

# Cash Balance Pension Plan

The Diageo North America, Inc. Cash Balance Pension Plan is a Company-funded defined benefit plan that provides you with retirement income in addition to the Company's 401(k) Plan. These Company-sponsored plans, together with your personal savings, can help you maintain your future financial security.



<b>IN THIS SECTION</b>	<b>SEE PAGE</b>
<b>How the Cash Balance Pension Plan Works .....</b>	<b>132</b>
<b>Your Cash Balance Account.....</b>	<b>133</b>
Company Contribution Credits .....	133
Interest Credits .....	134
<b>Vesting Service .....</b>	<b>134</b>
Break in Service .....	135
If You Leave the Company and Are Rehired.....	136
Transferring to a Diageo NA Affiliate.....	136
Transferring from a Diageo NA Affiliate.....	136
<b>When Your Cash Balance Benefit Is Payable .....</b>	<b>136</b>
Deferred Vested Benefit .....	136
Normal Retirement Benefit .....	137
Working after Age 65.....	137
Working after Age 70 <sup>1</sup> / <sub>2</sub> .....	137
Disability Retirement Benefit .....	137
<b>Distribution of Your Account.....</b>	<b>137</b>
Forms of Benefit .....	137
Suspension of Benefits.....	139
Delaying Your Cash Balance Benefit .....	139
If You Die Before Benefits Begin .....	139
Taxes on Distributions .....	140
Applying for Your Cash Balance Pension Benefit .....	141
<b>Social Security Benefits.....</b>	<b>141</b>
<b>Plan History.....</b>	<b>142</b>
<b>If You Were a Participant in a Previous Plan .....</b>	<b>142</b>
Guinness Bass Import Co.....	142
Lifetime Compensation, Paddington, or Guinness Plans.....	142



## How the Cash Balance Pension Plan Works

### Company Contribution

Each quarter, the Company will credit 10% of your eligible quarterly pay, plus interest, to your account.

Each calendar quarter, the Company will credit 10% of your eligible pay as Contribution Credits plus an Interest Credit to your “account”. You become vested in your account after completing three years of service. You cannot take loans on your account or roll over a distribution from a previous employer’s plan or IRA.

If you leave the Company or retire, the full value of your vested account is available to you. You may choose a lump sum payment or, if your account balance is greater than \$5,000, you may choose from other payment options. See “When Your Cash Balance Benefit Is Payable” on page 136

### Plan Funding

The Company pays the full cost of the Cash Balance Pension Plan by making contributions to a trust fund. You are not permitted to make contributions on your behalf.

The trust fund is managed by a trustee. It is the trustee’s responsibility to safeguard the fund. More information about the trustee is included in the *Administration* section.

### Eligibility

You become eligible to participate in the Cash Balance Pension Plan on the first of the month following your hire date (if you are age 21 or older). If you are hired on the first of a month, you will be eligible to participate in the plan on your hire date. If you are younger than age 21, you will be eligible on the first of the month following your 21<sup>st</sup> birthday.

You are eligible to participate in the Cash Balance Pension Plan if you are an eligible employee of Diageo North America, Inc. or other participating Diageo company.

You are an eligible employee of a participating company if you are:

- A salaried employee
- A non-union hourly employee (other than a vineyard worker) who is employed at winery, bottling, warehouse, distribution or visitor center facility as designated by the Company
- A U.S. citizen or lawful permanent resident of the U.S. on temporary assignment to an affiliate outside of the U.S.
- A “localized” employee from a foreign affiliate with U.S. source earned income.
- A resident alien with a valid green card or working visa who is lawfully working in the U.S.

You are **not** eligible to participate in the plan if:

- You are a leased employee or classified as an independent contractor by your employer
- You are on a temporary assignment from a foreign affiliate, even if you have U.S. source earned income.
- You are a non-resident alien with no U.S. source earned income.
- You are covered by a collective bargaining agreement (unless the agreement specifically provides for participation in the plan).

