

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-8
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Kraft Foods Inc.
(Exact name of registrant as specified in its charter)

Virginia 52-2884372
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

Three Lakes Drive 60093
Northfield, Illinois (Zip Code)
(Address of Principal
Executive Offices)

Kraft Foods Thrift Plan
Kraft Foods TIP Plan (formerly known as Kraft Foods
Employee Thrift-Investment Plan)
Nabisco, Inc. Capital Investment Plan
Nabisco, Inc. Employee Savings Plan
(Full titles of the plans)

Calvin J. Collier, Esq.
General Counsel
Kraft Foods Inc.
Three Lakes Drive
Northfield, Illinois 60093
(Name and address of agent for service)
(847) 646-2805
(Telephone number, including area code, of agent for service)

CALCULATION OF REGISTRATION FEE

Title of securities to be registered	Title of Plan	Amount to be registered	Proposed maximum offering price per share(1)	Proposed maximum aggregate offering price(1)	Amount of registration fee
Class A common stock, no par value	Kraft Foods Thrift Plan	43,000,000	shs. (2) \$ 34.17	\$ 1,469,310,000	\$ 367,327.50
Class A common stock, no par value	Kraft Foods TIP Plan	3,000,000	shs. (2) \$ 34.17	\$ 102,510,000	\$ 25,627.50
Class A common stock, no par value	Nabisco, Inc. Capital Investment Plan	13,000,000	shs. (2) \$ 34.17	\$ 444,210,000	\$ 111,052.50
Class A common stock, no par value	Nabisco, Inc. Employee Savings Plan	3,000,000	shs. (2) \$ 34.17	\$ 102,510,000	\$ 25,627.50
		Total: 62,000,000	shs. (2)	\$ 2,118,540,000	\$ 529,635.00

(1) Estimated solely for the purpose of computing the registration fee and calculated in accordance with Rule 457(c) under the Securities Act of 1933, based upon the average of the high and low prices for the Class A common stock reported in the consolidated reporting system on October 1, 2001.

In addition, pursuant to Rule 416(c) under the Securities Act of 1933, this Registration Statement also covers an indeterminate amount of interests to be offered or sold pursuant to the employee benefit plans described herein.

(2) Plus such additional shares as may be issued by reason of stock splits, stock dividends or similar transactions.

Explanatory Note

In December 2000, Kraft Foods Inc. (the "Company") acquired all of the outstanding shares of Nabisco Holdings Corp. Prior to June 13, 2001, the Company was a wholly-owned subsidiary of Philip Morris Companies Inc. ("Philip Morris"). On June 13, 2001, the Company completed an initial public offering of 280,000,000 shares of its Class A common stock. Immediately after the initial public offering, Philip Morris owned common stock representing 97.7% of the combined voting power of the Company's common stock.

Presently, the Kraft Foods Thrift Plan (the "Thrift Plan") and the Kraft Foods TIP Plan (the "TIP Plan" and together with the Thrift Plan, the "Kraft Plans") offer shares of Philip Morris common stock to eligible participants of the respective Kraft Plan pursuant to the provisions of the respective Kraft Plan and, in the case of the Thrift Plan, Philip Morris' Registration Statement on Form S-8 filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act") (Registration No. 33-37115), and, in the case of the TIP Plan, Philip Morris' Registration Statement on Form S-8 filed with the Commission under the Securities Act (Registration No. 33-1479).

The Thrift Plan and the TIP Plan have now been amended to offer the Company's Class A common stock to eligible participants of the Kraft Plans. The Nabisco, Inc. Capital Investment Plan (the "CIP Plan") and the Nabisco, Inc. Employee Savings Plan (the "ESP Plan" and together with the CIP Plan, the "Nabisco Plans") also have now been amended to offer the Company's Class A common stock and Philip Morris' common stock to eligible participants of the Nabisco Plans.

This Registration Statement is being filed for the purpose of registering 62,000,000 shares of Class A common stock of the Company, together with an indeterminate amount of interests to be issued pursuant to the Kraft Plans and the Nabisco Plans. Philip Morris has filed a separate Registration Statement on Form S-8 today to register 11,000,000 shares of its common stock, together with an indeterminate amount of interest to be issued pursuant to the Nabisco Plans. The Thrift Plan, the TIP Plan, the CIP Plan and the ESP Plan are filed herewith as Exhibits 4.1, 4.2, 4.3 and 4.4, respectively.

Part I

INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

- Item 1. Plan Information.
Not required to be filed with the Commission.
- Item 2. Registrant Information and Employee Plan Annual Information.
Not required to be filed with the Commission.

Part II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

The following documents filed by the Company with the Commission (File No. 1-16483) are incorporated herein by reference and made a part hereof:

- (i) the prospectus of the Company filed pursuant to Rule 424(b) under the Securities Act, dated June 12, 2001, with respect to the registration statement on Form S-1, as amended (Registration No. 333-57162) (the "Prospectus");
- (ii) the annual reports on Form 11-K for each of the Kraft Plans for the year ended December 31, 2000, filed with the Commission on June 12, 2001;
- (iii) the annual reports on Form 11-K for each of the Nabisco Plans for the year ended December 30, 2000, filed with the Commission on October 5, 2001;
- (iv) the Company's Current Report on Form 8-K, filed with the Commission on August 10, 2001;
- (v) the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2001; and
- (vi) the description of the Company's Class A common stock contained in the Company's Registration Statement on Form 8-A dated May 9, 2001, including any subsequent amendment or any report filed for the purpose of updating such description.

All annual reports of the Kraft Plans and the Nabisco Plans subsequently filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and all documents subsequently filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, prior to the filing of a post-effective amendment that indicates that all securities offered have been sold or that deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference in this Registration Statement and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any other subsequently filed document that is incorporated by reference herein modifies or supersedes such earlier statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

Item 4. Description of Securities.

Not applicable.

Item 5. Interests of Named Experts and Counsel.

Not applicable.

Item 6. Indemnification of Directors and Officers.

The Virginia Stock Corporation Act (the "VSCA") permits, and the Company's Articles of Incorporation require, indemnification of the Registrant's directors, officers and controlling persons in a variety of circumstances, which may include indemnification for liabilities under the Securities Act. The Company's Articles of Incorporation require the Company to indemnify its directors, officers and controlling persons to the full extent permitted by the VSCA. Sections 13.01-697 and 13.01-702 of the VSCA generally authorize a Virginia corporation to indemnify its directors, officers, employees or agents in civil or criminal actions if they acted in good faith and believed their conduct to be in the best interests of the corporation and, in the case of criminal actions, had no reasonable cause to believe that the conduct

was unlawful. Section 13.01-704 of the VSCA also provides that a Virginia corporation has the power to make any further indemnity to any director, officer, employee or agent, including under its articles of incorporation or any bylaw or shareholder resolution, except an indemnity against their willful misconduct or a knowing violation of the criminal law.

The Company's Articles of Incorporation also provide that, to the full extent that the VSCA permits the limitation or elimination of the liability of directors, officers and certain controlling persons, no director, officer or such controlling person of the Company shall be liable to the Company or its shareholders for monetary damages arising out of any transaction, occurrence or course of conduct. Section 13.1-692.1 of the VSCA presently permits the elimination of liability of directors and officers in any proceeding brought by or in the right of a corporation or brought by or on behalf of shareholders of a corporation, except for liability resulting from such person's having engaged in willful misconduct or a knowing violation of the criminal law or any federal or state securities law, including, without limitation, any unlawful insider trading or manipulation of the market for any security. Sections 13.1-692.1 and 13.1-696 to -704 of the VSCA are hereby incorporated by reference herein.

The Company carries insurance on behalf of directors, officers, employees or agents that may cover liabilities under the Securities Act.

Item 7. Exemption From Registration Claimed.

Not applicable.

Item 8. Exhibits.

Exhibit No.	Description
-----	-----
4.1	Kraft Foods Thrift Plan, as amended (filed herewith).
4.2	Kraft Foods TIP Plan, as amended (filed herewith).
4.3	Nabisco, Inc. Capital Investment Plan, as amended (filed herewith).
4.4	Nabisco, Inc. Employee Savings Plan, as amended (filed herewith).
4.5	Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Form S-1, filed with the Commission on March 16, 2001 (Reg. No. 333-57162)).
4.6	Articles of Amendment to the Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.2 to the Company's Form S-1, filed with the Commission on March 16, 2001).
4.7	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.3 to the Company's Amendment No. 5 to Form S-1, filed with the Commission on June 8, 2001).
5.1	Opinion of Hunton & Williams as to the legality of the securities being registered (filed herewith).

5.2 In lieu of the opinion of counsel or determination letter contemplated by Item 601(b)(5) of Regulation S-K, the Company hereby confirms that it has submitted the Kraft Plans and undertakes that it will submit all amendments thereto to the Internal Revenue Service (the "IRS") in a timely manner, and that it has made or will make all changes required by the IRS in order to qualify the Kraft Plans under Section 401 of the Internal Revenue Code.

23.1 Consent of Hunton & Williams (included in Exhibit 5).

23.2 Consent of PricewaterhouseCoopers LLP, Independent Accountants (filed herewith).

23.3 Consent of Deloitte & Touche LLP, Independent Auditors (filed herewith).

Item 9. Undertakings.

(a) The undersigned registrant hereby undertakes:

1. To file, during any period in which offers or sales are made, a post-effective amendment to this registration statement:

- (i) To include any prospectus required by Section 10(a)(3) of the Securities Act;
- (ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and
- (iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change in such information in the registration statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3, Form S-8 or Form F-3, and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in the registration statement.

2. That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

3. To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Northfield, State of Illinois, on the 9th day of October, 2001.

KRAFT FOODS INC.

By: /s/ JAMES P. DOLLIVE

Name: James P. Dollive
Title: Senior Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature -----	Title -----	Date -----
/s/ Betsy D. Holden ----- Betsy D. Holden	Co-Chief Executive Officer and Director (principal co-executive officer)	October 9, 2001
/s/ Roger K. Deromedi ----- Roger K. Deromedi	Co-Chief Executive Officer and Director (principal co-executive officer)	October 9, 2001
/s/ James P. Dollive ----- James P. Dollive	Senior Vice President and Chief Financial Officer (principal financial officer)	October 9, 2001
/s/ John F. Mowrer, III ----- John F. Mowrer, III	Vice President and Controller (principal accounting officer)	October 9, 2001
/s/ Geoffrey C. Bible ----- Geoffrey C. Bible	Director	October 9, 2001
/s/ Louis C. Camilleri ----- Louis C. Camilleri	Director	October 9, 2001
----- W. James Farrell	Director	
----- John C. Pope	Director	
----- Mary L. Schapiro	Director	
/s/ William H. Webb ----- William H. Webb	Director	October 9, 2001
----- Deborah C. Wright	Director	

Pursuant to the requirements of the Securities Act, the Management Committee for Employee Benefits of Kraft Foods North America, Inc. having administrative responsibility of the Kraft Foods Thrift Plan, has duly caused this Form S-8 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Northfield, State of Illinois, on the 9th day of October, 2001.

KRAFT FOODS THRIFT PLAN

By: /s/ TERRY M. FAULK

Name: Terry M. Faulk
Title: Chairman, Management
Committee for Employee Benefits

Pursuant to the requirements of the Securities Act, the Management Committee for Employee Benefits of Kraft Foods North America, Inc. having administrative responsibility of the Kraft Foods TIP Plan, has duly caused this Form S-8 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Northfield, State of Illinois, on the 9th day of October, 2001.

KRAFT FOODS TIP PLAN

By: /s/ TERRY M. FAULK

Name: Terry M. Faulk
Title: Chairman, Management
Committee for Employee Benefits

Pursuant to the requirements of the Securities Act, the Nabisco Employee Benefits Committee, having administrative responsibility of the Nabisco, Inc. Capital Investment Plan, has duly caused this Form S-8 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Northfield, State of Illinois, on the 9th day of October, 2001.

NABISCO, INC. CAPITAL INVESTMENT PLAN

By: /s/ JILL K. YOUMAN

Name: Jill K. Youman
Title: Vice President,
Human Resources, Benefits

Pursuant to the requirements of the Securities Act, the Nabisco Employee Benefits Committee, having administrative responsibility of the Nabisco, Inc. Employee Savings Plan, has duly caused this Form S-8 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Northfield, State of Illinois, on the 9th day of October, 2001.

NABISCO, INC. EMPLOYEE SAVINGS PLAN

By: /s/ JILL K. YOUMAN

Name: Jill K. Youman
Title: Vice President,
Human Resources, Benefits

EXHIBIT INDEX

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23.2	Consent of PricewaterhouseCoopers LLP, Independent Accountants (filed herewith).
23.3	Consent of Deloitte & Touche LLP, Independent Auditors (filed herewith).

KRAFT FOODS THRIFT PLAN
(As Amended and Restated Effective
As of January 1, 1997)

Mayer, Brown & Platt
Chicago

I, Jill Youman, Secretary of the Management Committee for Employee Benefits ("MCEB"), hereby certify that I have approved the form of the document attached hereto and that such document is a full, true and complete copy of the Kraft Foods Thrift Plan as amended through the date hereof. I hereby further certify that Supplement N to the Kraft Foods Thrift Plan was adopted by unanimous written consent of MCEB dated August 27, 2001.

Dated this 24th day of September, 2001.

/s/ Jill Youman

Secretary as Aforesaid

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KRAFT FOODS THRIFT PLAN

(As Amended and Restated Effective
As of January 1, 1997)

SECTION 1

General

1.1 History, Purpose and Effective Date. Kraft Foods, Inc. (the "Company"), a Delaware corporation, has established the Kraft Foods Thrift Plan (the "Plan"), formerly the Kraft General Foods Thrift Plan, to encourage eligible employees to save a portion of their earnings on a regular basis and to accumulate capital for their future economic security. The following provisions constitute an amendment, restatement and continuation of the Plan as in effect immediately prior to January 1, 1997, the "Effective Date" of the Plan as set forth herein. To the extent that any provision of the Plan as set forth herein specifically provides for an effective date other than January 1, 1997, such provision will constitute an amendment of the Plan as in effect on such date and, if such special effective date is later than the general Effective Date, the applicable provisions of the Plan as in effect immediately prior to the Effective Date will continue to govern until such special effective date. The Plan is intended to qualify as a profit sharing plan under section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is further intended to include a qualified cash or deferred arrangement under section 401(k) of the Code.

1.2 Related Companies and Employers. The term "Related Company" means any corporation or trade or business during any period during which it is, along with the Company, a member of a controlled group of corporations or a controlled group of trades or businesses, as described in sections 414(b) and 414(c), respectively, of the Code. The Company and each Related Company which adopts the Plan with the consent of the Management Committee for Employee Benefits (the "Committee") are referred to below collectively as the "Employers" and individually as an "Employer".

