "Description of Debt Securities - Defeasance and Covenant Defeasance" in the accompanying prospectus for more information about how we may do this.

The notes will be issued only in registered form without coupons, in denominations of \$2,000 or integral multiples of \$1,000 in excess thereof. No service charge will be made for any registration of transfer or any exchange of notes, but we may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith.

The notes will be our unsecured and unsubordinated obligations ranking equally with our other outstanding unsecured and unsubordinated indebtedness. The indenture generally does not limit our ability to incur additional debt and does not contain financial or similar restrictive covenants.

Additional Notes

We may issue additional notes that will be included in the series of the 2013 Notes, the 2018 Notes or the 2038 Notes without the consent of the holders of those notes. Any additional notes, together with all other outstanding notes of that series, will be fungible for U.S. federal income tax purposes and will constitute a single series of debt securities under the indenture and will rank equally in all respects.

Optional Redemption

We may, at our option, at any time and from time to time redeem all or any portion of the notes on not less than 30 nor more than 60 days' prior notice mailed to the holders of the notes to be redeemed. The notes will be redeemable at a redemption price equal to the greater of (1) 100% of the principal amount of the notes to be

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redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed that would be due after the related redemption date but for such redemption (except that, if such redemption date is not an interest payment date, the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued thereon to the redemption date), discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable discount rate for each of the notes, plus in each case accrued interest to the date of redemption. The discount rate for the 2013 Notes will be the Treasury Rate plus 20 basis points, the discount rate for the 2018 Notes will be the Treasury Rate plus 25 basis points and the discount rate for the 2038 Notes will be the Treasury Rate plus 30 basis points.

Treasury Rate means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity (computed as of the third business day immediately preceding the redemption date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Comparable Treasury Issue means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the series of notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes of the relevant series.

Comparable Treasury Price means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for the redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if the trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all Quotations obtained.

Independent Investment Banker means one of the Reference Treasury Dealers appointed by us.

Reference Treasury Dealer means each of Citigroup Global Markets Inc., Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated and their respective successors and one other nationally recognized investment banking firm that is a Primary Treasury Dealer specified from time to time by us, except that if any of the foregoing ceases to be a primary U.S. Government securities dealer in New York City (a Primary Treasury Dealer), we are required to designate as a substitute another nationally recognized investment banking firm that is a Primary Treasury Dealer.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference Treasury Dealer as of 3:30 p.m., New York City time, on the third business day immediately preceding the redemption date.

On and after any redemption date, interest will cease to accrue on the notes called for redemption. Prior to any redemption date, we are required to deposit with a paying agent money sufficient to pay the redemption price of and accrued interest on the notes to be redeemed on the redemption date. If we are redeeming less than all the notes of a series, the trustee under the indenture must select the notes to be redeemed by the method as the trustee deems fair and appropriate in accordance with methods generally used at the time of selection by fiduciaries in similar circumstances.

Additional Covenants

Limitation on Secured Indebtedness

We will not create, assume, incur or guarantee, and will not permit any Restricted Subsidiary to create, assume, incur or guarantee, any Secured Indebtedness without making provision whereby all the notes shall be secured equally and ratably with, or prior to, such Secured Indebtedness, together with, if we shall so

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determine, any other Indebtedness of us or any Restricted Subsidiary then existing or thereafter created that is not subordinate to the notes, so long as the Secured Indebtedness shall be outstanding, unless the Secured Indebtedness, when added to:

the aggregate amount of all Secured Indebtedness then outstanding (not including in this computation Secured Indebtedness if the notes are secured equally and ratably with (or prior to) such Secured Indebtedness and further not including in this computation any Secured Indebtedness that is concurrently being retired) and

the aggregate amount of all Attributable Debt then outstanding pursuant to Sale and Leaseback Transactions entered into by us after January 26, 1999, or entered into by a Restricted Subsidiary after January 26, 1999 or, if later, the date on which it became a Restricted Subsidiary (not including in this computation any Attributable Debt that is concurrently being retired) would not exceed 10% of Consolidated Net Tangible Assets.