You are automatically enrolled in the Cash Balance Pension Plan when you meet the eligibility requirements.



## Your Beneficiary

If you are married, your spouse is automatically the beneficiary of your Cash Balance account unless he/she provides notarized written consent agreeing to another beneficiary.

Each time you change your beneficiary, your spouse must provide notarized written consent. Contact your Human Resources Representative or go to the Forms Library on Diageo One for beneficiary and consent forms.

Your spouse must reconfirm his/her consent of any and all other beneficiaries within 90 days of the date you will begin receiving benefits from the plan.

## Questions?

If you have questions about the Cash Balance Pension Plan or your account after you review the information here, contact the Diageo North America Pension Center at 1-800-523-2309, or log on to [www.pension.hewitt.com/Diageo](http://www.pension.hewitt.com/Diageo). You may also call your Human Resources Representative or log on to Diageo One.

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## Your Cash Balance Account

When you begin participating in the Cash Balance Pension Plan, an account will be established for you that will be used to track Company Contribution Credits and Interest Credits. No actual assets will be segregated into a separate plan account for you, but will be held in the plan trust along with the assets for all other plan participants.

You will receive quarterly statements of your account activity.

## Company Contribution Credits

At the end of each quarter, the Company will allocate 10% of your pay in Contribution Credits to your account. The amount will be based on the eligible pay you earned during that quarter.

## Definition of Pay

Your pay, as defined by the Cash Balance Pension Plan, includes your base salary; any pre-tax payroll deductions; paid annual incentive bonuses; overtime; shift differential; and paid time away from work due to illness, vacation, and holidays. The IRS maximum annual salary is \$250,000 in 2012. (Maximum limits may be adjusted by the IRS.)

Company Contribution Credits are not given for the following types of income: severance pay; unused vacation; non-cash awards; reimbursement for relocation; automobile or educational expenses; imputed value of life insurance; stock option exercise; payments from long-term incentive plans; special bonuses; non-qualified deferred compensation; retention bonuses; incentive bonuses paid after termination; financial planning and related expenses; Company-paid physicals; and any other similar payments or reimbursements.

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## If You Become Disabled

If you became disabled under the Company's Long-term Disability (LTD) policy on or before January 31, 2009, you will receive Company Contribution Credits for the duration of your disability until the earliest of the following: your Normal Retirement date, the date you are no longer disabled, or the date on which you begin to receive benefits from this plan.

If you become disabled under the LTD policy on or after February 1, 2009, you will stop receiving Contribution Credits when your employment ends after you begin receiving LTD benefits (or, if you continue to be employed by the Company, when you are no longer disabled or reach your Normal Retirement date).

The Company Contribution Credit for each calendar quarter will equal 10% of one-fourth your base salary as of the date you became disabled.

If you were a participant in a previous plan, you may be eligible for a partial benefit under the terms of your prior plan. See "If You Were a Participant in a Previous Plan" on page 142 or contact the Diageo North America Pension Center at 1-800-523-2309 with any questions about your benefit.

## Interest Credits

As long as you have a balance in your Cash Balance account, and you have not begun to receive benefits from the plan, your account will receive Interest Credits. Interest is applied at the end of each calendar quarter based on your account balance at the end of the previous calendar quarter.

The Interest Credit is equal to one-fourth ( $\frac{1}{4}$ ) of the applicable interest rate for the last month in the calendar quarter immediately preceding the calendar quarter for which the Interest Credit is being applied. The current applicable rate of interest is based on a 30-year U.S. Treasury bond yield as determined by the IRS.

## Vesting Service

### Vesting

The process of acquiring ownership rights for certain benefits, such as your Retirement Program benefits. When you are vested, you own the benefits you have earned through the applicable plan.

Vesting Service determines your eligibility for Cash Balance Pension Plan benefits when you leave the Company. You become vested in, meaning you earn a right to, your Cash Balance account after three full years of continuous service. Continuous service is measured in full years and months from your hire date until you leave the Company.