1.3 Plan Administration, Trust and Fiduciary Responsibility. The authority to control and manage the non-investment operations of the Plan is vested in the Committee, as more fully described in subsection 13.1. Except as otherwise expressly provided herein, the Committee shall have the rights, duties and obligations of an "administrator" as that term is defined in section 3(16)(A) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and of a "plan administrator" as that term is defined in section 414(g) of the Code. With respect to the Plan's funding and the investment of its assets, the Corporate Employee Plans Investment Committee of Philip Morris Companies Inc. (the "Investment Committee") has the authority and responsibility to appoint or select trustees, custodians, investment managers and insurance companies to handle Plan assets and to allocate assets to each of them, to determine the advisability of establishing or modifying the description of any Investment Fund (as defined in subsection 6.1) made available under the Plan, to establish investment guidelines,

proxy voting policies and securities trading procedures, and to monitor the investment performance of the fiduciaries responsible for the investment of Plan assets. The Committee and the Investment Committee are collectively referred to as the "Committees". The Company and the Committees shall be "named fiduciaries", as described in section 402 of ERISA, with respect to their authority under the Plan. All assets of the Plan will be held, managed and controlled by one or more trustees (the "Trustee") acting under a "Trust" established pursuant to a "Trust Agreement" which forms a part of the Plan. As of the Effective Date, the assets of the Plan are held under the Kraft General Foods Master Defined Contribution Trust established pursuant to the Master Savings Plan Trust Agreement by and between the Corporate Employee Plans Investment Committee of Philip Morris Companies Inc., Philip Morris Companies Inc. and Bankers Trust Company, Trustee, dated as of April 1, 1992.

1.4 Plan Year. The term "Plan Year" means the twelve-consecutive-month period beginning on each January 1 and ending on the following December 31.

1.5 Accounting Dates. The term "Accounting Date" means each business day as determined by the Committee in its sole discretion.

1.6 Applicable Laws. The Plan shall be construed and administered in accordance with the internal laws of the State of Illinois to the extent that such laws are not preempted by the laws of the United States of America.

1.7 Gender and Number. Where the context permits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

1.8 Notices. Any notice or document required to be filed with the Committee under the Plan will be properly filed if delivered or mailed by registered mail, postage prepaid, to the Committee (or its delegate), in care of the Company, at its principal executive offices. Any notice required under the Plan may be waived by the person entitled to notice.

1.9 Form of Election and Signature. Unless otherwise specified herein, any election or consent permitted or required to be made or given by any Participant or other person entitled to benefits under the Plan, and any permitted modification or revocation thereof, shall be made in writing or shall be given by means of such interactive telephone system or Internet connection as the Committee may designate from time to time as the vehicle(s) for executing regular transactions under the Plan (referred to generally herein as the "Access System"). Each Participant shall have a personal identification number or "PIN" for purposes of executing transactions through the Access System, and entry by a Participant of his PIN shall constitute his valid signature for purposes of any transaction the Committee determines should be executed by means of the Access System, including but not limited to enrolling in the Plan, electing contribution rates, making investment choices, executing loan documents, and consenting to a withdrawal or distribution. Any election made through the Access System shall be considered submitted to the Committee on the date it is electronically transmitted.

1.10 Evidence. Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

1.11 Action by Employers. Any action required or permitted to be taken by any Employer which is a corporation shall be by resolution of its Board of Directors or a duly authorized committee thereof, or by a duly authorized officer of the Employer. Any action required or permitted to be taken by any Employer which is a partnership shall be by a general partner of such partnership or by a duly authorized officer thereof.

1.12 Plan Supplements. The provisions of the Plan as applied to any Employer or any group of employees of any Employer may be modified or supplemented from time to time by the Committee by the adoption of one or more Supplements. Each Supplement shall form a part of the Plan as of the Supplement's effective date. In the event of any inconsistency between a Supplement and the Plan document, the terms of the Supplement shall govern.

1.13 Defined Terms. Terms used frequently with the same meaning are defined throughout the Plan. The Index of Defined Terms contains an alphabetical listing of all such terms and the subsections in which they are defined.

1.14 Compliance With USERRA. Notwithstanding any provisions of the Plan to the contrary, contributions and benefits with respect to qualified military service will be provided in accordance with section 414(u) of the Code.

SECTION 2

Participation in Plan

2.1 Eligibility for Participation. Participation in the Plan is entirely voluntary. An eligible employee who elects to participate (a "Participant") shall commence participation on the date determined under subsection 2.2. Subject to the conditions and limitations of the Plan, each individual who was a Participant in the Plan immediately prior to the Effective Date will continue as such on and after that date, and each other employee of an Employer who was not a Participant immediately prior to the Effective Date will be eligible to participate in the Plan the date he meets the following eligibility requirements:

- (a) he has completed one Year of Service (as defined in subsection 3.1);
- (b) contributions are not being made on his behalf to another defined contribution plan intended to be qualified under section 401(a) of the Code that is sponsored by an Employer or a Related Company;
- (c) he is not a member of either (i) a collective bargaining unit as to which retirement benefits have been the subject of good faith bargaining unless the Plan has been extended to the collective bargaining unit under a currently effective collective bargaining agreement, (ii) a unit of agricultural workers or (iii) any other group of

employees who have specifically been excluded from participation in the Plan by Committee action, and

- (d) he does not perform services for an Employer under a contract, agreement or arrangement that purports to treat him as either an independent contractor or the employee of a leasing organization, agency, vendor or any other third-party, even if he is subsequently determined (by judicial action or otherwise) to have instead been a common law employee of such Employer.

Notwithstanding the foregoing provisions of this subsection 2.1, if an individual is employed or reemployed by an Employer on or after the date on which he first completes one Year of Service, he shall be eligible to become a Participant in the Plan on the first day on which he meets the requirements of paragraphs (b) and (c) of this subsection 2.1.

Effective May 1, 1998 a regular full-time employee or a regular part-time salaried employee scheduled to work at least 1,000 hours per year who otherwise is eligible under this subsection 2.1 may begin to participate in the Plan for purposes of Section 4 immediately, before completion of a Year of Service, although eligibility for matching contributions under Section 5 is still conditioned on satisfaction of paragraph (a) above. Hourly part-time employees, and salaried part-time employees scheduled to work fewer than 1,000 hours per year, must satisfy all of the eligibility requirements of this subsection to participate in the Plan.

2.2 Commencement of Participation. Each employee eligible to participate in the Plan is required to make an election to participate prior to his commencement of participation in the Plan. An employee may elect to commence participation in the Plan on the first day following the date he has satisfied the eligibility requirements set forth in subsection 2.1. If an eligible employee does not properly elect to commence participation on such date, he may commence his participation on any day thereafter.

2.3 Inactive Participation. If an individual ceases to meet the eligibility requirements of subsection 2.1, such individual shall be considered an inactive Participant in the Plan as long as any amount is credited to his Account under the Plan, and:

- (a) no contributions shall be made by or for him under Section 4 or Section 5;
- (b) he may not obtain a loan after he has ceased to be an employee of an Employer or a Related Company, unless he otherwise is a "party in interest" with respect to the Plan (as such term is defined in section 3(14) of ERISA); and
- (c) he may not make a withdrawal under Section 10 after he ceases to be an employee of an Employer or a Related Company.

2.4 Plan Not Contract of Employment. The Plan does not constitute a contract of employment, and participation in the Plan will not give any employee or Participant the right to be retained in the employ of any Employer nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan.

2.5 Leased Employees. If a person satisfies the requirements of section 414(n) of the Code and applicable Treasury regulations for treatment as a "Leased Employee", such Leased Employee shall not be eligible to participate in this Plan but, to the extent required by section 414(n) of the Code and applicable Treasury regulations, such person shall be treated as if the services performed by him in such capacity were performed by him as an employee of a Related Company which has not adopted the Plan; provided, however, that no such service shall be credited for any period during which not more than 20% of the non-Highly Compensated workforce of the Employers and the Related Companies consists of Leased Employees and the Leased Employee is a participant in a money purchase pension plan maintained by the leasing organization which (i) provides for a non-integrated employer contribution of at least 10 percent of compensation, (ii) provides for full and immediate vesting, and (iii) covers all employees of the leasing organization (beginning with the date they become employees), other than those employees excluded under section 414(n)(5) of the Code. For purposes of this subsection 2.5, "Highly Compensated" shall have the meaning set forth in subsection 8.12.

SECTION 3

Service

3.1 Years of Service. For purposes of Section 2, an employee's "Years of Service" means:

- (a) With respect to any full-time employee, the aggregate of all time periods commencing on the employee's first day of employment or reemployment and ending on the day he commences a One Year Break in Service (as defined in subsection 3.3). An employee's first day of employment or reemployment is the first day for which he is credited with an Hour of Service (as defined in subsection 3.2).
- (b) With respect to any part-time or seasonal employee, each Computation Period (as defined below) during which he completes at least 1,000 Hours of Service. A "Computation Period" is the initial 12-consecutive-month period commencing on the date an employee is first credited with an Hour of Service, and each Plan Year commencing with the first Plan Year which begins on or after the date he is first credited with an Hour of Service. An individual who completes 1,000 Hours of Service during his first Computation Period will be eligible to begin participating in the Plan on the day following the end of such Computation Period; an individual who first completes 1,000 Hours of Service in a subsequent Computation Period will be eligible to begin participating in the Plan on the day following the day in which he worked his 1,000th Hour of Service.

For purposes of this subsection 3.1, a full-time employee is an employee who is regularly scheduled to work at least 1,000 hours in a calendar year, and a part-time or seasonal employee is an employee who is scheduled to work for fewer than 1,000 hours in a calendar year.

3.2 Hour of Service. The term "Hour of Service" means, with respect to any employee, each hour for which he is paid or entitled to payment for the performance of duties for an Employer or a Related Company or for which back pay, irrespective of mitigation of damages, has been awarded to the employee or agreed to by an Employer or a Related Company, subject to the following:

- (a) An employee or Participant shall be credited with the number of regularly scheduled working hours included in the time period on the basis of which payment to the Employee is calculated (or, if the number of such hours is not determinable, 8 Hours of Service per day (to a maximum of 40 Hours of Service per week)) for any period during which he performs no duties for an Employer or a Related Company (irrespective of whether the employment relationship has terminated) by reason of a vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty, leave of absence or salary continuation period pursuant to a severance plan of (or severance agreement with) his Employer or a Related Company, but for which he is directly or indirectly paid or entitled to payment by an Employer or a Related Company. Payments considered for purposes of the foregoing sentence shall include payments unrelated to the length of the period during which no duties are performed but shall not include payments made solely as reimbursement for medically related expenses or solely for the purpose of complying with applicable workmen's compensation, unemployment compensation or disability insurance laws.
- (b) Hours of Service shall be calculated and credited pursuant to Department of Labor Regulation section 2530.200b-2, which is incorporated herein by reference.

3.3 One Year Break in Service. Except with respect to an employee whose absence from employment constitutes a Maternity or Paternity Absence, an approved leave of absence, military service or a salary continuation period (as described below), the term "One Year Break in Service" means the 12-consecutive-month period commencing on the earlier of

- (a) the day an employee's employment with the Employers and Related Companies is terminated for any reason, or
- (b) in the event an employee remains absent from service with the Employers and Related Companies for any reason other than a quit, retirement, discharge or death, the first anniversary of the first day of such period of absence,

if he is not paid or entitled to payment for the performance of duties for an Employer or a Related Company during that 12-consecutive-month period.

An employee or Participant who is absent on an approved leave of absence for a period shorter than 12 months will commence a One Year Break in Service on the date of his scheduled return to work if he does not in fact return to work at the expiration of such leave an employee or Participant who is absent on an approved leave of absence for a period of 12 months or more will commence a One Year Break in Service on the first anniversary of the first day of such leave if he does not return to work at the scheduled expiration of such leave. An individual who is

absent because of service in the U.S. Armed Forces will begin a One Year Break in Service on the 91st day following his discharge from military service, if he does not return to work within 90 days of such discharge. With respect to an individual whose absence from employment constitutes a Maternity or Paternity Absence, a One Year Break in Service will commence on the second anniversary of the first day of such absence, and the period between the first and second anniversaries of the first day of a Maternity or Paternity Absence shall not constitute a Year of Service. The term "Maternity or Paternity Absence" means an employee's or Participant's absence from work because of the pregnancy of such individual, the birth of a child of such individual, the placement of a child with such individual in connection with the adoption of a child by such individual, or for purposes of caring for the child by such individual immediately following such birth or placement. The Committee may require the employee or Participant to furnish such information as it considers necessary to establish that such individual's absence was a Maternity or Paternity Absence. If a Participant is credited with Hours of Service under subsection 3.2 for a salary continuation period pursuant to a severance plan or severance agreement with his Employer or a Related Company, a One Year Break in Service with respect to such Participant shall not begin until the completion of such salary continuation period.

3.4 Service With Philip Morris Affiliates and Predecessor Employers. For purposes of subsections 3.1 and 9.1, service with a Subsidiary or a Predecessor Employer shall be counted in the same manner as if such entity were a Related Company. A "Subsidiary" is any corporation in which Philip Morris Companies Inc. owns (directly or indirectly) more than 50% of the outstanding voting stock. "Predecessor Employer" means a corporation or business which has been merged into or consolidated with, or all or substantially all of its assets acquired by, a Related Company or a Subsidiary.

SECTION 4

Before-Tax, After-Tax and Rollover Contributions

4.1 Before-Tax Contributions. Subject to the limitations set forth in subsections 4.3 and 4.8 and Section 8 and such additional rules as the Committee may establish on a uniform and nondiscriminatory basis, for any payroll period a Participant may elect to have his salary or wages from his Employer reduced by a whole percentage, and a corresponding amount contributed on his behalf to the Plan by his Employer as a "Before-Tax Contribution", which amount shall not be less than 1 percent nor more than 16 percent of his Eligible Compensation (as defined in subsection 4.7) for that payroll period. Any election pursuant to this subsection 4.1 shall be entered into the Access System prior to the time it is to take effect.

4.2 After-Tax Contributions. Subject to the limitations set forth in subsections 4.3 and 4.8 and Section 8 and such additional rules as the Committee may establish on a uniform and nondiscriminatory basis, for any payroll period a Participant may elect to make "After-Tax Contributions" to the Plan through payroll deduction in a whole percentage that is not less than 1 percent nor more than 16 percent of his Eligible Compensation for that payroll period. Any election pursuant to this subsection 4.2 shall be entered into the Access System prior to the time it is to take effect.

4.3 Total Before-Tax and After-Tax Contributions. Notwithstanding the foregoing provisions of this Section 4, Before-Tax Contributions made on behalf of a Participant and After-Tax Contributions made by such Participant for any payroll period may not together exceed 16 percent of his Eligible Compensation for such payroll period.

4.4 Payment of Before-Tax and After-Tax Contributions. Before-Tax Contributions and After-Tax Contributions shall be paid to the Trustee by the Employer on the earliest date on which such contributions can reasonably be segregated from the Employer's general assets, but not later than 90 days after the date on which such amounts are received by the Employer or would otherwise have been payable to the Participant.

4.5 Modification, Discontinuance and Resumption of Before-Tax or After-Tax Contributions. Subject to such rules and restrictions as the Committee may establish on a uniform and nondiscriminatory basis, a Participant may adjust his Before-Tax and/or After-Tax Contributions prospectively by entering into the Access System, prior to the time such change is to be effective, an election to make any of the changes listed below:

- (a) Change his Before-Tax and/or After-Tax Contribution rates within the limits specified above.
- (b) Discontinue making Before-Tax and/or After-Tax Contributions.
- (c) Resume making Before-Tax and/or After-Tax Contributions.

