

VOLUNTARY JOB PROTECTION

MEMORANDUM OF UNDERSTANDING

United Parcel Service Co. ("UPS" or "Company") and the Independent Pilots Association ("IPA" or "Union") agree to the following provisions with the intent and desire to avoid the furlough of any active IPA members.

Crewmember participation in any of the programs established by this MOU shall be completely voluntary. If a crewmember volunteers to participate, he shall be bound by the terms of this MOU and shall be obligated to participate at the level and for the period of time volunteered. All terms of the existing collective bargaining agreement remain applicable to crewmembers volunteering under the terms of this agreement. This MOU does not change any terms of the existing contract. Rather, this MOU is intended to provide temporary, supplemental rules applicable only to crewmembers volunteering pursuant to the terms of the MOU. For the crewmembers who volunteer, the rules of this MOU shall control for those periods of participation. This agreement is entered into on a non-precedent basis and will not be used or cited by either party in any legal proceeding or subsequent negotiation/mediation except as necessary to enforce its terms.

This MOU shall remain in effect through potentially January 1, 2012 depending upon IPA's ability to produce sufficient volunteers to meet the savings goals set forth below. The agreement may be extended beyond January 1, 2012 through mutual agreement of the parties. If the parties have not renewed the agreement by the end of this MOU, then all crewmembers utilizing one of the voluntary programs will be allowed to return to active status in their awarded bid positions with full pay beginning with the next full bid period in which they would have the ability to bid and be awarded a line. Crewmembers, however, on a VLOA will have the option to stay on their awarded leave for its full term and maintain the benefits of this agreement.

The following protections shall exist based on the identified savings (the ninety (90) day notice provision of Art. 8. G.1 shall apply to any furlough announced pursuant to paragraphs (i) through (iii) below):

(i) If IPA is able to identify net savings equal to or exceeding forty million (\$40,000,000) through December 31, 2009, the Company shall not announce, pursuant to Article 8, Section G.1., a furlough prior to January 1, 2010.

(ii) If before January 1, 2010 the IPA is able to identify net savings of thirty-eight million (\$38,000,000) or more during calendar year 2010, through the voluntary savings programs identified in this MOU, the Company shall not announce, pursuant to Article 8, Section G.1., a furlough prior to January 1, 2011.

(iii) If before January 1, 2011 the IPA is able to identify net savings of fifty-three million (\$53,000,000) during calendar year 2011, through the voluntary savings programs identified in this MOU, the Company shall not announce, pursuant to Article 8, Section G.1., a furlough prior to January 1, 2012.

This MOU will only become effective if the number of volunteers is sufficient to allow the Company to obtain the savings outlined above. The Company shall determine the savings generated by the volunteers and shall share its conclusions with the Union. The Company shall notify the Association if there are sufficient volunteers to satisfy the initial step outlined above within five (5) days of the conclusion of the volunteer periods set forth below.

Notwithstanding any other provisions of this MOU, the Company shall have the right to cancel this MOU at any point after January 1, 2010 if the Company has additional excess crewmembers as a result of additional flight cancellations beyond the date of this MOU. No crewmember will be laid off before the Company meets with IPA and shares data regarding the excess crewmember. IPA will be provided at least a thirty (30) day period to identify additional savings that would offset the cost of the additional excess crewmembers. Based on this paragraph, the earliest a furlough could occur is April 1, 2010. If this MOU is cancelled pursuant to this provision, the terms of paragraph 5 below will continue to apply.

1. Voluntary Leaves of Absence ("VLOA")

a. Long Term Leaves. Within seven (7) days of the execution of this Agreement, the Company will publish a bid that will allow crewmembers to volunteer to take a leave of absence for any period of time from three (3) up to fourteen (14) consecutive bid periods. The Long Term VLOA bid shall be open until 8:00 a.m. EST on May 26, 2009. The crewmember shall designate the number of bid periods for which he is volunteering and specifically identify the bid periods of his VLOA. UPS will award these leaves of absence within five (5) days of the bid's closing. Bids will be awarded using the following criteria in order by fleet, seat, and domicile (F/S/D): 1) Preference will be given to those leave requests generating the highest dollar savings for the Company (hourly rate X guarantee X length of leave), 2) Preference will then be given to those leave requests with the earliest start dates; and 3) in seniority order. By mutual agreement with the Association the Company may offer additional Long Term VLOA bidding opportunities at any point during the duration of this MOU.