An hour of service is each hour for which you are paid or entitled to payment for performing the duties of your job, while employed by the Company, including vacation, holiday, illness, disability, layoff, jury duty, or leave of absence. An hour of service also includes each hour for which you receive back pay.

Vesting Service also determines whether your service is restored if you leave the Company and are rehired. If you permanently leave the Company before completing three full years of continuous service, you will not be eligible for a benefit.

You will become 100% vested in your Cash Balance account, regardless of your years of Vesting Service, if one of the following occurs while you are an active employee:

- You reach age 65
- You become permanently disabled
- You die



## Former Joseph E. Seagram Employees

If you are a former employee of Joseph E. Seagram & Sons, Inc., who became an employee of Diageo North America, Inc. on December 21, 2001, your service with Seagram will count toward participation and vesting in this plan.

## Previous Plan Participation

Vesting Service under the Lifetime Compensation Plan, the Paddington Plan, the Guinness Plan, or the Schieffelin & Somerset Co. Plan will be counted as Vesting Service for the Diageo NA Cash Balance Plan unless the service is disregarded under the terms of that particular plan.

## Break in Service

Sometimes your service with the Company is interrupted or broken. This is called a break in service. In general, a break in service starts on the first day of the first 12-consecutive month period during which you receive no pay from the Company.

Here's how the break in service rules work:

<b>You will have a break in service if you:</b>	<b>Your break in service starts on:</b>
Resign, are discharged, retire or die	The last day you work for the Company
Are disabled	The earlier of (1) the date your disability ends and you do not return to work when your disability ends or (2) the date your employment ends.
Are on military leave of absence and do not return to work within the specified period of time as required by the law pertaining to veterans' reemployment rights	The date you went on military leave of absence
Are absent from work for maternity or paternity reasons	The second anniversary of your last day of work prior to taking maternity or paternity leave
Are on authorized leave of absence or layoff and do not return to work	The earlier of (1) the first anniversary of your last day of work prior to going on leave of absence or (2) the date your leave or layoff ends

## Maternity and Paternity Leaves of Absence

If you are absent from work for the birth or adoption of a child, your time away from work, up to two years, will not be considered a break in service. If you return to work within two years, you will receive credit for Vesting Service during this absence.

## Military Leaves of Absence

If you take a leave of absence for military service, special break in service rules apply. Contact your Human Resources Representative or log on to Diageo One for more information.

Break in service rules are complex. The above explanation is only a summary. If you have questions regarding break in service rules, please contact your Human Resources Representative.



## If You Leave the Company and Are Rehired

### Repaying Your Cash Balance Payout

If you leave the Company and receive a lump sum payout from the plan, you may repay your lump sum distribution, with interest compounded annually, within five years of being rehired. If you repay your account, your account and any forfeited amounts will be restored.

If you leave the Company before you are vested in the Cash Balance Pension Plan, your account will be forfeited.

If you are rehired within one year after you leave, the time you were gone will count toward your Vesting Service. Any Vesting Service, Company Contribution Credits, and Interest Credits that were forfeited will be reinstated.

If you are rehired within five years of when you leave the Company, any Vesting Service that you had before you left, and any Company Contribution Credits and Interest Credits that were forfeited, will be reinstated. The time you were away, however, will not count for vesting purposes.

## Transferring to a Diageo NA Affiliate

If you transfer to another company affiliated with Diageo NA and continue to be eligible to participate in the Cash Balance Pension Plan, your participation will continue uninterrupted.

If you are transferred to an affiliate that does not offer the Cash Balance Pension Plan, contributions to your account will stop, but your account will continue to receive Interest Credits. You will also continue to receive Vesting Service for the time you are employed by the affiliate. You will be eligible to receive a benefit from the plan when you no longer work for a Diageo company, provided you are vested.