4.6 Rollover Contributions. A Participant or an employee who meets the eligibility requirements of subsection 2.1 (without regard to paragraph (a) thereof) may make a Rollover Contribution (as defined below) to the Plan, subject to the determination of the Committee that such rollover satisfies the requirements of this subsection 4.6. Before approving a rollover, the Committee may request from the Participant or employee any documents or opinion of counsel which the Committee, in its discretion, deems necessary. The term "Rollover Contribution" means a rollover contribution of all or part of a distribution which, under applicable provisions of the Code, is permitted to be rolled over to a qualified plan. In no event shall a Participant or employee be permitted to make a rollover contribution of any amounts previously contributed to another plan by the Participant on an after-tax basis. If an employee who is not otherwise a Participant makes a Rollover Contribution to the Plan, he shall be treated as a Participant only with respect to his Rollover Account (defined in subsection 7.1) until he has met all of the requirements for Plan participation set forth in subsections 2.1 and 2.2.

4.7 Eligible Compensation. A Participant's "Eligible Compensation" for any Plan Year shall mean the amounts actually paid or made available to the Participant during the Plan Year for personal services rendered in the course of his employment with an Employer or amounts paid as salary continuation under an Employer's severance or short term disability program, which are includable in gross income as wages, salary, commissions, tips, bonuses, overtime and other premium pay, plus any amounts contributed by an Employer pursuant to a salary reduction agreement and which is not includable in gross income under sections 125, 402(a)(8), 402(h) or 403(b) of the Code, but excluding (even if includable in gross income) long term disability payments, reimbursements or other expense allowances, fringe benefits and other

non-cash compensation, deferred bonuses, dividends on stock granted under a management incentive compensation or stock ownership program or a restricted stock plan, cash payments or stock distribution made under a restricted stock plan, long term incentive plan or stock option plan, any cash or stock payments under a phantom stock program, proceeds from the exercise of stock options, lump sum severance pay, tuition or moving expense reimbursements, and bonuses, incentive compensation, vacation pay or any other compensation (other than salary continuation payments) paid subsequent to termination of employment. For purposes of this subsection 4.7 an amount shall be considered a bonus only if it is paid to a Participant under a program of general application, as determined by the Committee in its sole discretion. Examples of bonuses to be included under this subsection 4.7 are the annual Management Incentive Plan bonus and the Corporate Incentive Plan bonus. An example of a payment excluded under this subsection 4.7 is a payment made with respect to an employee's sale of his home.

4.8 Limitation on Compensation Taken Into Account For Any Plan Year. Notwithstanding any other provision of the Plan to the contrary, once a Participant or employee has earned Eligible Compensation at the maximum level permitted for a Plan Year under section 401(a)(17) of the Code, such Participant's or employee's active participation in the Plan for the remainder of such Plan Year shall cease regardless of whether he has taken maximum advantage of the contributions permitted under Sections 4 and 5 up to that point in the Plan Year.

SECTION 5

Matching and Qualified Matching Contributions

5.1 Matching Contributions. Subject to the conditions and limitations of subsection 4.8 and Section 8, for each payroll period during a Plan Year an Employer shall contribute to the Plan on behalf of each Participant employed by such Employer who has completed a Year of Service an amount equal to a specified percentage (as determined for that Plan Year by the Company in its sole discretion) of the Before-Tax and After-Tax Contributions made by and on behalf of the Participant that together do not exceed 6 percent of such Participant's Eligible Compensation for such payroll period during a Plan Year. The Committee, in its sole discretion, may designate different matching percentages for different groups of participating employees for a Plan Year. Any contribution made pursuant to this subsection 5.1 shall be referred to hereinafter as a "Matching Contribution".

5.2 Qualified Matching Contributions. For each Plan Year any Employer may, but shall not be required to, contribute an additional percentage of the Before-Tax Contributions made on behalf of Participants employed by such Employer who are not Highly Compensated (as defined in subsection 8.12). Any contribution made pursuant to this subsection 5.2 shall be referred to hereinafter as a "Qualified Matching Contribution". At the discretion of the Committee Qualified Matching Contribution may be tested under subsection 8.7 or 8.9 in accordance with applicable Treasury regulations.

5.3 Limitations on Amount of Employer Contributions. In no event shall the sum of any Before-Tax Contributions, Matching Contributions and Qualified Matching Contributions made by an Employer for any Plan Year exceed the limitations imposed by Section 404 of the Code on the maximum amount deductible on account thereof by the Employer for that year.

5.4 Payment of Employer Contributions. Each Employer's contributions under the Plan (other than Before-Tax Contributions) for any Plan Year shall be paid to the Trustee, without interest, no later than the time prescribed by law for filing the Employer's federal income tax return, including any extensions thereof.

SECTION 6

Investment of the Trust Fund

6.1 Investment Funds and Loan Account. The Investment Committee shall establish and cause the Trustee to maintain one or more "Investment Funds" for the investment of Participants' Accounts, and a "Loan Account" to reflect any loans to Participants pursuant to subsection 10.1. The Investment Committee in its discretion may add additional Investment Funds, may delete any Investment Fund or may change the investment strategy of any Investment Fund without prior notice to Participants.

6.2 Loan Account and Investment Fund Accounting. The Committee shall maintain or cause to be maintained separate subaccounts for each Participant in each of the Investment Funds and in the Loan Account to separately reflect his interests in each such Fund or in the Loan Account and the portion thereof that is attributable to each of his Accounts.

6.3 Investment Fund Elections. At the time that a Participant enrolls in the Plan he may specify the percentage of contributions subsequently credited to his Accounts that are to be invested in each of the Investment Funds in accordance with uniform rules established by the Committee from time to time. Any such investment direction shall be deemed to be a continuing direction until changed. During any period in which no such direction has been given in accordance with rules established by the Committee, contributions credited to a Participant shall be invested in the Investment Funds as determined by the Committee. A Participant may modify his investment direction prospectively by entering into the Access System his election to do so prior to the effective time of the change in accordance with uniform rules established by the Committee.

6.4 Transfers Between Investment Funds. Subject to uniform rules established by the Committee from time to time, each Participant may elect to transfer prospectively the value of his Accounts held in any Investment Fund to any other Investment Fund then made available to such Participant. Any such election shall be made by entering it into the Access System prior to the time it is to be effective in accordance with uniform rules established by the Committee. Notwithstanding the foregoing, if a Participant terminates employment before he is fully vested in his Accounts, and forfeiture of the non-vested portion of his Accounts is delayed pending distribution of the vested portion, such non-vested portion shall be invested in accordance with

rules established by the Committee to minimize the risk of loss, and shall not be subject to the investment direction of the Participant.

SECTION 7

Plan Accounting

7.1 Participants' Accounts. The Committee shall maintain the following "ACCOUNTS" in the name of each Participant:

- (a) a "Matching Account," which shall reflect Matching Contributions, if any, made on his behalf and the income, losses, appreciation and depreciation attributable thereto;
- (b) a "Before-Tax Account," which shall reflect Before-Tax Contributions, if any, made on his behalf and the income, losses, appreciation and depreciation attributable thereto;
- (c) an "After-Tax Account," which shall reflect After-Tax contributions made by the Participant and the income, losses, appreciation and depreciation attributable thereto;
- (d) a "Qualified Matching Account," which shall reflect Qualified Matching Contributions, if any, made on his behalf, and the income, losses, appreciation and depreciation attributable thereto;
- (e) a "Rollover Account," which shall reflect Rollover Contributions, if any, made by him and the income, losses, appreciation and depreciation attributable thereto; and
- (f) a "QVEC Account," which shall reflect qualified voluntary employee contributions, if any, made by him prior to January 1, 1987, and the income, losses, appreciation and depreciation attributable thereto.

In addition, the Committee may maintain subaccounts within the Before-Tax and After-Tax Accounts to distinguish contributions (and the earnings thereon) eligible to be matched from contributions (and the earnings thereon) above the matching limit, as well as subaccounts to reflect balances transferred to this Plan from another qualified plan that are subject to special rules. The Accounts and subaccounts provided for in this subsection 7.1 shall be for accounting purposes only, and there shall be no segregation of assets within the Investment Funds or the Loan Account among the separate Accounts. Reference to the "balance" in a Participant's Accounts means the aggregate of the balances in the subaccounts maintained in the Investment Funds and Loan Account attributable to those Accounts.

7.2 Allocation of Fund Earnings and Changes in Value. Subject to the last sentence of this subsection, as of each Accounting Date, interest, dividends and changes in value in each

Investment Fund since the preceding Accounting Date shall be allocated to each Participant's subaccounts invested in such Investment Fund by adjusting upward or downward the balance of his subaccounts invested in such Investment Fund in the ratio which the subaccounts of such Participant invested in such Investment Fund bears to the total of the subaccounts of all Participants invested in such Investment Fund as of such Accounting Date, excluding therefrom, for purposes of this allocation only, all Before-Tax, After-Tax, Matching, Qualified Matching and Rollover Contributions received since the preceding Accounting Date, so that the total of the subaccounts of all Participants in each Investment Fund shall equal the total value of such fund (exclusive of such contributions) as determined by the Trustee in accordance with uniform procedures consistently applied. Notwithstanding the fact that the Plan shall use a daily valuation system, which generally means that Participants' Accounts will be updated each Accounting Date to reflect activity for that day, such as new contributions received by the Trustee, changes in Participants' investment elections, and changes in the unit value of the Investments Funds, events may occur that cause an interruption in the process affecting a single Participant or a group of Participants. Neither the Employers, the Trustee nor the Plan guarantee that any given transaction will be processed on the anticipated day.

The Investment Committee, in its discretion, may establish special rules for valuing any Investment Fund invested primarily in stock of the Company or a Related Company, to address the possibility of unusually high trading volume or a temporary suspension of trading in such stock. Such rules may set forth the circumstances under which transfers out of such Investment Fund will be valued using either the closing price on the applicable day on the New York Stock Exchange, a composite price listed in the Wall Street Journal, or a weighted average selling price.

7.3 Allocation and Crediting of Contributions. Subject to the provisions of Section 8, contributions shall be allocated and credited as follows:

- (a) Before-Tax, After-Tax, Matching, and Rollover Contributions made on behalf of a Participant for any payroll period shall be credited to that Participant's appropriate Accounts as of the Accounting Date coinciding with or immediately following the last day of such payroll period; and
- (b) As of the last day of each Plan Year, any Qualified Matching Contributions made by an Employer for that year shall be allocated among and credited to the Accounts of non-Highly Compensated Participants who are employed on the last day of that year by such Employer in accordance with subsection 5.2.

Notwithstanding the foregoing, unless the Committee establishes uniform rules to the contrary, contributions made to the Plan shall share in the gains and losses of the Investment Funds only when actually made to the Trustee.

7.4 Correction of Error. In the event of an error in the adjustment of a Participant's Accounts, the Committee, in its sole discretion, may correct such error by either crediting or charging the adjustment required to make such correction to or against income and expenses of the Trust for the Plan Year in which the correction is made or the Employer may make an

additional contribution to permit correction of the error. Except as provided in this subsection 7.4, the Accounts of other Participants shall not be readjusted on account of such error.

7.5 Statement of Plan Interest. As soon as practicable after the last day of each Plan Year and at such other intervals as the Committee may determine, the Committee shall provide each Participant with a statement reflecting the balances of his Accounts. Each Participant is responsible for reviewing his statement and any Participant who discovers an error shall bring it to the attention of the Committee within 90 days of receipt of the statement. If a Participant does not bring errors in his statement to the attention of the Committee within 90 days of receipt of his statement, the Participant will be deemed to have confirmed the accuracy of the statement.

SECTION 8

Limitations on Compensation, Contributions and Allocations

8.1 Reduction of Contribution Rates. To conform the operation of the Plan to sections 401(a)(4), 401(k)(3), 401(m)(2), 402(g) and 415(c) of the Code, the Committee may establish limits on the Before-Tax and After-Tax Contribution rates that may be elected by Participants, may unilaterally modify or revoke any Before-Tax or After-Tax Contribution election made by a Participant pursuant to subsections 4.1 and 4.2, and may reduce the level of Matching Contributions (even to zero) allocable to any Participant pursuant to subsection 5.1.

8.2 Compensation for Limitation/Testing Purposes. "Compensation" for purposes of this Section 8 shall mean:

- (a) the Participant's wages, salary, commissions, bonuses and other amounts received (in cash or kind) during the Plan Year from any Employer or Related Company for personal services actually rendered in the course of employment and includable in gross income, including taxable fringe and welfare benefits, nonqualified stock options taxable in the year of grant, amounts taxable under a section 83(b) election and nondeductible moving expenses, but excluding distributions from any deferred compensation plan (qualified or nonqualified), amounts realized from the exercise of (or disposition of stock acquired under) any nonqualified stock option or other benefits given special tax treatment and lump sum severance pay, all as defined in Treas. Reg. Section 1.415-2(d)(2), plus
- (b) any amounts contributed on the Participant's behalf for the Plan Year to a plan sponsored by an Employer or Related Company pursuant to a salary reduction agreement which are not includable in gross income under sections 125, 402(a)(8), 402(h) or 403(b) of the Code,

up to the maximum limit for that year under Code section 401(a)(17).

8.3 Limitations on Annual Additions. Notwithstanding any other provisions of the Plan to the contrary, a Participant's Annual Additions (as defined below) for any Plan Year shall not exceed an amount equal to the lesser of:

- (a) \$30,000; or
- (b) 25 percent of the Participant's Compensation for that Plan Year, determined for Plan Years prior to 1998 without regard to clause (b) of subsection 8.2 and calculated as if each Section 415 Affiliate (defined below) were a Related Company,

reduced by any Annual Additions for the Participant for the Plan Year under any other defined contribution plan of an Employer or a Related Company or Section 415 Affiliate, provided that, if any other such plan has a similar provision, the reduction shall be pro rata. The term "Annual Additions" means, with respect to any Participant for any Plan Year, the sum of all contributions allocated to a Participant's Accounts under the Plan for such year, excluding Rollover Contributions and any Before-Tax Contributions that are distributed as excess deferrals in accordance with subsection 8.6, but including any Before-Tax, After-Tax or Matching Contributions treated as excess contributions or excess aggregate contributions under subsections 8.8, 8.10 and 8.11. The term Annual Additions shall also include employer contributions allocated for a Plan Year to any individual medical account (as defined in section 415(l) of the Code) of a Participant and any amount allocated for a Plan Year to the separate account of a Participant for payment of post-retirement medical benefits under a funded welfare benefit plan (as described in section 419A (d)(2) of the Code), which is maintained by an Employer or a Related Company or Section 415 Affiliate. "Section 415 Affiliate" means any entity that would be a Related Company if the ownership test of section 414 of the Code was "more than 50%" rather than "at least 80%".

