

UNITED PARCEL SERVICE INC
Form DEF 14A
March 27, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- CONFIDENTIAL, FOR USE OF THE
COMMISSION ONLY (AS PERMITTED BY
RULE 14A-6(E)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
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UNITED PARCEL SERVICE, INC.

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Notes:

Reg. (S) 240.14a-101.

Sec 1913 (3-99)

55 Glenlake Parkway, NE, Atlanta, Georgia 30328

Notice of Annual Meeting of Shareowners

May 17, 2001

To our Shareowners:

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United Parcel Service, Inc.'s annual meeting of shareowners will be held at the Hotel du Pont, 11th and Market Streets, Wilmington, Delaware 19801, on May 17, 2001, at 9:00 a.m. The purposes of the meeting are:

1. To elect a board of directors to serve until the 2002 annual meeting of shareowners;
2. To ratify the appointment of Deloitte & Touche LLP, independent auditors, as our auditors for the year ending December 31, 2001;
3. To approve the Discounted Employee Stock Purchase Plan; and
4. To transact any other business as may properly come before the meeting.

Our board of directors has fixed the close of business on March 19, 2001 as the record date for determining holders of our common stock entitled to notice of, and to vote at, the annual meeting.

Joseph R. Moderow
Secretary

Atlanta, Georgia
March 26, 2001

YOUR VOTE IS IMPORTANT. PLEASE SIGN AND RETURN THE ENCLOSED PROXY CARD, VOTE BY TELEPHONE OR VOTE USING THE INTERNET AS SOON AS POSSIBLE TO ENSURE YOUR REPRESENTATION AT THE ANNUAL MEETING. YOUR PROXY CARD CONTAINS INSTRUCTIONS FOR EACH OF THESE VOTING OPTIONS.

CLASS A SHAREOWNERS FIRST UNION NATIONAL BANK DOES NOT HAVE AUTHORITY TO VOTE YOUR SHARES ON YOUR BEHALF. YOU MUST SIGN AND RETURN THE ENCLOSED PROXY CARD, VOTE BY TELEPHONE OR VOTE USING THE INTERNET AS SOON AS POSSIBLE TO ENSURE YOUR REPRESENTATION AT THE ANNUAL MEETING.

55 Glenlake Parkway, NE, Atlanta, Georgia 30328

PROXY STATEMENT FOR THE 2001 ANNUAL MEETING OF SHAREOWNERS

The accompanying proxy is solicited by the board of directors of United Parcel Service, Inc. in connection with the annual meeting of shareowners to be held on May 17, 2001, at 9:00 a.m., at the Hotel du Pont, 11th and Market Streets, Wilmington, Delaware 19801.

There were 902,292,655 shares of our class A common stock (which includes our class A-1, class A-2 and class A-3 common stock) and 223,593,605 shares of our class B common stock outstanding and entitled to vote at the close of business on March 19, 2001. Only shareowners of record at the close of business on March 19, 2001 will be entitled to vote at the annual meeting. Our class A and class B common stock are our only securities entitled to be voted at the annual meeting. Our bylaws provide that the holders of a majority of our issued and outstanding common stock present in person or by proxy constitute a quorum for the transaction of business at the annual meeting.

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Audit Committee. Bill Brown and Ann Livermore served as members of the Audit Committee throughout 2000. John Thompson joined the Audit Committee, and Vic Pelson resigned from the Audit Committee, in August 2000. The primary responsibilities of the Audit Committee are set forth in its charter, which is attached as Appendix A to this proxy statement. In 2000, the Audit Committee held six meetings.

Compensation Committee. Ann Livermore and Vic Pelson served as members of the Compensation Committee throughout 2000. Bob Teeter joined the Compensation Committee, and Gary MacDougal resigned from the Compensation Committee, in February 2000. The primary responsibility of the Compensation Committee is to set the compensation of our Chairman and Chief Executive Officer and to set the compensation of other executive officers based upon the recommendation of our Chief Executive Officer. The Compensation Committee also is responsible for administering the United Parcel Service, Inc. Incentive Compensation Plan. In 2000, the Compensation Committee held two meetings.

Salary Committee. Bob Clanin, Mike Eskew, Jim Kelly and Lea Soupata served as members of the Salary Committee throughout 2000. Bob Clanin resigned from the Salary Committee effective January 5, 2001. The Salary Committee determines the compensation for all management employees other than executive officers. In 2000, the Salary Committee held twelve meetings.

Nominating and Corporate Governance Committee. Oz Nelson and Bob Teeter served as members of the Nominating and Corporate Governance Committee throughout 2000. Gary MacDougal joined the Nominating and Corporate Governance Committee in February 2000. The Nominating and Corporate Governance Committee assists the board of directors in identifying, screening and recommending qualified candidates to serve as directors and in maintaining oversight of the board of directors' operations and effectiveness.