## Transferring from a Diageo NA Affiliate

If you are transferred from a Diageo NA affiliate and become eligible to participate in this plan, you will receive Vesting Service for the time you were employed by the affiliate.

## When Your Cash Balance Benefit Is Payable

Your Cash Balance account is payable to you after your employment with the Company (or an affiliated company) ends. If you do not elect to start your benefit at that time, you may be eligible for a deferred vested benefit.

If you choose to receive payment of your benefit in a form other than a lump sum and payment commences before you reach Normal Retirement age (age 65), your benefit will be actuarially reduced to reflect early commencement. See “Distribution of Your Account” on page 137 for more information.

## Deferred Vested Benefit

You become a deferred vested participant if you are vested when your employment with the Company (or an affiliated company) ends, and you do not elect to start your benefit at that time. Although you can choose to start receiving your benefit at any time before you reach Normal Retirement age (age 65), your benefits **must** start at Normal Retirement Age.



## Normal Retirement Benefit

Your Normal Retirement benefit will begin the first of the month following the date you reach age 65.

## Working after Age 65

If you continue to work after age 65, you will continue to earn Vesting Service, Company Contribution Credits, and Interest Credits. Your benefit will begin when your employment ends.

## Working after Age 70½

The plan requires that your benefits begin no later than the April 1<sup>st</sup> following the year in which you reach age 70½, unless you continue working beyond that age.

## Disability Retirement Benefit

You are eligible for a Disability Retirement benefit if you are receiving benefits under the Company's Long-term Disability policy.

Your Cash Balance account will be paid to you (or rolled over) at the earlier of your Normal Retirement Date, or your termination date.

You may elect to roll over your account if you become disabled under the Company's Long-term Disability policy, or have the account paid to you, in which case your account will be terminated.

## Distribution of Your Account

Once benefit payments begin, you cannot change your method of payment.

## Forms of Benefit

There are several ways in which you can receive your benefit. They are:

- Automatic Lump Sum Payment
- Optional Lump Sum Payment
- Lifetime Benefit
- Spousal Joint and Survivor Lifetime Benefit
- Joint and 50% or 100% Survivor Lifetime Benefit (Non-Spouse Beneficiary)

## Automatic Lump Sum Payment

If the lump sum value of your vested plan benefit is \$5,000 or less but more than \$1,000 you may choose to receive an immediate lump sum payment of your benefit. If you have not elected to receive a lump sum payment by the time you reach Normal Retirement age, a lump sum payment will be made to you at that time, if applicable. You may elect to do a rollover beforehand by contacting the Diageo Pension Center.



If the lump sum value of your vested plan benefit is \$1,000 or less the plan will automatically distribute your benefit to you in a single cash payment as soon as administratively feasible after your termination date. You may elect to do a rollover beforehand by contacting the Diageo Pension Center.

### **Optional Lump Sum Benefit**

If your account balance is more than \$5,000, you may choose to receive your balance as a lump sum. If you are married and choose this option, you will need your spouse's written notarized consent.

### **Lifetime Benefit**

This option converts the value of your Cash Balance account into an annuity and pays a monthly benefit to you for your lifetime with payments stopping at your death (a "single life annuity"). No one else receives benefits under this option.

The Lifetime Benefit option is the automatic method of payment if you are single and do not choose another option.

The Lifetime Benefit will be actuarially reduced if payments begin before you reach Normal Retirement age (age 65).

If you begin payments after reaching Normal Retirement age, your Cash Balance account is converted to an actuarially equivalent Lifetime Benefit based on your age at commencement, the current applicable rate of interest, and a mortality table published by the IRS.

If you begin payments before reaching Normal Retirement age, your Cash Balance account is converted to an actuarially equivalent Lifetime Benefit by first projecting your Cash Balance account to Normal Retirement age at the current applicable rate of interest. The projected Cash Balance account at Normal Retirement age is then converted to an actuarially equivalent single life annuity at Normal Retirement age based on the current applicable rate of interest and a mortality table published by the IRS. Finally, the single life annuity at Normal Retirement age is actuarially reduced based on your actual age at commencement, the current applicable rate of interest, and a mortality table published by the IRS.