8.4 Excess Annual Additions. If, as a result of a reasonable error in estimating a Participant's Compensation, a reasonable error in determining the amount of Before-Tax Contributions that may be made with respect to a Participant under the limits of section 415 of the Code or such other mitigating circumstances as the Commissioner of Internal Revenue shall prescribe, the Annual Additions for a Participant for a Plan Year exceed the limitations set forth in subsection 8.3, the excess amounts shall be treated, as necessary, in accordance with Treas. Reg. Section 1.415-6(b)(6)(ii), after any After-Tax Contributions, and then any Before-Tax Contributions, and any income, losses, appreciation or depreciation attributable to the foregoing, are first returned to the Participant to reduce the excess amount.

8.5 Combined Plan Limitation. If a Participant also participates in any defined benefit plan (as defined in section 415(k) of the Code) maintained by an Employer or a Related Company or Section 415 Affiliate, the aggregate benefits payable to, or on account of, the Participant under such plan together with this Plan will be determined in a manner consistent with section 415(e) of the Code, to the extent then applicable. The benefit provided for the Participant under the defined benefit plan shall be adjusted to the extent necessary so that the sum of the "defined benefit fraction" and the "defined contribution fraction" (as such terms are defined in section 415(e) of the Code and applicable regulations thereunder) calculated with regard to such Participant does not exceed 1.0. For purposes of this subsection 8.5, all qualified defined benefit plans (whether or not terminated) of the Employers, Related Companies and Section 415 Affiliates shall be treated as one defined benefit plan.

8.6 Annual Dollar Limitation. In no event shall the Before-Tax Contributions for a Participant under the Plan and any other elective deferrals (as defined in section 402(g)(3) of the Code) under any other cash-or-deferred arrangement maintained by an Employer or a Related Company for any taxable year exceed \$9,500 or such larger amount as may be permitted under section 402(g) of the Code. If during any taxable year a Participant is also a participant in any other cash-or-deferred arrangement, and if his elective deferrals made under such other arrangements together with his Before-Tax Contributions made under the Plan exceed the maximum amount permitted for the Participant for that year under section 402(g) of the Code, the Participant, not later than March 1 following the close of such taxable year, may request the Committee to direct the Trustee to distribute all or a portion of such excess to him, with any gains or losses allocable thereto for that Plan Year determined in accordance with any reasonable method adopted by the Committee for that Plan Year that either (i) conforms to the accounting provisions of Section 7 and is consistently applied to the distribution of excess contributions under this subsection 8.6 and subsections 8.8, 8.10 and 8.11 to all affected Participants, or (ii) satisfies any alternative method set forth in applicable Treasury regulations. Any such request shall be in writing and shall include adequate proof of the existence of such excess, as determined by the Committee in its sole discretion. If the Committee is so notified, such excess amount shall be distributed to the Participant no later than the April 15 following the close of the Participant's taxable year. In addition, if the applicable limitation for a Plan Year happens to be exceeded with respect to this Plan alone, or this Plan and another plan or plans of the Employers and Related Companies, the Committee shall direct such excess Before-Tax Contributions (with allocable gains or losses) to be distributed to the Participant as soon as practicable after the Committee is notified of the excess deferrals by the Company, an Employer or the Participant, or otherwise discovers the error (but no later than the April 15 following the close of the Participant's taxable year). Notwithstanding the foregoing provisions of this subsection 8.6, the dollar amount of any distribution due hereunder shall be reduced by the dollar amount of any Before-Tax Contributions previously distributed to the same Participant pursuant to subsection 8.8, provided, however, that for purposes of subsections 8.3 and 8.7, the correction under this subsection 8.6 shall be deemed to have occurred before the correction under subsection 8.8.

8.7 Section 401(k)(3) Testing. For the 1997 Plan Year, the amount by which the average of the Deferral Percentages for such Plan Year (as defined below) of each eligible employee who is Highly Compensated (the "Highly Compensated Group Deferral Percentage") for such Plan Year exceeds the average of the Deferral Percentages for such Plan Year of each eligible employee who is not Highly Compensated for such Plan Year (the "Non-highly Compensated Group Deferral Percentage"), shall be less than or equal to either (i) a factor of 1.25 or (ii) both a factor of 2 and a difference of 2. For 1998 and subsequent Plan Years, the foregoing test shall be performed using the Deferral Percentage for the prior year for eligible employees who were not Highly Compensated for such prior year instead of the current-year Deferral Percentage for the current year non-Highly Compensated Group. The "Deferral Percentage" for any eligible employee for a Plan Year shall be determined by dividing his Before-Tax Contributions (and Qualified Matching Contributions, if applicable) for that Plan Year by his Compensation for that Plan Year, subject to any special rules set forth in applicable Treasury regulations.

8.8 Correction Under Section 401(k) Test. In the event that the Highly Compensated Group Deferral Percentage for any Plan Year does not initially satisfy one of the tests referred to in subsection 8.7, the Committee shall direct the Trustee to distribute to the Highly Compensated Participants to whose accounts Excess Contributions (as defined below) were allocated for such year, the amount of each such Participant's Excess Contributions, with any gains or losses allocable thereto for that Plan Year. The "Excess Contributions" for any Plan Year shall mean the excess of the aggregate amount of Before-Tax Contributions taken into account in computing the Deferral Percentages of Highly Compensated Participants for such year over the maximum amount of Before-Tax Contributions permitted under the test set forth in subsection 8.7, determined by reducing the amount of Before-Tax Contributions made on behalf of Highly Compensated Participants in order of the dollar amounts of their Before-Tax Contributions, beginning with the highest of such dollar amounts, in accordance with applicable Treasury regulations or notices. The gain or loss allocable to Excess Contributions shall be determined in accordance with any reasonable method adopted by the Committee for that Plan Year that either (i) conforms to the accounting provisions of Section 7 and is consistently applied to making corrective distributions under this subsection 8.8 and subsections 8.6, 8.10 and 8.11 to all affected Participants or (ii) satisfies any alternative method set forth in applicable Treasury regulations. The amounts to be distributed to any Participant pursuant to this subsection 8.8 shall be reduced by the amount of any Before-Tax Contributions distributed to him for the taxable year ending with or within such Plan Year pursuant to subsection 8.6. The Committee shall take such actions and cause any distribution to be made no later than the close of the Plan Year following the Plan Year for which the Excess Contributions were made.

8.9 Section 401(m)(2) Testing. For the 1997 Plan Year, the amount by which the average of the Contribution Percentages for such Plan Year (as defined below) of each eligible employee who is Highly Compensated for such Plan Year (the "Highly Compensated Group Contribution Percentage") exceeds the average of the Contribution Percentages for such Plan Year of each eligible employee who is not Highly Compensated for such Plan Year (the "Non-highly Compensated Group Contribution Percentage") shall be less than or equal to either (i) a factor of 1.25 or (ii) both a factor of 2 and a difference of 2. For 1998 and subsequent Plan Years, the foregoing test shall be performed using the Contribution Percentage for the prior year for eligible employees who were not Highly Compensated for the prior year, instead of the current-year Contribution Percentage for the current-year non-Highly Compensated Group. The "Contribution Percentage" for any eligible employee for a Plan Year shall be determined by dividing his total After-Tax Contributions and Matching Contributions (and, if applicable, Qualified Matching Contributions) for that Plan Year by his Compensation for that Plan Year, subject to any special rules set forth in applicable Treasury regulations.

8.10 Correction Under Section 401(m) Test. In the event that the Highly Compensated Group Contribution Percentage for any Plan Year does not initially satisfy one of the tests referred to in subsection 8.9, the Committee shall direct the Trustee to distribute to the Highly Compensated Participants to whose Accounts Excess Aggregate Contributions (as defined below) were allocated for such year, the amount of each such Participant's Excess Aggregate Contributions, with any gains or losses allocable thereto for that Plan Year. The "Excess Aggregate Contributions" for any Plan Year shall mean the excess of the aggregate amount of After-Tax and Matching Contributions taken into account in computing the Contribution Percentages of Highly Compensated Participants for such year over the maximum amount of

After-Tax Contributions and Matching Contributions permitted under the test set forth in subsection 8.9, determined by reducing the amount of such contributions made on behalf of Highly Compensated Participants in order of the dollar amounts of such contributions, beginning with the highest of such dollar amounts, in accordance with applicable Treasury regulations and notices. Excess Aggregate Contributions shall include, first, any unmatched After-Tax Contributions, then (if necessary) a proportionate share of matched After-Tax Contributions and the Matching Contributions allocable thereto, and last, any remaining Matching Contributions. The gain or loss allocable to Excess Aggregate Contributions shall be determined in accordance with any reasonable method adopted by the Committee for that Plan Year that either (i) conforms to the accounting provisions of Section 7 and is consistently applied to making corrective distributions under this subsection 8.10 and subsections 8.6, 8.8 and 8.11 to all affected Participants or (ii) satisfies any alternative method set forth in applicable Treasury regulations. Notwithstanding the foregoing provisions of this subsection 8.10, any Matching Contributions distributable as Excess Aggregate Contributions that are not yet vested in accordance with subsection 9.1 or are attributable to excess Before-Tax or After-Tax Contributions distributed in accordance with subsections 8.4, 8.6 or 8.8 or this subsection 8.10 shall be forfeited as of the end of the Plan Year to which such corrective distributions relate (and treated in the same manner as any other forfeiture under the Plan). The Committee shall make any necessary distribution no later than the close of the Plan Year following the Plan Year in which such Excess Aggregate Contributions were contributed.

8.11 Multiple Use of Alternative Limitation. Notwithstanding any other provision of this Section 8, if the 1.25 factors referred to in subsections 8.7 and 8.9 are both exceeded for a Plan Year, the leveling method of correction prescribed in subsection 8.10 shall be continued until the aggregate limit set forth in Treas. Reg. Section 1.401(m)-2(b) is satisfied for such Plan Year.

8.12 Highly Compensated. An employee or Participant shall be "Highly Compensated" for any Plan Year if:

- (a) during that Plan Year or the preceding Plan Year, he was at any time a 5 percent owner of an Employer or a Related Company; or
- (b) during the preceding Plan Year he received Compensation in excess of \$80,000 (indexed for cost-of-living adjustments under section 415(d) of the Code).

8.13 Separate Testing of Early Eligible Group. Notwithstanding the foregoing provisions of this Section 8, for any Plan Year the Committee may elect, in accordance with applicable Treasury regulations, to apply the tests set forth in subsections 8.7 and 8.9 separately with respect to all eligible employees who would not have been eligible to participate in the Plan for that Plan Year had the Plan utilized the maximum age and service requirements for eligibility permitted by the Code.

SECTION 9

Vesting Service, Vesting and Termination Dates

9.1 Determination of Vesting Service and Vested Interest. A Participant at all times shall have a fully vested, nonforfeitable interest in his Before-Tax Account, After-Tax Account, Qualified Matching Account, Rollover Account and QVEC Account. A Participant shall become vested in his Matching Account in accordance with the following schedule:

Completed Years of Service -----	Percent Vested -----
Less than 2	0%
2	25%
3	50%
4	75%
5	100%

For purposes of this subsection 9.1, a Participant's "Years of Service" will be computed in accordance with paragraph 3.1(a) and subsection 3.4 regardless of whether he is a full-time employee or a part-time or seasonal employee, provided that no part-time or seasonal employee shall have fewer Years of Service for purposes of this subsection 9.1 as of December 31, 1993 than he would have had under the method of computing vesting service applicable to him under the terms of the Plan as in effect on December 31, 1992.

Notwithstanding the foregoing provisions of this subsection 9.1, if an employee or Participant terminates employment with the Employers and Related Companies when he does not have a vested right to any portion of his Matching Account under this subsection 9.1, and if the number of his consecutive One Year Breaks in Service (as defined in subsection 3.3) equals or exceeds the greater of five (5) or the aggregate number of his Years of Service prior to the first such One Year Break in Service, then his Years of Service prior to such break shall be erased and, if he is later employed or reemployed by an Employer or a Related Company, he shall be considered a new employee for purposes of this subsection 9.1.

9.2 Accelerated Vesting. Notwithstanding the foregoing provisions of this Section 9, a Participant shall have a fully vested, nonforfeitable interest in all his Accounts when he attains age 65, dies or becomes permanently and totally disabled while employed by an Employer or a Related Company. A Participant who was a participant in one of the GF Plans (as defined in subsection 10.4) shall be fully vested upon his retirement at or after attainment of age 55. In addition, in the event of the Plan's termination (in accordance with subsection 14.2) or partial termination (as determined under applicable law and regulations) or the complete discontinuance of Employer contributions to the Plan, each affected Participant shall be fully vested in all his Accounts. For purposes of this subsection 9.2, a Participant will be considered "permanently and totally disabled" if, on account of physical or mental disability, he no longer is capable of engaging in any occupation or employment whatsoever for remuneration or profit, such disability continues for at least six (6) months, and it is demonstrated to the satisfaction of the Committee that such disability will be permanent and continuous for the remainder of his life. The Committee in its discretion may also determine that the Accounts of Participants affected by

a divestiture, plant closing or termination of an operation shall be fully vested, even though such event does not constitute a partial termination.

9.3 Termination Date. If a Participant is terminated for any reason, his "Termination Date" generally will be the last day for which he is paid wages or salary for services performed for an Employer, unless he is terminated while on an unpaid leave of absence, in which case his Termination Date will be the day as of which he is notified of his termination or resigns (whichever is applicable).

9.4 Distribution of Before-Tax Account Only Upon Separation From Service. Notwithstanding any other provision of the Plan to the contrary, a Participant may not commence distribution of the portion of his Account attributable to his Before-Tax Contributions prior to the date he attains age 59-1/2, even though his employment with the Employers and Related Companies has terminated and he is otherwise eligible for a distribution under Section 11, unless or until he also has a "separation from service" within the meaning of section 401(k)(2)(B) of the Code. The foregoing restriction shall not apply, however, if the Participant's termination of employment occurs in connection with the sale by an Employer or a Related Company to an unrelated corporation of at least 85% of the assets of a trade or business or the disposition of its interest in a subsidiary to an unrelated entity that meets the requirements for distribution under applicable Treasury regulations.

SECTION 10

Loans and Withdrawals of Contributions While Employed

10.1 Loans to Participants. The Committee, upon request by a Participant who is an employee of an Employer or a Related Company (excluding any employee on layoff or a leave of absence without pay) or who is a "party in interest" with respect to the Plan (as such term is defined in section 3(14) of ERISA) may authorize a loan to be made to the Participant from his vested interest in the Trust Fund, subject to the following:

- (a) The minimum loan amount is \$1,000. No loan shall be made to a Participant if, immediately after such loan, the sum of the outstanding balances (including principal and interest) of all loans made to him under this Plan and under any other qualified retirement plans maintained by the Related Companies would exceed the lesser of:
 - (i) \$50,000, reduced by the excess, if any, of:
 - (A) the highest outstanding balance of all loans to the Participant from the plans during the one-year period ending on the day immediately before the date on which the loan is made; over
 - (B) the outstanding balance of loans from the plans to the Participant on the date on which such loan is made; or

- (ii) the combined values of the Participant's After-Tax, Before-Tax and Rollover Accounts;

and no loan shall be made to a Participant from the Plan in an amount that would exceed one-half of the total vested balance of the Participant's Accounts under the Plan as of the date the loan is made. Notwithstanding the foregoing, if the amount described in clause (iii) above declines because of investment losses between the date the loan is requested and the Accounting Date as of which it is made, the difference may be taken from the vested portion of his Matching Account (so long as the loan does not exceed one-half of the total vested balance of his Accounts).