Limitation on Sale and Lease Back Transactions

We will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction unless (a) the sum of:

the Attributable Debt to be outstanding pursuant to such Sale and Leaseback Transaction;

all Attributable Debt then outstanding pursuant to all other Sale and Leaseback Transactions entered into by us after January 26, 1999, or entered into by a Restricted Subsidiary after January 26, 1999 or, if later, the date on which it became a Restricted Subsidiary; and

the aggregate of all Secured Indebtedness then outstanding (not including in this computation Secured Indebtedness if the notes are secured equally and ratably with (or prior to) such Secured Indebtedness) would not exceed 10% of Consolidated Net Tangible Assets, or (b) an amount equal to the greater of:

the net proceeds to us or the Restricted Subsidiary of the sale of the Principal Property sold and leased back pursuant to such Sale and Leaseback Transaction; and

the amount of Attributable Debt to be outstanding pursuant to such Sale and Leaseback Transaction is applied to the retirement of Funded Debt of us or any Restricted Subsidiaries (other than Funded Debt that is subordinate to the notes or is owing to us or any Restricted Subsidiaries or is scheduled to mature within one year after consummation of such Sale and Leaseback Transaction) within 180 days after the consummation of such Sale and Leaseback Transaction.

Definitions

As used in the notes and this prospectus supplement, the following definitions apply:

Attributable Debt means, as of the date of its determination, the present value (discounted semiannually at an interest rate of 7.0% per annum) of the obligation of a lessee for rental payments pursuant to any Sale and Leaseback Transaction (reduced by the amount of the rental obligations of any sublessee of all or part of the same property) during the remaining term of such Sale and Leaseback Transaction (including any period for which the lease relating thereto has been extended), such rental payments not to include amounts payable by the lessee for maintenance and repairs, insurance, taxes, assessments and similar charges and for contingent rents (such as those based on sales). In the case of any Sale and Leaseback Transaction in which the lease is terminable by the lessee upon the payment of a penalty, the rental payments shall be considered for

purposes of this definition to be the lesser of the discounted values of:

(a) the rental payments to be paid under such Sale and Leaseback Transaction until the first date (after the date of such determination) upon which it may be so terminated plus the then applicable penalty upon such termination and

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(b) the rental payments required to be paid during the remaining term of such Sale and Leaseback Transaction (assuming such termination provision is not exercised).

Capitalized Lease Obligation means any obligation to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real or personal property that is required to be classified and accounted for as a capital lease obligation under generally accepted accounting principles, and, for the purposes of the notes, the amount of such obligation at any date shall be the capitalized amount thereof at the applicable date, determined in accordance with such principles.

Consolidated Net Tangible Assets means at any date, the total assets appearing on our most recently prepared consolidated balance sheet as of the end of our fiscal quarter, prepared in accordance with generally accepted accounting principles, less all current liabilities as shown on such balance sheet and Intangible Assets.

Funded Debt means any indebtedness maturing by its terms more than one year from its date of issue, including any indebtedness renewable or extendable at the option of the obligor to a date later than one year from its original date of issue.

Indebtedness means

(a) any liability of any Person:

(1) for borrowed money, or under any reimbursement obligation relating to a letter of credit; or

(2) evidenced by a bond, note, debenture or similar instrument, including a purchase money obligation, given in connection with the acquisition of any businesses, properties or assets of any kind or with services incurred in connection with capital expenditures, other than a trade payable or a current liability arising in the ordinary course of business; or

(3) for the payment of money relating to a Capitalized Lease Obligation; or

(4) for Interest Rate Protection Obligations;

(b) any liability of others described in the preceding clause (a) that the Person has guaranteed or that is otherwise its legal liability; and

(c) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in clauses (a) and (b) above.

Intangible Assets means at any date the value (net of any applicable reserves), as shown on or reflected in our most recently prepared consolidated balance sheet, prepared in accordance with generally accepted accounting principles, of:

(a) all trade names, trademarks, licenses, patents, copyrights and goodwill;

(b) organizational and development costs;

(c) deferred charges (other than prepaid items such as insurance, taxes, interest, commissions, rents and similar items and tangible assets being amortized); and

(d) unamortized debt discount and expense, less unamortized premium.