b. Short Term Leave. In addition to paragraph a. above, UPS shall have the right to solicit and obtain volunteers for a VLOA utilizing a bid process (to include use of a standing bid) for one or two consecutive bid periods prior to the publication of any bid package. Crewmembers will be awarded these Short Term VLOAs by seniority, by fleet, seat and domicile. Prior to soliciting volunteers for short term VLOAs, the Company and the Association will meet to establish time guidelines for Short Term Leave bid opportunities, so as to provide the Company the ability to designate the crewmembers as a non-bidders before the start of the bid period. Agreement will not be unreasonably withheld.

c. Rules for all VLOAs. The following rules will apply to crewmembers on a VLOA:

- (i) during any VLOA under paragraphs a. or b. above, the Company will continue to provide health insurance coverage and all other benefits and accruals, including but not limited to, sick, vacation, and longevity. Crewmembers on a VLOA covered by this agreement will not suffer the loss of any Defined Benefit Pension

Plan service credit. To this end, a crewmember on a VLOA in any calendar month will receive one month of Service Credit, but in no event will such a Crewmember receive more than One Year of Service Credit in any calendar year. It is understood that VLOAs are unpaid leaves and as such will not generate Defined Contribution Pension Plan contributions;

- (ii) if a crewmember on VLOA has not received pay for any unused vacation days by the end of any calendar year, the Company will pay the crewmember any unused accrued vacation days at three (3) hours per day.
- (iii) any crewmember on a VLOA shall be obligated to pay UPS the contribution required by Article 6.G in order to maintain his health insurance just as if he were not on a VLOA;
- (iv) any crewmember on a VLOA in January of any year shall be paid his excess sick leave pursuant to Article 9.A.1.e.;
- (v) any crewmember on VLOA shall bid his vacation in accordance with Article 11. If for any reason a crewmember fails to bid he will be paid vacation accrual under the terms of (ii) above. The Company will not assign a vacation period to a crewmember that fails to bid or has not bid enough choices of vacation periods in the following calendar year. Vacation falling during the period of the VLOA shall be paid to the crewmember no later than the second pay date following the end of the crewmember's awarded vacation period(s) at three (3) hours per day.
- (vi) any crewmember on a VLOA pursuant to paragraph b. shall be obligated to maintain his currency by scheduling a UPS simulator and completing his recurrent training during his designated bid period. With regard to a crewmember on any VLOA: 1) The Company will cooperate in providing the simulator time for currency requirements. 2) The Company will pay in accordance with the terms of the labor agreement a crewmember for the recurrent training performed on a day(s) off. 3) Maintenance of currency shall be on the crewmember's own time.
- (vii) the contractual prohibition against gainful employment during a leave of absence shall not apply to any VLOA granted under this MOU;
- (viii) all VLOAs must be scheduled to commence between bid period 09-05 and 11-04.
- (ix) The Company will identify the number of available leaves for each F/S/D for any VLOA bid in Section 1.b. When bidding under

paragraphs a. or b. above, crewmembers will be allowed to submit multiple combinations of leave ranked in the crewmember's order of preference. It is understood that the Company may award any number of the leaves initially requested by crewmembers pursuant to the bids in paragraphs a. or b. above.

- (x) Upon request by the crewmember, the Company may extend a VLOA for a specified period with the written agreement of the crewmember, Company, and Association.
- (xi) A crewmember will be entitled to participate in a VLOA pursuant to the terms of this memorandum if he is in active status as of the closing date of any VLOA bid. A crewmember retains the right to remain on a VLOA pursuant to this MOU as long as he has the qualifications to return to active status in a position with the Company following any necessary currency or training requirements.

2. Military Leaves

Those crewmembers who (i) notify the Company of their intent to take a Military Leave of Absence (MLA) by 8:00 a.m. EST on May 26, 2009, and (ii) who take a MLA of two (2) months or more, and (iii), which starts between the signing date of this agreement and prior to the start of bid period 11-04, shall be covered by this section. The notification must specify the period of the requested military leave and include a copy of his orders.

A crewmember who meets the criteria above will be provided all the benefits outlined in section c(i)-(v) above for any military leave covered by this MOU that occurs between 09-05 and 11-07.