The Nominating and Corporate Governance Committee will consider nominees proposed by shareowners. Any shareowner who wishes to recommend a prospective nominee for the board of directors for the Nominating and Corporate Governance Committee's consideration may do so by submitting the candidate's name and qualifications in writing to the following address: United Parcel Service, Inc., 55 Glenlake Parkway, N.E., Atlanta, Georgia 30328, Attn: Secretary. In 2000, the Nominating and Corporate Governance Committee held two meetings.

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BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table describes the beneficial ownership of our common stock, as of February 1, 2001, by each of our directors, our Chief Executive Officer, each of our other four highest paid executive officers during 2000, all of our directors and executive officers as a group and each person or entity that, to our knowledge, beneficially owned more than five percent of the outstanding shares of either our class A common stock or class B common stock.

Name	Number of Shares Directly Owned(1)		Options Exercisable within 60 Days(2)	Additional Shares in which the Beneficial Owner Has or Participates in the Voting or Investment Power(3)	Total Shares Beneficially Owned(4)	Percent of Outstanding Shares(5)
	Class A Shares	Class B Shares				
William H. Brown, III(6)	83,046	0	1,946	0	84,992	*
Robert J. Clanin(7)	242,176	132,743	27,366	36,376,813(9)(10)	36,779,098	3.25
Calvin Darden (8)	177,740	0	16,218	0	193,958	*
Michael L. Eskew	227,163	0	13,886	36,376,813(9)(10)	36,617,862	3.24
James P. Kelly	407,099	1	44,596	36,376,813(9)(10)	36,828,509	3.26
Ann M. Livermore	14,458	0	0	0	14,458	*
Gary E. MacDougal(6)	53,735	0	1,946	34,893,271(9)	34,948,952	3.09
Joseph R. Moderow	302,496	0	30,406	38,912,480(9)(11)	39,245,382	3.47
Kent C. Nelson	420,041	0	62,838	38,912,480(9)(11)	39,395,359	3.48
Victor A. Pelson(6)	25,383	1,321	1,946	0	28,650	*
Charles L. Schaffer(7)	348,853	0	30,406	0	379,259	*
Lea N. Soupata	203,216	0	16,218	40,396,022(9)(10)(11)	40,615,456	3.59
Robert M. Teeter(6)	67,016	0	1,946	0	68,962	*
John W. Thompson	0	1,000	0	0	1,000	*
Thomas H. Weidemeyer	325,511	0	23,312	1,483,542(10)	1,832,365	*
Shares held by all directors and executive officers as a group (22 persons)	4,172,211	152,216	365,196	40,396,022(12)	45,085,645	3.99
Capital Research and Management Company(13)				10,625,530	10,625,530	*

* Less than 1%.

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- (1) Includes shares for which the named person has sole voting and investment power or has shared voting and investment power with his or her spouse. Also includes shares held by immediate family members as follows: Clanin 152,076; Darden 1,455; Eskew 41,800; Kelly 55,624; MacDougal 1,821; Moderow 41,481; Nelson 27,945; Schaffer 38,696; Weidemeyer 9,428; all directors and officers as a group 503,275. Each named individual disclaims all beneficial ownership of such shares. Excludes shares that may be acquired through stock option exercises.
- (2) Represents class A shares that may be acquired through stock option exercises through April 2, 2001.
- (3) All shares listed in this column are class A shares. None of the individuals listed, nor members of their families, has any direct ownership rights in the shares listed. See footnotes 9 through 11 to this table.
- (4) Calculated based on the number of outstanding class A and class B shares as of February 1, 2001, plus the number of shares that may be acquired by the named individual upon the exercise of outstanding stock options through April 2, 2001.
- (5) Based on an aggregate of 1,130,678,431 shares of class A and class B common stock issued and outstanding as of February 1, 2001. Assumes that all options exercisable through April 2, 2001 owned by the person are exercised. The total number of shares outstanding used in calculating this percentage also assumes that none of the options owned by other persons are exercised.
- (6) To satisfy the obligations accrued under a previous retirement plan, our board of directors allocated to Bill Brown, Gary MacDougal, Vic Pelson and Bob Teeter dollar amounts that appreciate or depreciate in tandem with the changes in the share price of our common stock, inclusive of dividends. At the time each director ceases to serve on our board, the then-current value of the account will be payable to him, or his designated beneficiary, either in cash or shares of our class A common stock. The value of these accounts at December 31, 2000 was as follows: Brown \$1,388,216; MacDougal \$1,388,216; Pelson \$694,108; and Teeter \$694,108.