Interest Rate Protection Obligations of any Person means the obligations of that Person pursuant to any arrangement with any other Person whereby, directly or indirectly, that Person is entitled to receive from time to time periodic payments calculated by applying a fixed rate of interest on a stated notional amount in exchange for periodic payments made by such Person calculated by applying a floating rate of interest on the same notional amount.

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Liens means any mortgage, lien, pledge, security interest, charge or encumbrance.

Principal Property means any land, land improvements, buildings and associated factory, distribution, laboratory and office equipment (excluding any motor vehicles, aircraft, mobile materials handling equipment, data processing equipment and rolling stock) constituting a distribution facility, operating facility, manufacturing facility, development facility, warehouse facility, service facility or office facility (including any portion thereof), which facility

(a) is owned by or leased to us or any Restricted Subsidiary,

(b) is located within the United States and

(c) has an acquisition cost plus capitalized improvements in excess of 0.50% of Consolidated Net Tangible Assets as of the date of that determination, other than:

(1) any facility, or portion thereof, which has been financed by obligations issued by or on behalf of a State, a Territory or a possession of the United States, or any political subdivision of any of the foregoing, or the District of Columbia, the interest on which is excludable from gross income of the holders thereof (other than a substantial user of the related facility or a related Person as those terms are used in Section 103 of the Internal Revenue Code) pursuant to the provisions of Section 103 of the Internal Revenue Code (or any similar provision hereafter enacted) as in effect at the time of issuance of the obligations;

(2) any facility that our board of directors may by resolution declare is not of material importance to us and the Restricted Subsidiaries taken as a whole; and

(3) any facility, or portion thereof, owned or leased jointly or in common with one or more Persons other than us and any Subsidiary and in which the interest of us and all Subsidiaries does not exceed 50%.

Restricted Securities means any shares of the capital stock or Indebtedness of any Restricted Subsidiary.

Restricted Subsidiary means

(a) any Subsidiary:

(1) which has substantially all its property within the United States of America;

(2) which owns or is a lessee of any Principal Property; and

(3) in which the investment of us and all other Subsidiaries exceeds 0.50% of Consolidated Net Tangible Assets as of the date of the determination; provided, however, that the term Restricted Subsidiary shall not include:

(A) any Subsidiary (x) primarily engaged in the business of purchasing, holding, collecting, servicing or otherwise dealing in and with installment sales contracts, leases, trust receipts, mortgages, commercial paper or other financing instruments, and any collateral or agreements relating thereto, including in the business, individually or through partnerships, of financing, whether through long- or short-term borrowings, pledges, discounts or otherwise, the sales, leasing or other operations of us and the Subsidiaries or any of them, or (y) engaged in the business of financing the assets and operations of third parties, and (z) in any case, not, except as incidental to such financing business, engaged in owning, leasing or operating any property which, but for this proviso, would qualify as Principal Property; or

(B) any Subsidiary acquired or organized after January 26, 1999, for the purpose of acquiring the stock or business or assets of any Person other than us or any Restricted Subsidiary, whether by merger, consolidation, acquisition of stock or assets or similar transaction analogous in purpose or effect, so long as such Subsidiary does not acquire by merger, consolidation, acquisition of stock or assets or similar transaction analogous in purpose or effect all or any substantial part of the business or assets of us or any Restricted Subsidiary; and

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(b) any other Subsidiary that is hereafter designated by our board of directors as a Restricted Subsidiary.

Sale and Leaseback Transaction means any arrangement with any Person providing for the leasing by UPS or any Restricted Subsidiary of any Principal Property (whether the Principal Property is now owned or hereafter acquired) that has been or is to be sold or transferred by us or a Restricted Subsidiary to any Person, other than

(a) leases for a term, including renewals at the option of the lessee, of not more than three years;

(b) leases between us and a Restricted Subsidiary or between Restricted Subsidiaries; and

(c) leases of Principal Property executed by the time of, or within 180 days after the latest of, the acquisition, the completion of construction or improvement (including any improvements on property that will result in the property becoming Principal Property), or the commencement of commercial operation of the Principal Property.