Nothing within this paragraph is intended to waive any rights a crewmember has by law. This paragraph shall not apply to a crewmember on military leave as of the date of this MOU.

3. Job Sharing ("JS") and Reduced Guarantee Bidding ("RDG")

- a. UPS shall make available a form within fourteen (14) days of this MOU by which crewmembers can volunteer to participate in either JS or VTO/RDG and the bid period(s) in which they elect to participate. This form must be completed and returned to the Company by 8:00 a.m. EST by June 2, 2009. RDG and JS shall be available with bid period beginning 09-05 through 11-07. If this MOU becomes effective, the Company shall award within five (5) days of the close of this bid in seniority order by fleet, seat and domicile, and identify the volunteer crewmembers who may participate in JS and RDG for the bid periods they have requested. The volunteer crewmember shall thereafter be obligated to participate in the VTO/RDG or JS as originally requested and awarded. If a crewmember changes F/S/D he shall still be obligated for the number of bid periods for which he originally volunteered. If necessary, the Company and crewmember shall mutually agree upon substitute bid periods in order to satisfy their obligations. Crewmembers who volunteer for JS shall also have the

ability to volunteer for RDG in the event the crewmember does not have a crewmember to job share with.

The Company may conduct additional JS and RDG bid(s) to solicit volunteers for these programs from 09-05 to 11-07 in compliance with the rules of this agreement. Even though a crewmember has been awarded a JS or VTO/RDG volunteer opportunity for the bid periods he has specified, the Company maintains the flexibility to publish JS slots and VTO/RDG bid lines in lesser numbers according to the needs of the Company's business. The Company, however, agrees that for the first three (3) bid periods of the JS/RDG programs the Company will offer sufficient line bidding opportunities for each awarded JS/RDG volunteer. A fourth bid period will be offered with the 10-02 bid. With each schedule bid, the Company will publish the numbers of JS slots and VTO/RDG lines that will be available for the next bid. For example, with the publication of bid 09-05, the Company will specify the number of JS slots and VTO/RDG lines that will be published as part of bid 09-06

b. For the crewmember who volunteers for JS, the following rules shall apply:

(i) The JS crewmembers must submit the name of the crewmember with whom they are Job Sharing. The Company may not assign crew pairs. The senior crewmember of the crew pair shall use his seniority to bid and be awarded a regular flying, VTO, standby, or reserve line. The junior crewmember shall be deemed a non-bidder. In the event the Company publishes fewer JS slots (for a given bid) than awarded volunteers, the slots will be awarded in seniority order utilizing the seniority of the senior crewmember of the pair. JS volunteers not receiving a JS slot in a given bid period due to an insufficient number of slots being offered will bid the same as if they were not a volunteer for that bid period.

(ii) If the JS crewmember bid a regular flying line or VTO line, they shall notify the Company as to which crewmember is going to cover which trip(s). This must be completed by 8:00 a.m. LDT five (5) days prior to the start of the next bid period. Trips shall not be split. (The sole exception will be if JS crewmembers bid a line during the one bid period that is 28 days long and the line contains only one trip. In such event, the JS crewmembers shall be responsible for dividing the trip and any necessary positioning or depositioning.) If the two crewmembers fail to notify the Company by the deadline above, the Company may divide the lines between the two (2) crewmembers. The Company will publish the line by 4:00 p.m. LDT the day of the deadline;

(iii) If the JS crewmembers bid a reserve line or standby line then the crewmembers shall notify the Company as to which reserve days or standby periods are going to be covered by which crewmember. Consecutive reserve days or standby periods on a bid line cannot be divided including consecutive

days/periods between bid periods (this restriction does not apply to PNF/ FNP between JS crewmembers on the same bid line);

(a) If the crewmember does conflict his schedule it will be handled as follows:

▪ Carry-in:

JS and RDG crewmembers may conflict (carry-in trips shall be flown to completion); the credit for a carry-in trip will be compared to the credit of the trip dropped: if the carry-in credit is equal to or greater than the trip dropped the crewmember will not be rescheduled or adjusted. However, if the credit value of the carry-in trip is less than the dropped trip the crewmember has the option to not be rescheduled or adjusted. In this case the crewmember will have the credit difference between the carry-in credit and the dropped trip credit deducted from his guarantee or his bid line credit, which ever is greater.