### **Spousal Joint and Survivor Lifetime Benefit**

This option converts the value of your Cash Balance account into an annuity and pays an adjusted monthly benefit to you for your lifetime with 50% or 100% of that benefit continuing after your death to your spouse for the remainder of his/her life. The amount of the adjusted benefit depends on your account balance, your age, the age of your spouse, and whether you choose a 50% or 100% survivor benefit. The amount of the adjusted benefit is determined by first calculating the Lifetime Benefit as described above, and then multiplying the Lifetime Benefit by an adjustment factor that reflects the chosen survivor benefit and the joint life expectancy of you and your spouse.

The 50% Spousal Joint and Survivor Lifetime benefit is the automatic method of payment if you are married and do not choose another option. You may also choose the 100% Spousal Joint and Survivor Lifetime benefit.

If you want to choose an option other than the 50% or 100% Spousal Joint and Survivor Lifetime benefit, you must have written notarized consent from your spouse. If your spouse consents to the different form of payment, his/her consent is irrevocable.



If your spouse dies before benefits begin, the 50% Joint and Survivor Lifetime benefit is automatically canceled, and you will receive benefits according to the Lifetime Benefit option, unless you elect otherwise. If your spouse dies after benefits begin, you will continue to receive the same payments you had been receiving prior to your spouse's death for the rest of your life.

The Spousal Joint and Survivor Lifetime Benefit will be actuarially reduced if payments begin before you reach Normal Retirement age (age 65).

### **Joint and 50% or 100% Survivor Lifetime Benefit (Non-Spouse Beneficiary)**

This option converts the value of your Cash Balance account into an annuity and pays an adjusted monthly benefit to you for your lifetime with 50% or 100% of that benefit continuing after your death to your designated beneficiary. The amount of the adjusted benefit you receive depends on your account balance, your age, the age of your beneficiary, and whether you choose a 50% or 100% survivor benefit. The amount of the adjusted benefit is determined by first calculating the Lifetime Benefit as described above, and then multiplying the Lifetime Benefit by an adjustment factor that reflects the chosen survivor percentage and the joint life expectancy of you and your beneficiary.

Note: No payment option may extend the payment period longer than your lifetime or the joint lifetime of you and your designated beneficiary.

The Joint and 50% or 100% Survivor Lifetime Benefit will be actuarially reduced if payments begin before you reach Normal Retirement age (age 65).

### **Suspension of Benefits**

If you come back to work for the Company after your benefits have started in the form of a Lifetime Benefit, Spousal Joint and Survivor Lifetime Benefit, or Joint and 50% or 100% Survivor Lifetime Benefit, benefit payments will be suspended during the period of your re-employment. Benefit payments will resume after you terminate your employment.

### **Delaying Your Cash Balance Benefit**

If your account balance is more than \$5,000, you may delay receiving your benefit until the end of the calendar year in which you reach age 65.

### **If You Die Before Benefits Begin**

If you die before your benefits begin, the process by which your benefits are distributed depends on whether you are single or married.

### **If You Are Single**

If you are single and die before receiving any Cash Balance Pension Plan benefits, your beneficiary will automatically receive a lump sum benefit.



## If You Are Married

Your spouse will automatically be your beneficiary unless he/she has previously consented, in writing, to another beneficiary.

If your spouse is your beneficiary and:

- Your account balance is \$5,000 or less, your spouse will receive a lump sum payment.
- Your account balance is more than \$5,000, your spouse will automatically receive the Lifetime Benefit unless he/she waives this option and elects to receive the benefit as a lump sum.
- If your spouse has consented to the designation of another beneficiary, your beneficiary will automatically receive a lump sum benefit.