- (b) Each loan to a Participant shall be charged against the Participant's Accounts in the order and manner determined by the Committee, and shall be charged pro rata against each Investment Fund in which such Accounts are invested.
- (c) Each loan shall be evidenced by a written note providing for:
 - (i) a repayment period of 12 through 60 months, inclusive;
 - (ii) a reasonable rate of interest (as determined below);
 - (iii) substantially equal payments of principal and interest over the term of the loan no less frequently than quarterly; and
 - (iv) such other terms and conditions as the Committee shall determine.

The interest rate shall provide the Plan with a return commensurate with the interest rates charged by persons in the business of lending money for loans which would be made under similar circumstances and shall be a fixed rate for the life of the loan. The interest rate which applies to a loan shall be the rate in effect on the date that the loan application is made by the Participant.

- (d) A loan shall be the borrowing Participant's individual investment within the Loan Account.
- (e) Payments of principal and interest to the Trustee with respect to any loan to a Participant:
 - (i) shall reduce the outstanding balance with respect to that loan;
 - (ii) shall reduce the balance of the Loan Account holding the promissory note reflecting that loan;
 - (iii) shall be credited to the Participant's Accounts in the reverse order in which they were charged; and
 - (iv) shall be invested in the Investment Funds in accordance with his current investment directions with respect to such Accounts.

- (f) A Participant's obligation to repay a loan (or loans) from the Plan shall be secured by the Participant's vested interest in the Plan. The note evidencing the loan, the security agreement and the payroll deduction authorization shall each be executed by the Participant by entry of his PIN into the Access System. Endorsement of the loan check shall constitute the Participant's affirmation of the note, security agreement and payroll deduction authorization set forth in the written confirmation sent to the Participant after he made his loan request.
- (g) Generally, loan repayments will be made by automatic payroll deductions. However, during any period when payroll deduction is not possible or is not permitted under applicable law, repayment will be made by check or money order and shall be sent to the Plan's service center.
- (h) The loan may be prepaid in full, without penalty, at any time after it has been outstanding for 12 months.
- (i) Effective January 1, 1999, any loan to a Participant shall become immediately due and payable without notice of any kind upon his termination of employment with the Employers and Related Companies or permanent and total disability. Notwithstanding any other provision of the Plan to the contrary, if the outstanding balance of principal and interest on any loan is not paid within the grace period established by the Committee for a delinquent payment (not later than the end of the calendar quarter following the quarter in which it is due) or within 90 days after acceleration in accordance with the preceding sentence, a default shall occur and the Trustee shall apply all or a portion of the Participant's vested interest in the Plan in satisfaction of such outstanding obligation, but only to the extent such vested interest (or portion thereof) is then distributable under applicable provisions of the Code. If necessary to satisfy the entire outstanding obligation, such application of the Participant's vested interest may be executed in a series of actions as amounts credited to the Participant's Accounts become distributable. Any partial payments shall be applied first to the payment of accrued interest and thereafter to the payment of outstanding principal.
- (j) If distribution is to be made to a Beneficiary in accordance with subsection 11.2, any outstanding promissory note of the Participant shall be canceled and the unpaid balance of the loan, together with any accrued interest thereon, shall be treated as a distribution to or on behalf of the Participant immediately prior to commencement of distribution to the Beneficiary.
- (k) The Committee shall establish uniform procedures for applying for a loan, evaluating loan applications, and setting reasonable rates of interest, which shall be communicated to Participants in writing. A Participant may have only one loan outstanding at any time, and any prior loan must be repaid and credited to a Participant's Accounts before the Participant may apply for a new loan.

10.2 Withdrawals During Employment. Subject to the provisions of paragraph 10.3(c), a Participant whose Termination Date has not yet occurred and who incurs a Hardship (as

defined in subsection 10.3) may elect to withdraw all or part of his interest in his Accounts, as provided and in the order set forth below:

- (a) up to 100% of his After-Tax Account, and the earnings thereon, in the following order:
 - (i) first, from the After-Tax Contributions (excluding any earnings thereon) made by the Participant prior to January 1, 1987; and
 - (ii) then, from the balance of his After-Tax Account;
- (b) up to 100% of his Rollover Account;
- (c) up to 100% of the Before-Tax Contributions credited to his Before-Tax Account and any earnings credited to such account as of December 31, 1988; and
- (d) up to 100% of his QVEC Account.

Any such Hardship withdrawal is subject to a minimum amount of \$500. A Participant who does not have at least \$500 in the Accounts listed above is ineligible for a Hardship withdrawal. Once a Participant attains age 59 1/2 he may withdraw all or any portion of his entire vested Account balance regardless of whether he has a Hardship.

10.3 Determination of Hardship. A withdrawal will not be considered to be made on account of "Hardship" unless the following requirements are met:

- (a) The withdrawal is requested because of an immediate and heavy financial need of the Participant, and will be so deemed if the Participant represents that the withdrawal is made on account of:
 - (i) uninsured expenses for medical care described in section 213(d) of the Code incurred by the Participant, the Participant's spouse or any dependent of the Participant (as defined in section 152 of the Code) or necessary for such persons to obtain such medical care;
 - (ii) the purchase (excluding mortgage payments) of a principal residence of the Participant;
 - (iii) payment of tuition and related educational fees for the next 12 months of post-secondary education for the Participant, or his spouse, children or dependents;
 - (iv) the need to prevent the eviction of the Participant from his principal residence or foreclosure on the mortgage of the Participant's principal residence;
 - (v) funeral expenses of a family member, past due taxes, past due child support, other past due obligations, cash settlements due in a divorce, the

cost of repairs to the Participant's home as a result of major damage or to a major appliance, or repairs to or purchase of a car needed to commute to work; or

- (vi) any other circumstances of immediate and heavy financial need identified as such in revenue rulings, notices or other documents of the Internal Revenue Service of general applicability or other unusual or unexpected expenses meeting such criteria as are determined by the Committee to constitute an immediate and heavy financial need.
- (b) The withdrawal must also be necessary to satisfy an immediate and heavy financial need of the Participant. It will be considered necessary if the Committee determines that the amount of the withdrawal does not exceed the amount required to relieve the financial need (taking into account any applicable income or penalty taxes resulting from the withdrawal) and if the need cannot be satisfied from other resources that are reasonably available to the Participant. In making this determination, the Committee may reasonably rely on the Participant's written representation that the need cannot be relieved:
- (i) through reimbursement or compensation by insurance or otherwise;
 - (ii) by reasonable liquidation of the Participant's assets, to the extent such liquidation would not itself give rise to an immediate and heavy financial need;
 - (iii) by ceasing to make Before-Tax or After-Tax Contributions to the Plan (or any other plan of the Employer permitting deferral of compensation); or
 - (iv) by a loan pursuant to subsection 10.1 or by borrowing from commercial sources on reasonable commercial terms.
- (c) The withdrawal must be made pursuant to a written request to the Committee, which request shall include any representation required by this subsection 10.3 and adequate proof thereof, as determined by the Committee in its sole discretion.

10.4 Withdrawals From General Foods Account Balances During Employment. A Participant whose Termination Date has not yet occurred and whose Accounts include monies transferred to the Plan from either the General Foods Employee Thrift-Investment Plan or the General Foods Employee Thrift-Investment Plan for Salaried Employees (the "GF Plans") may withdraw the portion of his After-Tax Account attributable to after-tax contributions and the earnings thereon credited to the GF Plans immediately prior to such transfer, and, if he has been a participant in the GF Plan and the Plan together for at least 5 years, the portion of his Matching Account attributable to matching contributions and the earnings thereon credited to the GF Plans immediately prior to such transfer. Until November 1, 1999, any such withdrawal is subject to a minimum amount of \$500 or the total amount that may be withdrawn pursuant to this subsection 10.4, whichever is less. A Participant who is eligible to make a withdrawal under this subsection 10.4 must withdraw the full amount available to him before he makes a Hardship withdrawal under subsection 10.2.

10.5 Form of Withdrawals. All loan proceeds shall be paid in cash. Withdrawals from the Philip Morris Stock Fund shall be made in cash, except to the extent the Participant elects to receive whole shares of Common Stock, and from the other Investment Funds shall be made in cash. Hardship withdrawals shall be made solely in cash.

SECTION 11

Distributions

11.1 Distributions to Participants After Termination of Employment.

If a Participant's Termination Date occurs (for a reason other than his death), the vested portions of his Accounts shall be distributed in accordance with the following provisions of this subsection 11.1, subject to the rules of subsections 11.4 and 9.3:

- (a) Effective January 1, 1998 if the value of the vested portions of the Participant's Accounts (including any loans outstanding on his Termination Date) does not exceed \$5,000 or such larger amount as may be permitted for involuntary cash-outs under applicable provisions of the Code (and for determinations made prior to September 1, 1999 did not exceed such amount at the time of any earlier withdrawal), determined as of the Accounting Date coincident with or next following his Termination Date, such vested portions, less any outstanding loan balance distributable in accordance with subsection 10.1(i), shall be distributed to him approximately 90 days following notification, in a lump sum payment.
- (b) If the value of the vested portions of the Participant's Accounts (including any loans outstanding on his Termination Date) exceeds the cash-out limit described in paragraph (a) above, determined as of the Accounting Date coincident with or next following his Termination Date, such vested portions, less any outstanding loan balance distributable in accordance with subsection 10.1(i), shall be distributed (or shall begin to be distributed) to the Participant on (or as soon as practicable after) the Distribution Date (as defined in paragraph (c) below) he elects, by one of the following methods chosen by the Participant:
 - (i) by payment in a lump sum; or
 - (ii) by payment in a series of monthly, quarterly, semi-annual or annual installments for a period selected by the Participant that complies with subsection 11.5 (the amount of each installment as of each applicable Accounting Date shall be equal to the product of the Participant's then Account balances multiplied by a fraction, the numerator of which is one and the denominator of which is the difference between the number of installments selected and the number of installments previously paid); provided, however, that a Participant may elect payments in the form of a fixed amount option under which the Participant will receive a specified dollar amount payable at specified intervals (monthly, quarterly, semiannually or annually) until his account is completely liquidated, and a

Participant may elect to change the fixed amount (without shortening or lengthening the payout period or changing the frequency of the payments) subject to uniform rules established by the Committee; and provided further that the Participant may elect to accelerate any installment payments and to have his remaining vested Account balance distributed to him in a lump sum payment as soon as practicable after the Accounting Date coincident with or next following the date his acceleration election is submitted to the Committee; or

- (iii) by purchase from an insurance company and distribution to him of an annuity contract providing for periodic distributions to him for his life (with or without a period certain) or to him and his Beneficiary for their joint lives, subject to the provisions of subsection 11.3.
- (c) A Participant's "Distribution Date" shall mean the Accounting Date as of which a payment in any form is made to him pursuant to this Section 11, without regard to any reasonable administrative delay; provided, however, that in the event of an election of an annuity under clause (b)(iii) above, the Distribution Date shall be no later than the date payment is irrevocably made on behalf of the Participant to the insurance company issuing the annuity contract. A Participant may elect that his Distribution Date occur as of any Accounting Date occurring on or after his Termination Date (but not later than the date on which he attains age 70 1/2), provided that no election of a Distribution Date will be valid if it is made more than 90 days prior to such date.
- (d) Notwithstanding the foregoing provisions of this subsection 11.1, a Participant with an Account balance of at least \$1,000 above the limit for involuntary cash outs under paragraph (a) above may elect one partial lump sum payment of any portion of such balance (but not less than \$1,000). Any such election may be made at any time after his Termination Date, provided his Distribution Date with respect to a distribution under paragraph (b) has not yet occurred. Any such partial lump sum distribution shall be charged against his Accounts and his interests in the Investment Funds in such order and proportion as the Committee shall determine in accordance with uniform rules it establishes. If a partial lump sum distribution is taken after calculated installment payments have commenced pursuant to subparagraph (b)(ii) above, the amount of the remaining installments will be reduced proportionately to reflect such lump sum payment.

11.2 Distributions to Beneficiaries. Subject to subsection 11.5, the following rules shall apply if a Participant dies while any vested portion of his Accounts remains undistributed:

- (a) If the Participant dies before benefit payments to him have commenced, the vested balance of his Accounts, less any outstanding loan balance distributable in accordance with paragraph 10.1(j), shall be distributed as follows:
 - (i) If the value of the vested portion of the Participant's Accounts (less the outstanding loan balance) does not exceed \$5,000 (or such larger amount

as may be permitted for involuntary cash-outs under applicable provisions of the Code), determined as of the Accounting Date coincident with or next following his date of death, or, effective September 1, 1999, if the Beneficiary is not the Participant's surviving spouse, such vested portion (less the outstanding loan balance) shall be distributed to his Beneficiary as soon as practicable after the Accounting Date following the date of his death, in a lump sum payment.

(ii) If the value of the vested portion of the Participant's Accounts (less the outstanding loan balance) exceeds \$5,000 (or such larger amount as may be permitted for involuntary cash-outs under applicable provisions of the Code), determined as of the Accounting Date coincident with or next following his date of death, and effective September 1, 1999 the Beneficiary is the Participant's spouse, such vested portion (less the outstanding loan balance) shall be distributed to his Beneficiary as of any Accounting Date following the date of his death selected by the Beneficiary (in accordance with subsection 11.5), in one of the methods described at paragraph 11.1(b) as chosen by the Beneficiary.

(b) If a Participant dies after benefit payments to him have commenced, the vested balance, if any, of his Accounts shall continue to be distributed to his Beneficiary in accordance with the method of distribution selected by the Participant; provided, however, that the Beneficiary may elect to accelerate the payments and to have such remaining vested balances distributed in a lump sum payment as soon as practicable after the Accounting Date next following the date the Beneficiary's acceleration election is filed with the Committee.

11.3 Special Rules Governing Annuity Elections. If a married Participant elects distribution in the form of an annuity pursuant to clause 11.1(b)(iii), the following rules shall apply and shall supersede any other provision of the Plan to the contrary:

(a) The vested portions of the Participant's Accounts, less any outstanding loan balance distributable in accordance with paragraph 10.1(i), shall be used to purchase a nontransferable "Joint and Survivor Annuity" (that is, an annuity payable for the life of the Participant with a survivor annuity payable for the life of his spouse which is not less than 50% of the amount of the annuity payable during the joint lives of the Participant and spouse), unless he elects another form of annuity and, if applicable, a Beneficiary other than his spouse, with the consent of his spouse to such form and Beneficiary, during the 90-day period immediately preceding his Distribution Date, which Distribution Date shall be no earlier than 30 days after his receipt of a written explanation from the Committee of the terms and conditions of the Joint and Survivor Annuity and the effect of an election of a different annuity form.

(b) No consent by the spouse to the election of a form of annuity other than the Joint and Survivor Annuity and, if applicable, Beneficiary other than the spouse shall be effective unless it is in writing, acknowledges the effect of such consent and is

witnessed by a Plan representative or a notary public (unless the Committee determines that there is no spouse, that the spouse cannot be located, that the Participant and his spouse are legally separated, that the Participant has been abandoned (under applicable state law) and the Participant has a court order to that effect, or that consent may be waived because of such other circumstances as regulations or rulings under Code section 417 set forth).