▪ Training:

JS and RDG crewmembers may conflict; however, the crewmember may either elect to have the Company restore credit value for the conflict or not. If they decline the option to have the company restore the value of the dropped trip, credit value for the dropped trip will be deducted from their guarantee or bid line credit, which ever is greater. In this case crewmember will be compensated MPDP for the training on days off as per the contract.

- If there is a need to reschedule the Company shall not be limited to crewmember's original duty days. In no event will the number of duty days in the pay period exceed what was contained in the crewmember's original schedule.

(b) Vacation

Vacation falling during a bid period in which a crewmember is job sharing shall not be taken but instead will be paid three (3) hours per day(s) of vacation. Vacation pay shall be paid to the crewmember who earned the vacation credit.

(iv) JS crewmembers sharing a regular flying line or VTO line shall each receive compensation based on one-half of the guarantee or one-half of the total credit value of the awarded line, which ever is greater. JS reserve line and standby holders who exceed the guaranteed (37.5 hours) thirty-seven and one half hours shall be paid their actual pay and credit not to exceed what the reserve or standby line would have generated if flown by one crewmember. If pay and credit

is below guarantee combined, then each crewmember shall be paid one-half of the guarantee. Additional pay and credit generated by revisions, two hour (2) premiums, late arrival, training and per diem will be paid to the operating crewmember. Line revision payments (Art 13.E.4.) will be divided equally between the JS crew pair.

(v) The rules of Article 13 D.2.b. shall apply to any FNP/PNF executed by JS crewmembers; however the Company will approve all such requests from JS crewmembers on the same line. Crewmembers performing JS or RDG during a bid period shall be eligible for JA assignments during that bid period if the Company has exhausted the JA list for that F/S/D (Captains will not be used for F/O assignments).

(vi) If a crewmember volunteered to JS under paragraph a. above, but for any reason has no volunteer with whom to share his line, he shall not be eligible to JS for that bid period(s). However, he shall be required to participate in RDG for the affected bid periods, if he volunteered for RDG pursuant to Section 3.a. above.

(vii) If JS crew pair bid more than two (2) consecutive bid periods, the Company will be required to award a minimum of two (2) consecutive bid periods to the crew pair.

c. The following rules will apply to those crewmembers who volunteer for RDG:

(i) The Company will identify VTO lines on a given fleet as Reduced Guarantee Lines (RDG) and will be constructed from dropped vacation, open time, and training in accordance with the contract. The minimum pay credit guarantee of designated RDG lines will be a minimum of 37.5 hours per pay period up to a maximum of sixty (60) hours per pay period. The crewmember participating in RDG shall bid rank the available RDG lines as their first choices as part of their bid. (If these crewmembers do not pick the RDG lines as their first choice(s), the Company shall have the right to alter their bid to reflect their original volunteer commitment) The RDG lines shall be made available to all eligible crewmembers for bid and will be awarded in seniority order. Any crewmember who bids and is awarded an RDG line shall receive the guarantee of 37.5 hours per pay period or actual pay and credit for the line. In addition to VTO lines, the Company may designate reduced pay and credit regular reserve lines with an eight (8) day Reserve line commitment with a guarantee of forty (40) hours. The RDG regular flying line or regular reserve line can be built in accordance with current contractual parameters in one pay period with no scheduled duties in the second pay period.

(ii) Crewmembers flying RDG lines will be compensated for their guarantee or actual pay and credit, whichever is higher.

(iii) RDG VTO lines shall be in addition to the VTO lines allowed by Article 13.B.2.b.3. and shall not otherwise be included in any of the bid line construction percentages.