Secured Indebtedness means Indebtedness of us or a Restricted Subsidiary that is secured by any Lien upon any Principal Property or Restricted Securities, and Indebtedness of us or a Restricted Subsidiary in respect of any conditional sale or other title retention agreement covering Principal Property or Restricted Securities; but *Secured Indebtedness* shall not include any of the following:

(a) Indebtedness of us and the Restricted Subsidiaries outstanding on January 26, 1999, secured by then-existing Liens upon, or incurred in connection with conditional sales agreements or other title retention agreements with respect to Principal Property or Restricted Securities;

(b) Indebtedness that is secured by:

(1) purchase money Liens upon Principal Property acquired after January 26, 1999, or

(2) Liens placed on Principal Property after January 26, 1999, during construction or improvement thereof (including any improvements on property which will result in the property becoming Principal Property) or placed thereon within 180 days after the later of acquisition, completion of construction or improvement or the commencement of commercial operation of the Principal Property or improvement, or placed on Restricted Securities acquired after January 26, 1999, or

(3) conditional sale agreements or other title retention agreements with respect to any Principal Property or Restricted Securities acquired after January 26, 1999, if (in each case referred to in this subparagraph (b)) (x) the related Lien or agreement secures all or any part of the Indebtedness incurred for the purpose of financing all or any part of the purchase price or cost of construction of the Principal Property or improvement or Restricted Securities and (y) the related Lien or agreement does not extend to any Principal Property or Restricted Securities other than the Principal Property so acquired or the Principal Property, or portion thereof, on which the property so constructed or any improvement is located; provided, however, that the amount by which the aggregate principal amount of Indebtedness secured by any Lien or agreement exceeds the cost to us or the Restricted Subsidiary of the related acquisition, construction or improvement will be considered to be *Secured Indebtedness*;

(c) Indebtedness that is secured by Liens on Principal Property or Restricted Securities, which Liens exist at the time of acquisition (by any manner whatsoever) of the Principal Property or Restricted Securities by UPS or a Restricted Subsidiary;

(d) Indebtedness of Restricted Subsidiaries owing to us or any other Restricted Subsidiary and Indebtedness of us owing to any Restricted Subsidiary;

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(e) In the case of any corporation that becomes (by any manner whatsoever) a Restricted Subsidiary after January 26, 1999, Indebtedness that is secured by Liens upon, or conditional sale agreements or other title retention agreements with respect to, its property that constitutes Principal Property or Restricted Securities, which Liens exist at the time the related corporation becomes a Restricted Subsidiary;

(f) Guarantees by us of Secured Indebtedness and Attributable Debt of any Restricted Subsidiaries and guarantees by a Restricted Subsidiary of Secured Indebtedness and Attributable Debt of us and any other Restricted Subsidiaries;

(g) Indebtedness arising from any Sale and Leaseback Transaction;

(h) Indebtedness secured by Liens on property of us or a Restricted Subsidiary in favor of the United States of America, any State, Territory or possession thereof, or the District of Columbia, or any department, agency or instrumentality or political subdivision of the United States of America or any State, Territory or possession thereof, or the District of Columbia, or in favor of any other country or any political subdivision thereof, if the related Indebtedness was incurred for the purpose of financing all or any part of the purchase price or the cost of construction of the property subject to the Lien; provided, however, that the amount by which the aggregate principal amount of Indebtedness secured by any Lien exceeds the cost to UPS or the Restricted Subsidiary of the related acquisition or construction will be considered to be Secured Indebtedness ;

(i) Indebtedness secured by Liens on aircraft, airframes or aircraft engines, aeronautic equipment or computers and electronic data processing equipment; and

(j) The replacement, extension or renewal, or successive replacements, extensions or renewals, of any Indebtedness, in whole or in part, excluded from the definition of Secured Indebtedness by subparagraphs (a) through (i) above; provided, however, that no Lien securing, or conditional sale or title retention agreement with respect to, the Indebtedness will extend to or cover any Principal Property or any Restricted Securities, other than the property that secured the Indebtedness so replaced, extended or renewed, plus improvements on or to any such Principal Property, provided further, however, that to the extent that replacement, extension or renewal increases the principal amount of Indebtedness secured by the Lien or is in a principal amount in excess of the principal amount of Indebtedness excluded from the definition of Secured Indebtedness by subparagraphs (a) through (i) above, the amount of the increase or excess will be considered to be Secured Indebtedness.