- (c) During the period between his election of an annuity and his Distribution Date, no loan may be made to a Participant pursuant to subsection 10.1, no amount may be withdrawn by the Participant pursuant to subsection 10.2 or 10.4 and no amount may be distributed to the Participant pursuant to subsection 11.1, in any form other than a Joint and Survivor Annuity, without the written consent of the spouse as provided in paragraph (b) of this subsection 11.3.
- (d) Subject to paragraph (e) below, if the Participant dies during the period between his election of an annuity and his Distribution Date, the vested portions of his Accounts (less any amounts credited to the Loan Fund, which shall be distributed in accordance with paragraph 10.1(j)) shall be paid to his spouse in the form of a life annuity as of the Accounting Date next following the date the Participant would have attained age 65 or, if the spouse so elects, as soon as practicable after any earlier Accounting Date next following his death; provided, however, that a spouse to whom payment is due under this paragraph (d) may elect to have such vested portions, if any, distributed in the form of a lump sum payment.
- (e) The provisions of paragraph (d) above shall not apply, and distribution upon the death of the Participant shall be made in accordance with subsection 11.2, if the spouse consents to the designation of a Beneficiary other than the spouse in accordance with subsection 11.6 during the period between the Participant's election of an annuity and his death, and acknowledges that such consent to the Participant's designation of such Beneficiary constitutes the spouse's consent to the Participant's waiver of a qualified preretirement survivor annuity payable to the spouse in accordance with section 417 of the Code.
- (f) A Participant may revoke his election pursuant to this subsection 11.3, and may make a new election of any form of distribution permitted under paragraph 11.1(b), at any time during the 90-day period immediately preceding his Distribution Date; provided, however, that if the effect of such revocation is to select a distribution form other than a Joint and Survivor Annuity, it shall be ineffective without the written consent of his spouse in accordance with paragraph (b) of this subsection 11.3 to the new form of distribution and, if applicable, a Beneficiary other than the spouse.

11.4 Forfeitures and Restorations of Non-Vested Contributions. If a Termination Date occurs with respect to a Participant who is not fully vested in his Accounts (as determined under Section 9), the following rules shall apply:

- (a) The non-vested portion of his Accounts shall be forfeited as of the earlier of the date as of which the vested portion of his Accounts is distributed to him or the date the Participant incurs five consecutive One Year Breaks in Service.
- (b) If a forfeiture occurs due to the distribution of the vested portion of the Participant's Accounts, and the Participant is reemployed by an Employer or a Related Company before he incurs five consecutive One Year Breaks in Service, the Matching Contributions and earnings thereon forfeited under paragraph (a) above shall be restored, with adjustment for earnings under the Interest Income Fund, as soon as practicable after his reemployment.
- (c) If a forfeiture occurs due to the distribution of the vested portion of the Participant's Accounts, and the Participant is reemployed by an Employer or Related Company after he incurs five consecutive One Year Breaks in Service, such reemployment shall have no effect on the forfeiture under paragraph (a) above.
- (d) The restoration referred to in paragraph (b) above shall be made first from current forfeitures, if any, under the Plan and then, if necessary, from a special Employer contribution to the Plan.
- (e) A restoration pursuant to paragraph (b) above shall not be considered an annual addition for purposes of subsection 8.3.
- (f) If a Participant who is reemployed by an Employer or Related Company prior to incurring five consecutive One Year Breaks in Service received a distribution of the vested portion of his Matching Account, the amount restored under paragraph (b) above shall be maintained in a separate subaccount within the Participant's Matching Account and his vested interest in each subaccount shall be determined in accordance with the rules set forth in Treasury regulation Section 1.411(a)-7(d)(5)(iii)(A).
- (g) During the period between the Participant's Termination Date and the date he is either reemployed by an Employer or Related Company or the date the non-vested portion of his Matching Account is forfeited such non-vested portion shall be credited to a forfeiture subaccount and invested in the Interest Income Fund.
- (h) All forfeitures under this subsection 11.4 shall be used to reduce Matching Contributions under Section 5, except to the extent needed to restore prior forfeitures under paragraph (b) above.

11.5 Limits on Commencement and Duration of Distributions. The following distribution rules shall be applied in accordance with sections 401(a)(9) and 401(a)(14) of the Code and applicable regulations thereunder, including the minimum distribution incidental benefit requirement of Treas. Reg. Section 1.401(a)(9)-2, and shall supersede any other provision of the Plan to the contrary:

- (a) Unless the Participant elects otherwise, in no event shall distribution commence later than 60 days after the close of the Plan Year in which the latest of the following events occurs: the Participant's attainment of age 65; the 10th anniversary of the year in which the Participant began participating in the Plan; or the Participant's Termination Date. The failure of a Participant to consent to a distribution is deemed to be an election to defer commencement of payment for purposes of the preceding sentence.
- (b) Notwithstanding any other provision herein to the contrary, in the case of a Participant who has not incurred a Termination Date, distribution of his Accounts shall commence to be made to him (or on his behalf) in the form of a lump sum distribution or, if elected by the Participant, in any other form permitted by paragraph 11.1(b), on or before his Required Beginning Date (as defined below) and each December 31 thereafter. (In the event an annuity or lump sum has been elected, each additional payment shall consist of a lump sum payment of all amounts then credited to his Accounts.) Effective January 1, 1999 a Participant's "Required Beginning Date" shall mean the April 1 of the calendar year following the calendar year in which the later of the following events occurs: he attains age 70 1/2 or he terminates employment with the Employers and related Companies, except that the latter shall not apply to a 5% owner.
- (c) Distribution payments shall be made over the life of the Participant or, if the Participant provides accurate and timely Beneficiary information, over the lives of such Participant and his Beneficiary (or over a period not extending beyond the life expectancy of such Participant or the life expectancy of such Participant and his Beneficiary).
- (d) If a Participant dies after distribution of his vested interest in the Plan has begun, the remaining portion of such vested interest, if any, shall be distributed to his Beneficiary at least as rapidly as under the method of distribution used prior to the Participant's death.
- (e) If a Participant dies before distribution of his vested interest in the Plan has begun, distribution of such vested interest to his Beneficiary shall be completed by December 31 of the calendar year in which the fifth anniversary of the Participant's death occurs; provided, however, that this five-year rule shall not apply to a natural person designated as Beneficiary by the Participant or under the specific terms of the Plan, if
- (i) such vested interest will be distributed over the life of such designated Beneficiary (or over a period not extending beyond the life expectancy of such Beneficiary), and
 - (ii) such distribution to the Beneficiary begins not later than December 31 of the calendar year following the calendar year in which the Participant died or, if such Beneficiary is the Participant's surviving spouse, not later than

December 31 of the calendar year following the calendar year in which the Participant would have attained age 70 1/2.

- (f) If the Participant's surviving spouse is his Beneficiary and such spouse dies before the distributions to such spouse begins, paragraph (e) shall be applied as if the surviving spouse were the Participant.
- (g) For purposes of paragraph (d) and (e), distribution of a Participant's vested interest in the Plan is considered to begin on his Required Beginning Date; provided, however, that distribution irrevocably begun in the form of an annuity shall be considered to begin on the date it actually commences.
- (h) For purposes of this subsection 11.5, the life expectancy of a Participant and/or a Beneficiary will be determined in accordance with Tables V and VI of Treas. Reg. Section 1.72-9 (provided that the Participant gives the Committee or its delegate accurate and timely Beneficiary information), and will not be recalculated.

11.6 Beneficiary Designations. The term "Beneficiary" shall mean the Participant's surviving spouse. However, if the Participant is not married, or if the Participant is married but his spouse consents (as provided below) to the designation of a person other than the spouse, the term Beneficiary shall mean such person or persons as the Participant designates to receive the vested portions of his Accounts upon his death. Such designation may be made, revoked or changed (without the consent of any previously-designated Beneficiary except his spouse) only by an instrument signed by the Participant and filed with the Committee prior to his death. A spouse's consent to the designation of a Beneficiary other than the spouse shall be in writing, shall acknowledge the effect of such designation, shall be witnessed by a Plan representative or a notary public and shall be effective only with respect to such consenting spouse. In default of such designation, or at any time when there is no surviving spouse and no surviving Beneficiary designated by the Participant, his Beneficiary shall be his surviving children (in equal shares) or, if he has no children, the estate of the last to die of the Participant or his designated Beneficiary. For purposes of the Plan, "spouse" means the person to whom the Participant is legally married at the relevant time. Notwithstanding the foregoing provisions of this subsection 11.6, no spousal consent to the designation of a person other than, or in addition to, the spouse as Beneficiary shall be required if (i) the Participant and his spouse are legally separated or the Participant has been abandoned (under applicable state law) and the Participant has a court order to that effect or (ii) it is established to the satisfaction of the Committee that the spouse's consent cannot be obtained because there is no spouse, because the spouse cannot be located or because of such other circumstances as may be prescribed in applicable Treasury regulations.

11.7 Form of Payment. Distributions from the Philip Morris Stock Fund shall be made in cash, except to the extent the Participant or Beneficiary elects to receive whole shares of Common Stock. Distributions from the other Investment Funds shall be made in cash.

11.8 Facility of Payment. Notwithstanding the provisions of subsections 11.1 and 11.2, if, in the Committee's opinion, a Participant or other person entitled to benefits under the Plan is under a legal disability or is in any way incapacitated so as to be unable to manage his financial affairs, the Committee may direct the Trustee to make payment to a relative or friend of

such person for his benefit until claim is made by a conservator or other person legally charged with the care of his person or his estate. Thereafter, any benefits under the Plan to which such Participant or other person is entitled shall be paid to such conservator or other person legally charged with the care of his person or his estate.

11.9 Interests Not Transferable. The interests of Participants and other persons entitled to benefits under the Plan are not subject to the claims of their creditors and may not be voluntarily or involuntarily assigned, alienated or encumbered, except in the case of qualified domestic relations orders that relate to the provision of child support, alimony or marital rights of a spouse, child or other dependent and which meet such other requirements as may be imposed by section 414(p) of the Code or regulations issued thereunder. Notwithstanding any other provision of the Plan to the contrary, distribution of the entire portion of the Account balance of a Participant awarded to his alternate payee may be made in a lump sum payment, as soon as practicable after the Committee determines that such order is qualified, without regard to whether the Participant would himself be entitled under the terms of the Plan to withdraw or receive a distribution of such amount at that time, but only if the terms of the order provide for such immediate distribution either specifically or by general reference to any manner of distribution permitted under the Plan.

11.10 Absence of Guaranty. None of the Committee, the Trustee, or the Employers in any way guarantee the assets of the Plan from loss or depreciation. The Employers do not guarantee any payment to any person. The liability of the Trustee to make any payment is limited to the available assets of the Plan held under the Trust.

11.11 Missing Participants or Beneficiaries. Each Participant and each designated Beneficiary must file with the Committee from time to time in writing his post office address and each change of post office address. Any communication, statement or notice addressed to a Participant or designated Beneficiary at his last post office address filed with the Committee, or, in the case of a Participant, if no address is filed with the Committee, then at his last post office address as shown on the Employers' records, will be binding on the Participant and his designated Beneficiary for all purposes of the Plan. None of the Committee, the Employers, or the Trustee will be required to search for or locate a Participant or designated Beneficiary.

11.12 Direct Rollover Option. In accordance with uniform rules established by the Committee, each Participant, surviving spouse of a Participant or alternate payee under a qualified domestic relations order within the meaning of section 414(p) of the Code who is due to receive an eligible rollover distribution from the Plan may direct the Committee to transfer all or a portion of such distribution directly to another eligible retirement plan. For purposes of this subsection, the terms "eligible rollover distribution" and "eligible retirement plan" as applied to any such individual shall have the meaning accorded such terms under section 401(a)(31) of the Code (or any successor provision thereto) and applicable Treasury regulations and notices thereunder.

11.13 Distributions on Account of Permanent and Total Disability. For purposes of this Section 11, a Participant will be considered to have terminated employment and will be entitled to a distribution of his vested Account balances when he is eligible for long term disability

benefits under a disability plan sponsored by an Employer and determined by the Committee to be permanently and totally disabled (as defined in subsection 9.2).

SECTION 12

No Reversion to Employers

No part of the corpus or income of the Trust shall revert to the Employers or be used for, or diverted to, purposes other than the exclusive benefit of Participants and Beneficiaries, subject to the following:

- (a) Employer contributions under the Plan are conditioned upon the deductibility of the contributions under section 404 of the Code, and, to the extent any such deduction is disallowed, the Trustee shall, upon written request of the Employer, return the amount of any contribution (to the extent disallowed), reduced by the amount of any losses thereon, to the Employer within one year after the date the deduction is disallowed.
- (b) If a contribution or any portion thereof is made by an Employer by a mistake of fact, the Trustee shall, upon written request of that Employer, return the amount of such contribution or portion, reduced by the amount of any losses thereon, to that Employer within one year after the date of payment.
- (c) If, upon termination of the Plan, any amounts are held under the Plan in a suspense account pursuant to Treas. Reg. Section 1.415-6(b)(6)(ii) and such amounts may not be credited to the Accounts of Participants, such amount will be returned to the Employers as soon as practicable after the termination of the Plan.

SECTION 13

Administration

13.1 Committee Membership and Authority. The Committee referred to in subsection 1.3 shall consist of one or more members appointed by the Company. Except as otherwise specifically provided in this Section 13, the Committee shall act by a majority of its then members, by meeting or by writing filed without meeting, and shall have the following discretionary authority, powers, rights and duties in addition to those vested in it elsewhere in the Plan or Trust Agreement:

- (a) to adopt such rules of procedure and regulations as, in its opinion, may be necessary for the proper and efficient administration of the Plan and as are consistent with the provisions of the Plan;

- (b) to enforce the Plan in accordance with its terms and with such applicable rules and regulations as may be adopted by the Committee;
- (c) to determine conclusively all questions arising under the Plan, including the power to determine the eligibility of employees and the rights of Participants and other persons entitled to benefits under the Plan and their respective benefits, to make factual findings and to remedy ambiguities, inconsistencies or omissions of whatever kind;
- (d) to maintain and keep adequate records concerning the Plan and concerning its proceedings and acts in such form and detail as the Committee may decide;
- (e) to direct all payments of benefits under the Plan;
- (f) to perform the functions of a "plan administrator", as defined in section 414(g) of the Code, for all purposes of the Plan, including for purposes of establishing and implementing procedures to determine the qualified status of domestic relations orders (in accordance with the requirements of section 414(p) of the Code) and to administer distributions under such qualified orders;
- (g) to employ agents, attorneys, accountants or other persons (who may also be employed by or represent the Employers) for such purposes as the Committee considers necessary or desirable to discharge its duties;
- (h) to establish a claims procedure in accordance with section 503 of ERISA; and
- (i) to furnish the Employers, the Investment Committee and the Trustee with such information with respect to the Plan as may be required by them for tax or other purposes.

The certificate of a majority of the members of the Committee that the Committee has taken or authorized any action shall be conclusive in favor of any person relying on the certificate.