- d. JS and RDG crewmembers shall receive full vacation accruals, sick leave credit, and pension service credit equal to seventy-five (75) hours, if they remain in active pay status for the pay period. Health insurance coverage shall not be affected by the JS or RDG. Active status for JS/RDG crewmembers will be defined as 37.5 hours pay and credit accumulated in a bid period. Defined Contribution Pension Plan contributions shall be based on actual compensation paid to each crewmember. No crewmember will suffer loss of service credit pursuant to the Defined Benefit Pension Plan as a result of volunteering for JS or RDG, provided they maintain active status for the bid period. If a crewmember does not maintain active status then benefit accrual shall be based on actual pay and credit.
- e. JS and RDG crewmembers shall not have the right to be awarded open time pickup, but have the right to trip trade and utilize the line improvement trip trade provisions of the contract. Line credit caps will be 5:00 over awarded bid line (domestic) and 7:00 over awarded bid line (international) for JS. These caps are per crewmember. A line will be considered international for purposes of this agreement if there is one or more international segment(s) on a line. Crewmembers working in the training center shall not bid RDG or JS lines during that same bid period
- f. Crewmembers entering long term training during a bid period shall not be eligible to bid RDG or JS. If a JS or RDG crewmember is first notified and scheduled for training after the beginning of a bid period his trips will go into open time and he will be compensated for training based on his guarantee, prorated based on the number of days of training he completes.
- g. A bid period containing a single pay period will be prorated accordingly as will any other calculation necessitated by this agreement.
- h. If a crewmember is participating in an RDG or JS at the point in time that this MOU is cancelled, he shall be allowed to continue on the JS or RDG until such time he has the opportunity to bid on a line for the next bid period.

4. Early Retirement Options

By 8:00 a.m on May 26, 2009, crewmembers wishing to participate in one of the two early retirement options outlined below shall contact the Company and complete a form making an irrevocable election of either option a. or b. The crewmember shall complete the necessary paperwork to effectuate the retirement prior to his actual retirement date.

- a. If a crewmember, at least, has five (5) vesting years and will be between the ages of fifty-five (55) and (60) at any point prior to August 31, 2009,

he may elect to retire without his benefit being actuarially reduced as set forth in Article 15, Section D. 7. and the applicable plan document. The Plan will be amended to reflect this change. Any employee electing this option must retire between June 1 and August 31, 2009. The crewmember's benefit remains subject to the limits set forth in Internal Revenue Code Section 415(b).

- b. If a crewmember who will be age sixty (60) or older by August 1, 2009, volunteers to retire, the Company will deem such crewmember to have one (1) additional year of service, beyond that which he actually accrued, for the purpose of determining his final annual retirement benefit. The Plan will be amended to reflect this change. Any employee electing this option must retire between June 1 and August 1, 2009

5. Crewmembers on a VLOA or military leave at the time written notice of cancellation is provided shall have the right to either return to work or complete the designated leave. These crewmembers shall notify the Company of their intent within two (2) weeks of the cancellation. In either event, the Company shall continue to provide the benefits specified for the leaves above. No new VLOA will be granted pursuant to this MOU after notice of cancellation is provided.


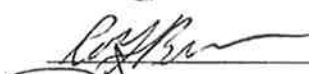



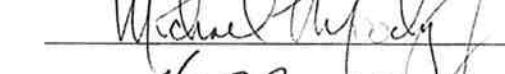
6. Crewmembers participating in JS, RDG or short term VLOAs pursuant to paragraph 1.b. above will continue to have Jumpseating privileges. Crewmembers on leave pursuant to paragraph 1.a. or on a MLA shall obtain permission to jump seat through the Chief Pilot's office. Agreement shall not unreasonably be withheld.

7. In addition to the voluntary programs outlined above, the Company will have the right during the period of this agreement to publish zero pay and credit time lines with the bid package(s). Such lines shall be made available one bid period prior to the bid period in which they are to be taken. Such lines will be awarded by seniority by F/S/D and will carry full benefits as outlined for VLOAs above. These lines cannot be forced on a crewmember.

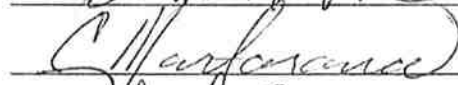

8. Required Reports. The Company will provide a report by bid period to the Association within ten (10) days of the end of the bid period. The report will include all information related to all programs outlined by this agreement to include but not limited to the amount of savings generated by the leaves broken down by crewmember/F/ S/ D/ type of leave; RDG; and JS.

9. If the average bid line credit for all regular flying lines, by fleet and domicile average in any bid period more than three (3) credit hours above seventy-five (75) or the average bid line credit in bid period 09-04, whichever is greater, then the Company will meet with the Union to discuss whether RDG and JS should be cancelled and/or whether crewmembers on VLOA's should be given the opportunity to return to work. The credit referenced above shall not include carry-in credit. Further, the peak pay period shall not be used as a comparator. Agreement shall not unreasonably be withheld.

Independent Pilots Association







Date: 4-29-09

United Parcel Service Co.




Date: 4/29/09