

TERM SHEET

*On
6/26*

The Executive Director of the Central States, Southeast and Southwest Areas Pension Fund ("CSPF") agrees to recommend to the CSPF's Board of Trustees, and the undersigned representative of United Parcel Service, Inc. ("UPS") agrees to recommend to UPS's Management Committee, the following terms and conditions for settling the withdrawal liability and other obligations of UPS and all trades and businesses under common control with it (together, the "Employer") arising from the permanent cessation of the Employer's obligation to contribute to the CSPF.

This Term Sheet is subject to review and approval by the CSPF's Board of Trustees and by UPS's Management Committee, and is subject to documentation of a mutually acceptable and definitive Settlement Agreement (the "Agreement").

A. COMPLETE WITHDRAWAL ON DECEMBER 26, 2007

1. CSPF's Trustees shall either (a) waive any right they have to require the Employer to continue making contributions to CSPF for the entire term of an existing collective bargaining agreement ("CBA") or (b) amend such plan provisions and rules in a way that allows the Employer's obligation to contribute to CSPF to terminate effective December 26, 2007.

2. UPS will negotiate with the appropriate International and Local Unions to arrange for the CBAs pursuant to which the Employer contributes to the CSPF on behalf of its employees to be amended (or otherwise terminated or revised) such that the Employer's obligation to contribute to CSPF permanently ceases effective December 26, 2007. All such CBAs shall be ratified, and shall be final and binding, on or before December 26, 2007. The Employer's existing obligations to contribute to CSPF shall continue through December 25, 2007.

3. Upon performance of UPS's obligations in paragraph A.2 of this Term Sheet, the CSPF's Trustees shall agree that the Employer has withdrawn from the CSPF in a complete withdrawal, with a date of withdrawal of December 26, 2007.

B. TRANSFER OF CERTAIN BENEFIT LIABILITIES TO SINGLE-EMPLOYER PENSION PLAN OR PLANS SPONSORED BY THE EMPLOYER

1. Definitions:

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a) "Non-Retired UPS Participant" means an individual who, as of the Transfer Date is a CSPF participant who is not in pay status and either (i) is employed by the Employer, or (ii) last worked for the Employer and is not employed by any other employer that has an obligation to contribute to CSPF; and

b) "Accrued Benefit Payable at Age 65" means, with respect to a CSPF participant, such participant's accrued benefit under the CSPF payable from and after the first of the month following his or her 65th birthdate.

c) "Transfer Date" means December 26, 2007.

2. Effective on the Transfer Date, all benefit liabilities for Non-Retired UPS Participants, other than each such Participant's Accrued Benefit Payable at Age 65, shall be transferred from CSPF to a plan or plans maintained by the Employer (the "New UPS Plan"). As a result of this transfer, the New UPS Plan, and not CSPF, shall be responsible for payment of all benefits payable to a Non-Retired UPS Participant prior to age 65. No assets will be transferred from the CSPF to the New UPS Plan.

3. The existing reciprocal pension agreement between CSPF and the UPS Part Time Plan is terminated effective December 26, 2007. All liabilities accrued or owed by CSPF as a result of CSPF's participation in that reciprocal pension agreement, other than liabilities with respect to CSPF participants already in pay status on the Transfer Date, shall be transferred to the New UPS Plan.

4. The Employer and the New UPS Plan agree that the Agreement shall include a provision that requires the Employer to indemnify the CSPF in the event that the New UPS Plan fails to pay benefit obligations transferred to the New UPS Plan in accordance with paragraph B.2 or B.3, above.

5. The parties agree that they will each make a good faith effort to obtain a determination from the Pension Benefit Guaranty Corporation before December 26, 2007 that CSPF is not contingently liable under ERISA Section 4232 for benefit obligations transferred under the Agreement to the New UPS Plan, but it is agreed that the Agreement will nonetheless be valid in the event in that the PBGC fails to issue a determination providing CSPF with such relief.

C. PAYMENT OF WITHDRAWAL LIABILITY

1. UPS will pay \$6.1 billion to CSPF in full satisfaction of any and all withdrawal liability, whether complete or partial, owed or incurred by the Employer to CSPF (other than in connection with a mass withdrawal which occurs

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within the 3 consecutive plan years following December 26, 2007 or any increased withdrawal liability described in paragraph D.4 of this Term Sheet).