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- (7) Bob Clanin and Chuck Schaffer retired as directors and executive officers effective January 5, 2001.
- (8) Calvin Darden was elected as a director by our board effective February 15, 2001.
- (9) Includes 34,893,271 class A shares owned by the Annie E. Casey Foundation, Inc., of which Bob Clanin, Mike Eskew, Jim Kelly, Gary MacDougal, Joe Moderow, Oz Nelson, Lea Soupata, and other non-UPS persons constitute the corporate Board of Trustees.
- (10) Includes 1,483,542 class A shares held by the UPS Foundation, Inc., a UPS-sponsored charitable foundation of which Bob Clanin, Mike Eskew, Jim Kelly, Lea Soupata, Tom Weidemeyer and an executive officer not listed above are trustees.
- (11) Includes 4,019,209 class A shares held by various trusts of which Joe Moderow, Oz Nelson and Lea Soupata are co-fiduciaries.
- (12) Includes shares held by the foundations, employee benefit plans and trusts of which directors and executive officers listed are trustees or fiduciaries. Eliminates duplications in the reported number of shares arising from the fact that several directors and executive officers share in the voting power with respect to these shares.
- (13) The address of Capital Research and Management Company is 333 South Hope Street, Los Angeles, California 90071. Capital Research has sole dispositive power with respect to 10,625,530 shares of class B common stock, which constitute 6.5% of the class B common stock. This information is based on a Schedule 13G that was filed with the SEC on February 13, 2001.

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COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

The following table shows the cash compensation paid or to be paid by us or any of our subsidiaries, and other compensation paid or accrued, during the last three fiscal years to our Chief Executive Officer and our other four highest paid executive officers who were serving as executive officers at the end of 2000. We refer to these four executive officers (Bob Clanin, Mike Eskew, Joe Moderow and Chuck Schaffer) as our named executive officers.

Name and Principal Position	Year	Annual Compensation		Long Term Compensation Awards	All Other Compensation(2)
		Salary	Bonus(1)	Securities Underlying Stock Options	
James P. Kelly Chairman of the Board and Chief Executive Officer	2000	\$963,000	\$569,400	0	\$52,053
	1999	\$882,000	\$614,806	159,517	\$ 25,348
	1998	\$771,500	\$319,277	100,936	\$ 4,800
Robert J. Clanin(3) Senior Vice President, Treasurer and Chief Financial Officer	2000	\$531,500	\$313,900	0	\$ 19,197
	1999	\$494,000	\$342,448	69,012	\$ 17,322
	1998	\$450,500	\$194,620	58,168	\$ 4,800

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				Long Term Compensation Awards	
Michael L. Eskew	2000	\$515,500	\$328,500	0	\$ 15,348
Vice Chairman and	1999	\$379,000	\$290,479	51,722	\$ 6,270
Executive Vice President	1998	\$313,000	\$136,737	39,348	\$ 4,800
Joseph R. Moderow	2000	\$496,000	\$292,000	0	\$ 23,031
Senior Vice President, Secretary and	1999	\$471,000	\$325,285	66,645	\$ 18,720
Legal & Public Affairs Group Manager	1998	\$442,000	\$189,360	58,168	\$ 4,800
Charles L. Schaffer(3)	2000	\$592,000	\$350,400	0	\$ 43,663
Senior Vice President and	1999	\$542,000	\$376,638	75,022	\$ 21,337
Chief Operating Officer	1998	\$492,000	\$210,400	59,878	\$ 4,800

- (1) Reflects the value of awards accrued under the United Parcel Service, Inc. Incentive Compensation Plan for 2000 and UPS Managers Incentive Plan for 1999 and 1998, based upon the prices of our class B common stock on the dates the awards were granted.
- (2) Includes \$4,800 for 1998 and 1999, and \$5,100 for 2000, which reflects the value of class A common stock contributed by us to the accounts of the named individuals pursuant to the UPS Savings *PLUS* plan. The additional amounts for 1999 and 2000 relate to income imputed based on life insurance premiums paid by us on behalf of these executive officers pursuant to a distribution election option under the UPS Excess Coordinating Benefit Plan.
- (3) Bob Clanin and Chuck Schaffer retired as directors and executive officers effective January 5, 2001.

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Stock Option Grants

We did not grant any options to our Chief Executive Officer or named executive officers during 2000.

Stock Option Exercises and Holdings

The following table sets forth information about stock option exercises during 2000 by our Chief Executive Officer and our named executive officers and the value of these officers' unexercised options as of December 31, 2000:

Name	Class A Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options at December 31, 2000(1) Exercisable/Unexercisable	Value of Unexercised In-the-Money Options at December 31, 2000(2) Exercisable/Unexercisable
James P. Kelly	43,794	\$2,260,865	0/348,291	\$0/\$12,696,185
Robert J. Clanin	20,744	\$1,070,909	0/182,148	\$0/\$ 6,894,020
Michael L. Eskew	13,484	\$ 696,112	0/122,438	\$0/\$ 4,481,288
Joseph R. Moderow	31,692	\$1,636,100	0/184,661	\$0/\$ 7,055,504
Charles L. Schaffer	30,540	\$1,576,628	0/195,208	\$0/\$ 7,367,869