13.2 Allocation and Delegation of Committee Responsibilities and Powers. In exercising its authority to control and manage the operation and administration of the Plan, the Committee may allocate all or any part of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked at any time. Any member or delegate exercising Committee responsibilities and powers under this subsection shall periodically report to the Committee on its exercise thereof and the discharge of such responsibilities.

13.3 Uniform Rules. In managing the Plan, the Committee shall uniformly apply rules and regulations adopted by it to all persons similarly situated.

13.4 Information to be Furnished to Committee. The Employers and Related Companies shall furnish the Committee such data and information as may be required for it to discharge its duties. The records of the Employers and Related Companies as to an employee's

or Participant's period of employment, termination of employment and the reason therefor, leave of absence, reemployment and Compensation shall be conclusive on all persons unless determined to be incorrect. Participants and other persons entitled to benefits under the Plan must furnish to the Committee such evidence, data or information as the Committee considers desirable to carry out the Plan.

13.5 Committee's Decision Final. Any interpretation of the Plan and any decision on any matter within the discretion of the Committee made by the Committee shall be binding on all persons. A misstatement or other mistake of fact shall be corrected when it becomes known, and the Committee shall make such adjustment on account thereof as it considers equitable and practicable.

13.6 Exercise of Committees' Duties. Notwithstanding any other provisions of the Plan, the Committees shall discharge their duties hereunder solely in the interests of the Participants and other persons entitled to benefits under the Plan, and:

- (a) for the exclusive purpose of providing benefits to Participants and other persons entitled to benefits under the Plan; and
- (b) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

13.7 Remuneration and Expenses. No remuneration shall be paid from the Plan to a member of any of the Committees who is an employee of any Employer or Related Company. Except as otherwise determined by the Committee, the reasonable expenses of administering the Plan and the fees and expenses incurred in connection with the collection, administration, management, investment, protection and distribution of the Plan assets under the Trust shall be paid directly by the Trust out of Plan assets or, if paid by one or more Employers, reimbursed by the Trust to the maximum extent permitted by law.

13.8 Indemnification of the Committees. To the extent not reimbursed by any applicable insurance policy, the Committees, the individual members thereof and the secretary (if any) of each of the Committees shall be indemnified by the Employers against any and all liabilities, losses, costs and expenses (including legal fees and expenses) of whatsoever kind and nature which may be imposed on, incurred by or asserted against any of them by reason of the performance of the Committees' functions if the Committees or such members or secretary did not act dishonestly or in willful violation of the law or regulation under which such liability, loss, cost or expense arises.

13.9 Resignation or Removal of Committee Member. A Committee member may resign at any time by giving ten days' advance written notice to the Company, the Trustee and the other Committee members. The Company may remove a Committee member by giving advance written notice to him and the other Committee members.

13.10 Appointment of Successor Committee Members. The Company may fill any vacancy in the membership of the Committee and shall give prompt written notice thereof to the

other Committee members. While there is a vacancy in the membership of the Committee, the remaining Committee members shall have the same powers as the full Committee until the vacancy is filled.

SECTION 14

Amendment and Termination

14.1 Amendment. While it is expected that the Plan will be continued, either the Company or the Committee nevertheless may terminate the Plan or amend it from time to time, except that no amendment will reduce a Participant's interest in the Plan to less than an amount equal to the amount he would have been entitled to receive if he had resigned from the employ of the Employers and the Related Companies on the day of the amendment, and no amendment will eliminate an optional form of benefit with respect to a Participant or Beneficiary except as otherwise permitted by law.

14.2 Termination. The Plan will terminate as to all of the Employers on any day specified by the Company upon advance written notice of the termination given to the Employers. Employees of an Employer shall cease active participation in the Plan (and will be treated as inactive Participants in accordance with subsection 2.3) on the first to occur of the following:

- (a) the date on which that Employer ceases to be a contributing sponsor of the Plan, by appropriate action taken by the Company or by such Employer;
- (b) the date that Employer is judicially declared bankrupt or insolvent; or
- (c) the dissolution, merger, consolidation, reorganization or sale of that Employer, or the sale of all or substantially all of the assets of an Employer, except that, subject to the provisions of subsection 14.3, with the consent of the Company or the Committee, in any such event arrangements may be made whereby the Plan will be continued by any successor to that Employer or any purchaser of all or substantially all of that Employer's assets, in which case the successor or purchaser will be substituted for the Employer under the Plan.

14.3 Merger and Consolidation of the Plan, Transfer of Plan Assets. The Committee in its discretion may direct the Trustee to transfer all or a portion of the assets of this Plan to another defined contribution plan of the Employers or Related Companies which is qualified under section 401(a) of the Code or, in the event of the sale of stock of an Employer or all or a portion of the assets of an Employer, to a qualified plan of an employer which is not a Related Company, or to accept a transfer of assets and liabilities to this Plan from another defined contribution plan that is qualified under section 401(a) of the Code. In the case of any such merger, or transfer of assets and liabilities, provision shall be made so that each affected Participant in the Plan on the date thereof would receive a benefit immediately after the merger, or transfer which is equal to the benefit he would have been entitled to receive immediately prior to the merger, or transfer. The Committee may adopt such amendment or Supplement to the

Plan as may be necessary to preserve protected rights that may not be changed or eliminated by reason of such transfer or merger under section 411 of the Code; pending such amendment or adoption of such Supplement, the applicable provisions of the merged or transferee plan describing such section 411 protected rights shall be incorporated herein by reference.

14.4 Distribution on Termination and Partial Termination. Upon termination or partial termination of the Plan, all benefits under the Plan shall continue to be paid in accordance with Sections 10 and 11 as those sections may be amended from time to time.

14.5 Notice of Amendment, Termination or Partial Termination. Affected Participants will be notified of an amendment, termination or partial termination of the Plan as required by law.

SECTION 15

Change of Control Provisions

15.1 Application. In the event of a Change of Control (as defined in subsection 15.2), the provisions of this Section 15 shall apply, notwithstanding any other provision in the Plan to the contrary.

15.2 Definition of Change of Control. For purposes of the Plan, a "Change of Control" means the happening of any of the following events:

- (a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of common stock of Philip Morris Companies Inc. (the "Parent") (such stock hereinafter referred to as the "Outstanding Parent Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Parent entitled to vote generally in the election of directors (the "Outstanding Parent Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Parent, (ii) any acquisition by the Parent, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Parent or any corporation controlled by the Parent or (iv) any acquisition by any corporation pursuant to a transaction described in clauses (i), (ii) and (iii) of paragraph (c) of this subsection 15.2; or
- (b) Individuals who, as of November 1, 1989, constitute the Board of Directors of the Parent (the "Incumbent Board") cease for any reason to constitute at least a majority of such Board; provided, however, that any individual becoming a director subsequent to November 1, 1989 whose election, or nomination for election by the Parent's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be

considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board; or

- (c) Approval by the shareholders of the Parent of a reorganization, merger, share exchange or consolidation (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Parent Common Stock and Outstanding Parent Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 80% of, respectively, the then Outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Parent through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Parent Common Stock and Outstanding Parent Voting Securities, as the case may be, (ii) no Person (excluding any employee benefit plan (or related trust) of the Parent or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Incumbent Board, providing for such Business Combination; or
- (d) Approval by the shareholders of the Parent of (i) a complete liquidation or dissolution of the Parent or (ii) the sale or other disposition of all or substantially all of the assets of the Parent, other than to a corporation, with respect to which following such sale or other disposition, (A) more than 80% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Parent Common Stock and Outstanding Parent Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Parent Common Stock and Outstanding Parent Voting Securities, as the case may be, (B) less than 20% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such

corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of the Parent or such corporation), except to the extent that such Person owned 20% or more of the Outstanding Parent Common Stock or Outstanding Parent Voting Securities prior to the sale or disposition and (C) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Incumbent Board, providing for such sale or other disposition of assets of the Parent or were elected, appointed or nominated by the Incumbent Board.

15.3 Contribution Requirement. Subject to the conditions and limitations of Section 8 (after taking into account the affect thereon of the last sentence of this subsection 15.3) and of the next sentence, upon the occurrence of a Change of Control, for the year in which the Change of Control occurs and for each of the two years following the year in which the Change of Control occurs, each Employer shall make a "Matching Contribution" to the Plan on behalf of each Participant employed by such Employer who has made Before-Tax or After-Tax Contributions to the Plan for that year in an amount equal to the greater of:

- (a) the average rate of matching contributions made by that Employer to the Plan for the two Plan Years prior to the Plan Year in which the Change of Control occurs, or
- (b) 75 percent of the Before-Tax and After-Tax Contributions made by each Participant, excluding any such contributions which exceed, in the aggregate, 6 percent of the Participant's Eligible Compensation.

In no event shall the sum of the Before-Tax Contributions and any Matching Contributions made by an Employer for any Plan Year exceed the limitations imposed by section 404 of the Code on the maximum amount deductible on account thereof by the Employer for that year. Each Employer's Matching Contributions for any Plan Year shall be paid to the Trustee, without interest, no later than the time prescribed by law for filing the Federal corporate income tax return of Philip Morris Companies Inc., or its successors, as applicable, including any extensions thereof. The Matching Contributions made on behalf of a Participant pursuant to this Section 14 shall be allocated to a "Matching Contribution Account" established for each Participant, shall be aggregated with the Participant's After-Tax Contributions, if any, for purposes of determining contribution percentages and applying the limitations of Section 8, and, to the extent corrective distributions are required to be made to any highly compensated employee in accordance with Section 8, the amounts required to be distributed shall be made first from the affected Highly Compensated employee's unmatched After-Tax Contributions (if any) and thereafter on a pro rata basis from his matched After-Tax Contributions (if any) and his Matching Contributions.

15.4 Vesting. Upon and after a Change of Control, a Participant's vested percentage in all his Accounts under the Plan shall be 100%.

15.5 Enforcement Rights; Amendment Restrictions.

- (a) In addition to all other rights under the Plan and applicable law, any individual who shall be a Participant or Beneficiary at the date on which the Change of Control occurs (the "Control Date") shall from and after such date have the right to bring an action, either individually or on behalf of all Participants and Beneficiaries, to enforce the provisions of this Section 15 by seeking injunctive relief or damages, or both, and the Company shall be obligated to pay or reimburse such Participant or Beneficiary who shall prevail, in whole or in substantial part, for all reasonable expenses, including attorney's fees, in connection with such action.
- (b) Anything in the Plan to the contrary notwithstanding, on and after the Control Date none of the provisions of this Section 15 shall be amended unless within sixty days after the date of the action taken to amend such provisions at least two-thirds of the individuals who were Participants at the date of such action shall have given their written approval of such action based on full and complete information provided to them regarding the actual and potential effects of such action on them.

15.6 Construction. The foregoing provisions of this Section 15 shall be construed liberally to the end that its purposes shall be fully implemented.

SUPPLEMENT A

KRAFT FOODS THRIFT PLAN
Top-Heavy Provisions

- Application A-1. This Supplement A to the Kraft Foods Thrift Plan shall be applicable on and after the date on which the Plan becomes Top-Heavy (as described in subsection A-5).
- Effective Date A-2. The Effective Date of the top-heavy provisions as set forth in this Supplement A is January 1, 1993.
- Definitions A-3. Unless the context clearly implies or indicates the contrary, a word, term or phrase used or defined in the Plan is similarly used or defined for purposes of this Supplement A.
- Affected Participant A-4. For purposes of this Supplement A, the term "Affected Participant" means each Participant who is employed by an Employer or a Related Company during any Plan Year for which the Plan is Top-Heavy; provided, however, that the term "Affected Participant" shall not include any Participant who is covered by a collective bargaining agreement if retirement benefits were the subject of good faith bargaining between his Employer and his collective bargaining representative.
- Top-Heavy A-5. The Plan shall be "Top-Heavy" for any Plan Year if, as of the Determination Date for that year (as described in paragraph (a) next below), the present value of the benefits attributable to Key Employees (as defined in subsection A-6) under all Aggregation Plans (as defined in subsection A-9) exceeds 60% of the present value of all benefits under such plans. The foregoing determination shall be made in accordance with the provisions of section 416 of the Code. Subject to the preceding sentence:
- (a) The Determination Date with respect to any plan for purposes of determining Top-Heavy status for any plan year of that plan shall be the last day of the preceding plan year or, in the case of the first plan year of that plan, the last day of that year. The present value of benefits as of any Determination Date shall be determined as of the accounting date or valuation date coincident with or next preceding the Determination Date. If the plan years of all Aggregation Plans do not coincide, the Top-Heavy

status of the Plan on any Determination Date shall be determined by aggregating the present value of Plan benefits on that date with the present value of the benefits under each other Aggregation Plan determined as of the Determination Date of such other Aggregation Plan which occurs in the same calendar year as the Plan's Determination Date.

- (b) Benefits under any plan as of any Determination Date shall include the amount of any distributions from that plan made during the plan year which includes the Determination Date (including distributions under a terminated plan which, if it had not been terminated, would have been included in an aggregation group) or during any of the preceding four plan years, but shall not include any amounts attributable to employee contributions which are deductible under section 219 of the Code, any amounts attributable to employee-initiated rollovers or transfers made after December 31, 1983 from a plan maintained by an unrelated employer, or, in case of a defined contribution plan, any amounts attributable to contributions made after the Determination Date unless such contributions are required by section 412 of the Code or are made for the plan's first plan year.
- (c) Benefits attributable to a participant shall include benefits paid or payable to a beneficiary of the participant, but shall not include benefits paid or payable to any participant who has not performed services for an Employer or Related Company during any of the five plan years ending on the applicable Determination Date; provided, however, that if a participant performs no services for five years and then performs services, the benefits attributable to such participant shall be included.
- (d) The accrued benefit of any participant who is a Non-Key Employee with respect to a plan but who was a Key Employee with respect to such plan for any prior plan year shall not be taken into account.
- (e) The accrued benefit of a Non-Key Employee shall be determined under the method which is used for accrual purposes for all plans of the Employer and Related Companies; or, if there is not such method,

as if the benefit accrued not more rapidly than the slowest accrual rate permitted under section 411(b)(1)(C) of the Code.

- (f) The present value of benefits under all defined benefit plans shall be determined on the basis of a 7.5% per annum interest factor and the 1951 Group Annuity Projected Mortality Table for Males, with a one-year setback.

Key Employee

A-6. The term "Key Employee" means an employee or deceased employee (or beneficiary of such deceased employee) who is a Key Employee within the meaning ascribed to that term by section 416(i) of the Code. Subject to the preceding sentence, the term Key Employee includes any employee or deceased employee (or beneficiary of such deceased employee) who at any time during the plan year which includes the Determination Date or during any of the four preceding plan years was:

- (a) an officer of any Employer or Related Company with Compensation for that year in excess of 50 percent of the amount in effect under section 415(b)(1)(A) of the Code for the calendar year in which that year ends; provided, however, that the maximum number of employees who shall be considered Key Employees under this paragraph (a) shall be the lesser of 50 or 10% of the total number of employees of the Employers and the Related Companies disregarding any excludable employees under Code section 414(q)(8).
- (b) one of the 10 employees owning the largest interests in any Employer or any Related Company (disregarding any ownership interest which is less than 1/2 of one percent), excluding any employee for any plan year whose Compensation for that year did not exceed the applicable amount in effect under section 415(c)(1)(A) of the Code for the calendar year in which that year ends;
- (c) a 5% owner of any Employer or of any Related Company; or
- (d) a 1% owner of any Employer or any Related Company having Compensation for that year in excess of \$150,000.