## Taxes on Distributions

A distribution of your Cash Balance account to you, your estate, or beneficiaries is generally subject to income tax at the time of distribution. If you receive a distribution of your Cash Balance account before age 55, and you do not roll it over, you will have to pay ordinary income tax on your distribution and an additional 10% excise tax for early withdrawal unless you qualify for an exception. In some cases you may be eligible for more favorable tax treatment, such as income averaging.

Federal income tax withholding rules apply to all distributions. Any amount withheld will be credited on your income tax return against any taxes due. Under the withholding rules, most distributions of Company contributions and earnings on your account are subject to mandatory withholding at a rate of 20% of the payment. You may elect out of mandatory withholding only if you elect a *direct* rollover to an Individual Retirement Account (IRA) or another tax qualified employer plan. Certain forms of distributions are not subject to the mandatory withholding. For these distributions, you may elect optional withholding at the time of distribution.

The chart below summarizes the withholding rules:

<b><i>Lump sum payment</i></b>	Mandatory 20% withholding* (if not rolled over)
<b><i>Installment payments</i></b>	
▪ Less than 10 years	Mandatory 20% withholding* (if not rolled over)
▪ 10 years or more	Optional withholding
<b><i>Deferred payment (up to age 70-1/2)</i></b>	Withholding deferred
<b><i>Minimum distribution (at age 70-1/2)</i></b>	Optional withholding

\*If you elect a direct rollover, no withholding is required. If you receive installments over a period of less than 10 years, your choice to make or not make a direct rollover for your first payment will apply to all later payments.

Excise taxes will apply to any lump sum payments that are not rolled over unless you are age 55 or older.

## Beneficiaries and Alternate Payees

Generally, the direct rollover rules also apply to payments to a surviving spouse or to a former spouse who is an “alternate payee” under a court order.

- If you are a surviving spouse, you may elect to have your distribution paid as a *direct* rollover to an IRA or paid to you in a lump sum or in installments. If you elect that a lump sum be paid to you, you may keep it or roll it over yourself into an IRA, but you cannot roll it over into another qualified plan.
- If you are an alternate payee *and* former spouse, you are eligible for a lump sum payment. You may elect that the payment be a direct rollover or paid to you. If you elect to have the payment made to you, you may roll over the payment into an IRA or another qualified plan that accepts rollovers.
- If you are a beneficiary or alternate payee other than the spouse, you cannot choose a direct rollover, and you cannot roll over a payment made to you. Tax withholding is optional.

The 10% early withdrawal penalty does not apply to a distribution made to a beneficiary or an alternate payee.

In the event of the death of a beneficiary with an account, a lump sum distribution will be made to his or her estate.

Tax laws that apply to plan distributions are complex and change from time to time. You should check with a financial advisor or accountant when deciding how to receive a payout of your account.

## Applying for Your Cash Balance Pension Benefit

Call the Diageo North America Pension Center at 1-800-523-2309 or log on to [www.pension.hewitt.com/Diageo](http://www.pension.hewitt.com/Diageo).

You will receive information in the mail after you contact the Pension Center.

It is important to keep your address up to date on Diageo One.

Also, if you (or your survivor) are unable to care for your own affairs, any payments due may be paid to someone who is authorized to conduct your affairs. This may be a relative or a court-appointed guardian.

## Social Security Benefits

When you retire, you may be eligible for monthly benefits from Social Security. You may start receiving reduced benefits as early as age 62 (or earlier if you are disabled); your survivors may also be eligible for benefits if you die.

In general, the amount of your Social Security depends on your pay history, your age and the Social Security laws in effect when you retire. Family members may qualify for Social Security benefits, too, based on either their own earnings or on the benefits you receive.

You must apply for your Social Security benefits. Payments do not begin automatically. The best source of information is your nearest Social Security office.



## Plan History

Effective July 1, 2002, the plan's official name is the Diageo North America, Inc. Cash Balance Pension Plan.