2. Payment of the \$6.1 billion shall be made by wire transfer received by CSPF on or before December 26, 2007.

3. The Employer waives and covenants not to pursue any rights or claim to reduction of its \$6.1 billion in withdrawal liability under ERISA Section 4211(e) or otherwise (except as set forth in Section D.4 of this Term Sheet).

D. POST-WITHDRAWAL CONTRIBUTION AUDIT

1. The Employer shall, to the extent and in the manner provided in the documents and instruments governing the CSPF as in effect on the date of this Term Sheet, allow CSPF to review its books and records for the purpose of verifying that all contributions required have, in fact, been paid (the "Audit"). The Employer shall cooperate fully in the Audit.

2. CSPF may engage an outside firm to assist in conducting, the Audit. If CSPF does so, the Employer will pay the reasonable fees and expenses of such outside firm. CSPF's current intention is to audit two plan years, but it reserves the right to expand its audit if it deems appropriate.

3. Delinquencies and/or overpayments, if any, identified through the Audit shall be resolved in the manner provided in the documents and instruments governing the CSPF as in effect on the date of this Term Sheet.

4. If the net of the delinquencies and/or overpayments identified by the Audit exceed \$10 million, the amount of withdrawal liability payable by the Employer under Section C.1 of this Term Sheet shall be revised accordingly (either upward or downward) in accordance with the withdrawal liability allocation formula as set forth in the calculations appended to the letter sent by Thomas Nyhan to James Maloney, dated July 10, 2007.

E. OTHER

1. The Parties shall exchange mutual releases; provided however, the Employer shall not be released from any claims for mass withdrawal liability arising from a mass withdrawal that occurs within the three consecutive plan years following December 26, 2007, contributions payable by the Employer to the Fund or refunded by the Fund to the Employer as a result of the Audit as set forth in Section D.3 of this Term Sheet, funding deficiencies through Plan Year 2007, and any additional or reduced withdrawal liability described in paragraph D.4 of this

Term Sheet. The Employer will release any right or claim to reduction of its \$6.1 billion in withdrawal liability under ERISA § 4211(e).

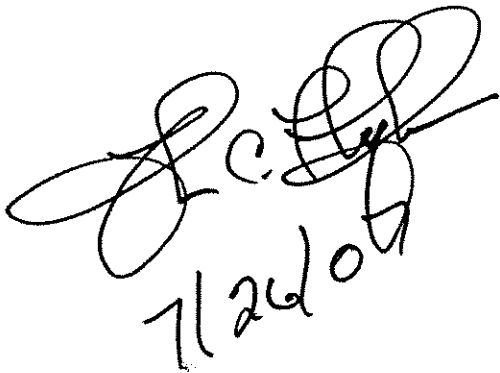
2. Nothing in the Agreement is intended to increase the benefits payable to any CSPF participant from the CSPF. Nor, by providing benefits from more than one plan, is the Agreement intended to reduce or eliminate any such participant's aggregate benefit provided by such plans.

3. CSPF, the Employer and the New UPS Plan will cooperate in ensuring that payment of benefits to participants is accurate and timely. The Employer shall provide drafts of the New UPS Plan to CSPF and allow CSPF a reasonable opportunity to comment on such drafts. CSPF, the Employer and the New UPS plan shall provide to one another such other information and documents as are needed to implement the Agreement.

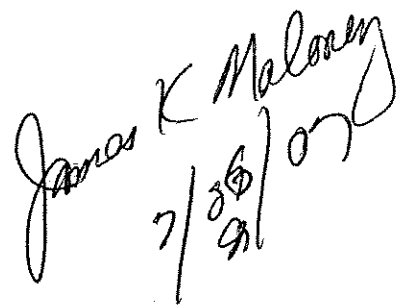
4. The Employer and the New UPS Plan will implement an arrangement whereby Non-Retired UPS Participants may elect to have their co-payment obligation to the Central States, Southeast and Southwest Areas Health and Welfare Fund deducted from their pension payment under the New UPS Plan and transferred to such Fund.

5. The Parties will agree upon procedures for (i) resolving disputes arising under or concerning this Agreement and (ii) maintaining the confidentiality of participant records and information.

6. The Parties will agree upon the terms of any press releases or similar public disclosures that either Party makes concerning this Agreement.



Handwritten signature of J.C. [unclear] dated 7/24/07.



Handwritten signature of James K. Maloney dated 7/26/07.