In no event shall the foregoing provisions be interpreted to mean that the same Indebtedness is included more than once in the calculation of Secured Indebtedness as that term is used in the notes, nor shall their operations cause this result.

Book-Entry System

Upon issuance, each series of notes will be issued in book-entry form through DTC. The notes will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Owners of beneficial interests in the notes will receive all payments relating to their debt securities in U.S. dollars. Clearstream and Euroclear may hold interests on behalf of notes holders through the accounts that each of these systems maintains to facilitate the clearance and settlement of transactions involving the notes.

A description of DTC's procedures with respect to the notes is set forth in the section Description of the Debt Securities Book-Entry, Delivery and Form of Debt Securities in the accompanying prospectus.

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CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

The following summary describes certain U.S. federal income tax consequences to you of the purchase, beneficial ownership and disposition of notes as of the date hereof. This summary deals only with holders that purchase notes in the initial offering at their issue price (i.e., the first price at which a substantial amount of notes is sold to investors) and that hold such notes as capital assets for tax purposes. This summary does not apply to you if you are a member of a class of holders subject to special rules, such as:

a dealer in securities or currencies;

a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;

a bank;

an insurance company;

a tax-exempt organization;

a person that owns notes that are a hedge or that are hedged against interest rate risks;

a person that owns notes as part of a straddle or conversion transaction for tax purposes;

a person subject to alternative minimum tax;

a U.S. holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar; or

a U.S. expatriate, controlled foreign corporation, or passive foreign investment company.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the Code), and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, or subject to differing interpretations, so as to result in U.S. federal income tax consequences different from those summarized below.

If an entity classified as a partnership for U.S. federal income tax purposes holds our notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding notes, you should consult your tax advisor.

If you are considering the purchase of notes, you should consult your own tax advisor concerning the particular U.S. federal income and estate tax consequences to you of the purchase, beneficial ownership and disposition of notes, as well as the consequences to you arising under the laws of any other taxing jurisdiction, including any state, local or non-U.S. tax consequences.

For purposes of this summary, a U.S. holder means a beneficial owner of a note that is any of the following for U.S. federal income tax purposes:

a citizen or resident of the United States;

a corporation (or other entity classified as a corporation) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia; an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust if (1) its administration is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all of its substantial decisions, or (2) it has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

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A non-U.S. holder means a beneficial owner of a note that is not a U.S. holder and not a partnership for U.S. federal income tax purposes.

U.S. Holders

Payments of Interest

In general, you must report interest on the notes as ordinary income at the time it is paid or accrued, in accordance with your regular method of accounting for tax purposes.

Sale, Exchange and Retirement of the Notes

On the sale, exchange, retirement or other taxable disposition of a note:

You will recognize taxable gain or loss equal to the difference between (i) the amount received by you on such sale, exchange, retirement or other disposition (except to the extent the amount is attributable to accrued interest income not previously included in income, which will be taxable as ordinary income) and (ii) your adjusted tax basis in the note.

Your gain or loss will generally be capital gain or loss and will be long-term capital gain or loss if you held the note for more than one year at the time of such sale, exchange, retirement or other disposition. Long-term capital gains of non-corporate U.S. holders are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding

Generally, if you are a non-corporate U.S. holder, payments made on a note will be subject to information reporting. In addition, a non-corporate U.S. holder may be subject to a backup withholding tax on those payments if it fails to provide its accurate taxpayer identification number to us or our paying agent in the manner required, is notified by the Internal Revenue Service (the IRS) that it has failed to report all interest and dividends required to be shown on its U.S. federal income tax return, or otherwise fails to comply with applicable backup withholding tax rules. Non-corporate U.S. holders may also be subject to information reporting and backup withholding tax with respect to the proceeds from a sale, exchange, retirement or other taxable disposition of a note. Any amounts withheld from payments to you under the backup withholding tax rules will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided the required information is timely furnished to the IRS.