On January 1, 1999, the UDV North America, Inc. Cash Balance Pension Plan (the predecessor to this plan) was formed as a result of the merger of the Retirement Plan of UDV North America, Inc. for Paddington Employees and the Guinness America Pension Plan into the Lifetime Compensation Plan of UDV North America, Inc.

## If You Were a Participant in a Previous Plan

If you previously participated in any of the following plans, please see the corresponding section for information on how to receive benefits you may have already accrued:

- Guinness Bass Import Co
- Lifetime Compensation, Paddington, or Guinness Plans
- Class III Grandfathered Participant – Allen Park

## Guinness Bass Import Co.

Guinness Bass Import Co. participants active prior to January 1, 2001, who did not have three years of Vesting Service as of January 1, 2001, and who terminate before completing three years of Vesting Service, may be eligible to receive a portion of their account.

## Lifetime Compensation, Paddington, or Guinness Plans

Participants in the Lifetime Compensation Plan, the Paddington Plan, or the Guinness Plan on December 31, 1998 who were employed on January 1, 1999, had their accrued benefit as of December 31, 1998 converted to lump sum equivalents that became the opening balance of their Cash Balance Pension Plan accounts. When they leave the Company and are eligible for distribution of their Cash Balance accounts, they may receive the larger of:

- Their Cash Balance account, or
- Their accrued benefit from their previous plan. The portion of the accrued benefit from the previous plan that is larger than their cash balance account is paid under the forms of payment available under the previous plan. The portion of the accrued benefit from the previous plan that equals their cash balance account is paid under the forms of benefit available under the Cash Balance Pension Plan.

Participants in the Lifetime Compensation Plan, the Paddington Plan, or the Guinness Plan who terminated employment prior to January 1, 1999 and who have not been rehired since that date do not have a Cash Balance account. Such participants will receive their accrued benefit from their previous plan under the forms of payment available under that plan.

### More Information

For more information regarding previous plan participation, refer to the summary plan descriptions for those plans, or contact your Human Resources Representative.



## **Transitioned Participant**

A Transitioned Participant is an employee who was a participant in the Lifetime Compensation Plan, the Paddington Plan, or the Guinness Plan on December 31, 1998, was employed on January 1, 1999 and whose age and Vesting Service on January 1, 1999 totaled at least 55.

## **Class I Grandfathered Participant**

A Class I Grandfathered Participant is an employee who was

- A participant in the Lifetime Compensation Plan or the Paddington Plan on December 31, 1998 and had reached age 50 with 10 years of Vesting Service as of January 1, 1999 or
- A Class I Grandfathered Participant is also an employee who was a participant in the Guinness Plan on December 31, 1998 and had reached age 55 with five years of Vesting Service as of January 1, 1999.

## **Class II Grandfathered Participant**

A Class II Grandfathered Participant is an employee who was a participant in the Lifetime Compensation Plan, the Paddington Plan, or the Guinness Plan on December 31, 1998 and had received notice before January 1, 1999 that he/she would be terminated from the Company as of a date on or after January 1, 1999. Class II Grandfathered Participants were not credited with an accrued benefit for the Cash Balance Pension Plan and do not receive Contribution or Interest Credits. Class II Grandfathered Participants receive benefits under the terms of their previous plan as though the plan in effect on December 31, 1998 continued in effect after that date.

## **Class III Grandfathered Participant—Allen Park**

A Class III Grandfathered Participant is an employee who is or was a member of the collective bargaining unit including employees in the clerical and technical unit at Allen Park, Michigan. Class III Grandfathered Participants were not credited with an accrued benefit for the Cash Balance Pension Plan and do not receive Contribution or Interest Credits. Class III Grandfathered Participants accrue and receive benefits under the terms of the Lifetime Compensation Plan of UDV North America, Inc. as though the plan in effect on December 31, 1998 continued in effect after that date.