Non-U.S. Holders

U.S. Federal Withholding Tax

Payments of principal and stated interest on a note will not be subject to U.S. federal withholding tax, provided that:

you do not actually (or constructively) own 10% or more of the total combined voting power of all classes of our voting stock within the meaning of the Code and applicable Treasury regulations;

you are not a controlled foreign corporation that is related to us through stock ownership;

you are not a bank whose receipt of interest on the notes is described in section 881(c)(3)(A) of the Code;

such interest is not effectively connected with your conduct of a U.S. trade or business; and

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either (a) you provide your name and address on an IRS Form W-8BEN (or other applicable form), and certify, under penalties of perjury, that you are not a U.S. person or (b) you hold your notes through certain foreign intermediaries and satisfy the certification requirements of applicable Treasury regulations.

Special certification and other rules apply to certain non-U.S. holders that are entities rather than individuals.

If you cannot satisfy the requirements described above, payments of interest made to you will be subject to U.S. federal withholding tax at a 30% rate, unless you provide us or our paying agent with a properly executed (1) IRS Form W-8BEN (or other applicable form) claiming an exemption from or reduction in withholding under the benefit of an applicable tax treaty or (2) IRS Form W-8ECI (or other applicable form) stating that interest paid on a note is not subject to withholding tax because it is effectively connected with your conduct of a trade or business in the United States (as discussed below under U.S. Federal Income Tax).

U.S. Federal Income Tax

If you are engaged in a trade or business in the United States and interest on the notes is effectively connected with the conduct of that trade or business (and the interest is attributable to a permanent establishment maintained by you in the United States if that is required by an applicable income tax treaty as a condition for subjecting you to U.S. tax on a net income basis), you will be subject to U.S. federal income tax on that interest on a net income basis (although exempt from the 30% withholding tax, provided you comply with certain certification and disclosure requirements discussed above in U.S. Federal Withholding Tax) in the same manner as if you were a U.S. holder. In addition, if you are a foreign corporation, you may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of such effectively connected interest.

Any gain realized on the sale, exchange, retirement or other taxable disposition of a note generally will not be subject to U.S. federal income or withholding tax unless:

the gain is effectively connected with your conduct of a trade or business in the United States (and, if applicable, attributable to a permanent establishment maintained by you in the United States), in which case if you are a foreign corporation the branch profits tax described above may also apply, or

you are an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met.

U.S. Federal Estate Tax

If you are an individual who at death is not a U.S. citizen or resident (as specially defined for U.S. federal estate tax purposes), your estate will not be subject to U.S. federal estate tax on notes beneficially owned by you at the time of your death, provided that (1) you do not actually (or constructively) own 10% or more of the total combined voting power of all classes of our voting stock within the meaning of the Code and applicable Treasury regulations, and (2) interest on those notes would not have been, if received at the time of your death, effectively connected with the conduct by you of a trade or business in the United States.

Information Reporting and Backup Withholding

The amount of interest paid to you, and the amount of any tax withheld with respect to such interest, must be reported annually to the IRS and you. Copies of the information returns reporting the amount of such interest and the amount of any tax withheld may also be made available to the tax authorities in the country in which you reside under the provisions of an applicable income tax treaty.

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In general, you will not be subject to backup withholding with respect to payments of interest on a note, provided that we do not have actual knowledge or reason to know that you are a United States person, as defined under the Code, and the certification requirements described in the last bullet point under U.S. Federal Withholding Tax above have been met.

In general, you will be subject to information reporting, and possibly backup withholding, with respect to the proceeds of the sale of a note within the United States or conducted through certain U.S.-related financial intermediaries, unless (i) the certification requirements described above have been met and the payor does not have actual knowledge or reason to know that you are a United States person, as defined under the Code, or (ii) you otherwise establish an exemption.

Any amounts withheld from payments to you under the backup withholding tax rules will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided the required information is timely furnished to the IRS.

UNDERWRITING

We intend to offer the notes through the underwriters. Citigroup Global Markets Inc., Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated are acting as representatives of the underwriters named below. Subject to the terms and conditions contained in an underwriting agreement between us and the underwriters, we have agreed to sell to the underwriters and the underwriters severally have agreed to purchase from us, the principal amount of the notes listed opposite their names below.

| Underwriter | Principal Amount of 2013 Notes | Principal Amount of 2018 Notes | & |
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