Compensation

A-7. The term "Compensation" for purposes of this Supplement A generally means compensation within the meaning of section 415(c)(3) for that year, not exceeding \$200,000 or such larger amount as may be permitted for any year under Code section 401(a)(17). However, for Plan Years beginning on or after January 1, 1989, solely for purposes of determining who is a Key Employee, the term "Compensation" means compensation as defined in Code section 414(q)(7).

Non-Key Employee

A-8. The term "Non-Key Employee" means any employee (or beneficiary of a deceased employee) who is not a Key Employee.

Aggregation Plan

A-9. The term "Aggregation Plan" means the Plan and each other retirement plan (including any terminated plan) maintained by an Employer or Related Company which is qualified under section 401(a) of the Code and which:

- (a) during the plan year which includes the applicable Determination Date, or during any of the preceding four plan years, includes a Key Employee as a participant;
- (b) during the plan year which includes the applicable Determination Date or, during any of the preceding four plan years, enables the Plan or any plan in which a Key Employee participates to meet the requirements of section 401(a)(4) or 410 of the Code; or
- (c) at the election of the Employer, would meet the requirements of sections 401(a)(4) and 410 if it were considered together with the Plan and all other plans described in paragraphs (a) and (b) next above.

Required Aggregation Plan

A-10. The term "Required Aggregation Plan" means Plan a plan described in Plan either paragraph (a) or (b) of subsection A-9.

Permissive Aggregation Plan

A-11. The term "Permissive Aggregation Plan" means a plan described in Plan paragraph (c) of subsection A-9.

Vesting

A-12. For any Plan Year during which the Plan is Top-Heavy, the Account balances of each Affected Participant who has completed at least three Years of Service shall be 100% vested. If the Plan ceases to be Top-Heavy for any

Plan Year, the provisions of this subsection A-12 shall continue to apply to any Affected Participant who had completed at least 3 Years of Service prior to such Plan Year.

Minimum Contribution

A-13. For any Plan Year during which the Plan is Top-Heavy, the minimum amount of Employer contributions, excluding elective contributions as defined in Code section 401(k), allocated to the Accounts of each Affected Participant who is employed by an Employer or Related Company on the last day of that year who is a Non-Key Employee and who is not entitled to a minimum benefit for that year under any defined benefit Aggregation Plan which is top-heavy nor is entitled to a minimum contribution for that year under any other defined contribution Aggregation Plan maintained by the Employer shall, when expressed as a percentage of the Affected Participant's Compensation for that year, be equal to the lesser of:

- (a) 3%; or
- (b) the percentage at which Employer contributions (including Employer contributions made pursuant to a cash or deferred arrangement) are allocated to the Accounts of the Key Employee for whom such percentage is greatest.

For purposes of the preceding sentence, compensation earned while a member of a group of employees to whom the Plan has not been extended shall be disregarded. Paragraph (b) next above shall not be applicable for any Plan Year if the Plan enables a defined benefit plan described in paragraph A-9(a) or A-9(b) to meet the requirements of section 401(a)(4) or 410 for that year. Employer contributions for any Plan Year during which the Plan is Top-Heavy shall be allocated first to Non-Key Employees until the requirements of this subsection A-13 have been met and, to the extent necessary to comply with the provisions of this subsection A-13, additional contributions shall be required of the Employers.

Aggregate Benefit Limit

A-14. For any Plan Year during which the Plan is Top-Heavy, paragraphs (2)(B) and (3)(B) of section 415(e) of the Code shall be applied by substituting "1.0" for "1.25".

SUPPLEMENT B

KRAFT FOODS THRIFT PLAN
Special Benefit Schedule for Former Participants in the
H.F. Behrhorst & Son, Inc. Employees Profit Sharing Plan

Pursuant to subsection 1.12, this Supplement B is made a part of the Plan and supersedes any provisions thereof which are not consistent with this Supplement B.

- (1) Participating Group: Former employees of H. F. Behrhorst & Son, Inc. who immediately prior to the Effective Date were participants in the H. F. Behrhorst & Son, Inc. Employees Profit Sharing Plan ("Behrhorst Participants"). These employees were employed by Kraft, Inc. on January 4, 1988.
- (2) Effective Date: November 1, 1989.
- (3) Eligibility: As of the Effective Date, the employees described in paragraph 1 became eligible to participate in the Plan subject to its normal terms, except as provided in paragraph 4 of this Supplement B.
- (4) Special Provisions: The following provision of this paragraph (4) shall apply only to the portion of a Behrhorst Participant's Accounts attributable to amounts transferred from the plan described in paragraph (1) above:

A Behrhorst Participant may elect to have the following definition of "permanent and total disability" apply:

- (a) that a person has been totally disabled by a physical or mental condition resulting from bodily injury, disease, or mental disorder so as to render him incapable of continuing his usual and customary employment with the Employing Company and
- (b) that such total disability shall be determined by a licensed physician chosen by the Committee. The determination shall be applied uniformly to all Behrhorst Participants.

SUPPLEMENT C

KRAFT FOODS THRIFT PLAN
Special Benefit Schedule for Former Participants in the
Profit Sharing Plan for Mueller Foodservice Corp.

Pursuant to subsection 1.12, this Supplement C is made a part of the Plan and supersedes any provisions thereof which are not consistent with this Supplement C.

- (1) Participating Group: Former employees of Mueller Foodservice Corp. who immediately prior to the Effective Date were participants in the Profit Sharing Plan for Mueller Foodservice Corp. and who had benefits transferred to this Plan ("Mueller Participants"). These employees were employed by Kraft, Inc. on December 21, 1988.
- (2) Effective Date: April 13, 1990.
- (3) Eligibility: As of the Effective Date, the employees described in paragraph 1 became eligible to participate in the Plan subject to its normal terms, except as provided in paragraph 4 of this Schedule.
- (4) Special Provisions: The following provisions of this paragraph (4) shall apply to the portion of a Mueller Participant's Accounts attributable to amounts transferred from the plan described in paragraph (1) above:
 - (a) In the event a Mueller Participant terminates employment with the Employers and Related Companies and becomes a participant in a qualified retirement plan of another employer, the Trustee is authorized to transfer such Mueller Participant's account to such other plan upon receiving written authorization from such other employer, the Mueller Participant and the trustee of such other plan.
 - (b) A Mueller Participant may elect to apply the following definition of "permanent and total disability":

A Mueller Participant is considered permanently and totally disabled if such Mueller Participant is unable to engage in any substantial gainful activity because of a medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve (12) months.

SUPPLEMENT D

KRAFT FOODS THRIFT PLAN
Special Benefit Schedule for Former Participants in the
Tombstone Pizza Corporation Profit Sharing Plan

Pursuant to subsection 1.12, this Supplement D is made a part of the Plan and supersedes any provisions thereof which are not consistent with this Supplement D.

- (1) Participating Group: Employees of Tombstone Pizza Corporation who immediately prior to the Effective Date were participants in the Tombstone Pizza Corporation Profit Sharing Plan and who had benefits transferred to this Plan ("Tombstone Participants").
- (2) Effective Date: January 1, 1991.
- (3) Eligibility: As of the Effective Date, the employees described in paragraph 1 became eligible to participate in the Plan subject to its normal terms, except as provided in paragraph 4 of this Supplement D.
- (4) Special Provisions:

The following special provisions shall apply only with respect to that portion of a Tombstone Participant's benefit which is attributable to amounts transferred to this Plan from the Tombstone Pizza Corporation Profit Sharing Plan:

- (a) Upon attainment of age 55, a Tombstone Participant shall be 100% vested.
- (b) A Tombstone Participant may elect to apply the following definition of "permanent and total disability":

A physical or mental condition which in the judgment of the Committee based upon competent medical evidence satisfactory to the Committee, totally and presumably permanently prevents the Tombstone Participant from engaging in any substantial gainful employment with the Employer, provided such permanent and total disability (i) did not arise while engaged in or as a result of having engaged in a felonious or criminal act or enterprise, or (ii) did not result from service in the Armed Forces of the United States of America or of any State thereof under circumstances entitling the Tombstone Participant to a veteran's disability pension. In determining whether a Tombstone Participant is wholly or permanently prevented from engaging in any substantial gainful employment with the Employer, there shall be excepted from consideration work performed pursuant to a medically recommended plan for rehabilitation.

- (c) A Tombstone Participant, in lieu of the installments described in clause 11.1(b)(ii), may elect to have his Account balance distributed in a series of annual or more frequent installments, provided, however, that the amount to be

distributed each year must be at least an amount equal to the quotient obtained by dividing the Tombstone Participant's entire interest by the life expectancy of the Tombstone Participant or joint and last survivor expectancy of the Tombstone Participant and beneficiary. Life expectancy and joint and last survivor expectancy are computed by the use of the return multiples contained in Treasury Regulation Section 1.72-9. For purposes of this computation, a Tombstone Participant's (and his spouse's) life expectancy may be recalculated no more frequently than annually, but the life expectancy of a nonspouse beneficiary must be calculated at the time payment first commences without further recalculations.

- (d) Prior to his severance from service, a Tombstone Participant at any time may request a withdrawal of all or part of his account attributable to qualified voluntary employee contributions.
- (e) Prior to his severance from service, a Tombstone Participant may elect, pursuant to rules promulgated by the Committee, on a form prescribed by and filed with the Committee, to make a withdrawal of all or any portion of his account attributable to his After-Tax Contributions.

SUPPLEMENT E

KRAFT FOODS THRIFT PLAN
Special Benefit Schedule for Former Participants in the
Churny Company, Inc. Profit Sharing Plan

Pursuant to subsection 1.12, this Supplement E is made a part of the Plan and supersedes any provisions thereof which are not consistent with this Supplement E.

- (1) Participating Group: Employees of Churny Company, Inc. who immediately prior to the respective Effective Date were participants in the Churny Company, Inc. Profit Sharing Plan, who were either (a) salaried employees who had benefits transferred to this Plan as of January 1, 1989 or (b) hourly non-union employees at Weyawega, Waupaca and Wausau locations, who had benefits transferred to this Plan as of January 1, 1992 ("Churny Participants").
- (2) Effective Dates: (a) January 1, 1989
(b) January 1, 1992
- (3) Eligibility: As of the respective Effective Date, the employees described in paragraph 1 became eligible to participate in the Plan, subject to its normal terms, except as provided in paragraph 4 of this Supplement E with respect to transferred benefits.

SUPPLEMENT F

KRAFT FOODS THRIFT PLAN
Special Benefit Schedule Applicable to Employees
of the California Vegetable Concentrates Division

Pursuant to subsection 1.12, this Supplement F is made a part of the Plan as of the Effective Date set forth below and supersedes any provisions of the Plan which are not consistent with this Supplement F.

- (1) **Participating Group:** This Supplement F is applicable to those Participants in the Plan who were employees of the California Vegetable Concentrates division of Kraft Food Ingredients Corp. and who became employees of Basic Vegetable Products, L.P., pursuant to that certain Asset Purchase Agreement entered into as of February 16, 1993 by and between Basic Vegetable Products, L.P., and Kraft Food Ingredients Corp. ("Concentrates Participants").
- (2) **Effective Date:** February 16, 1993.
- (3) **Special Vesting Provisions:** A Concentrates Participant shall be 100% vested in his sub-accounts attributable to Matching Contributions as of the Effective Date.
- (4) **Special Distribution and Withdrawal Provisions:**
 - (a) In accordance with procedures established by the Committee, a Concentrates Participant during the period commencing on the Effective Date and ending on March 31, 1993, may elect to withdraw all of his sub-account balances attributable to his After-Tax Contributions, Rollover Contributions, and Matching Contributions, and the earnings thereon.
 - (b) Notwithstanding any provisions of the Plan to the contrary, the Hardship withdrawal provisions and the in-service withdrawal provisions of Section 10 of the Plan shall continue to apply to a Concentrates Participant on and after the Effective Date and for such time as the Concentrates Participant remains an employee of Basic Vegetable Products, L.P., or its successors or affiliates (collectively referred to as the "Successor Employer"). Notwithstanding any provisions of the Plan to the contrary, for purposes of applying the post-employment termination distribution provisions of Section 11 of the Plan to a Concentrates Participant, such Concentrates Participant's service shall not be considered to be terminated (whether on account of retirement, permanent and total disability, or for any other reason) until such time as said Participant has had a separation from service with the Successor Employer.

SUPPLEMENT G

KRAFT FOODS THRIFT PLAN
Special Benefit Schedule for Former Participants in the
Lender's Bagel Bakery, Inc. Profit Sharing Plan

Pursuant to subsection 1.12, this Supplement G is made a part of the Plan as of the Effective Date set forth below and supersedes any provisions of the Plan which are not consistent with this Supplement G.

- (1) **Participating Group:** This Supplement G modifies and supplements the provisions of the Plan in connection with the participation in the Plan of employees of the Lender's Bagel Bakery operating unit of General Foods USA, and in connection with the merger into the Plan of the Lender's Bagel Bakery, Inc. Profit Sharing Plan (the "Lender's Plan"). For purposes of this Supplement G, the term "Lender's Participants" means those Participants in the Plan who immediately prior to the Effective Date were participants in the Lender's Plan and who had benefits from such plan transferred to this Plan.
- (2) **Effective Date:** January 1, 1993.
- (3) **Eligibility:** A Lender's Participant shall become a Participant in the Plan on the Effective Date. Any other employee of the Lender's Bagel Bakery operating unit of General Foods USA shall become eligible to participate in the Plan on the later of the Effective Date or the date such employee would otherwise become eligible to participate in accordance with the provisions of Section 2 of the Plan.
- (4) **Merger of Plans:** The Lender's Plan shall be merged with and into the Plan effective March 31, 1993, and the assets and liabilities of the Lender's Plan shall become the assets and liabilities of the Plan effective with the merger, in accordance with Section 414(1) of the Code. Effective with the date of the merger, the provisions of the Plan shall apply to the transferred account balances from the Lender's Plan, with the modifications set forth below.
- (5) **Vesting in Transferred Amounts:** A Lender's Participant in this Participating Group shall at all times be 100% vested in his sub-account balance attributable to his transferred account balance from the Lender's Plan.
- (6) **Special Distribution Provision:** This paragraph 6 shall apply only with respect to that portion of a Lender's Participant's benefit which is attributable to amounts transferred to this Plan from the Lender's Plan.

A Lender's Participant may elect to have the following definition of permanent and total disability apply:

"Permanent and total disability" means the inability to engage in any substantial gainful activity, considering the Participant's age, education and work experience, by reason of any medically determined physical or mental impairment which can

be expected to last for a continuous period of not less than 12 months. The determination of the Committee based upon competent medical advice which shall include the opinion of a licensed physician shall be final as to whether any Participant is disabled within the meaning of this Section, except that a Participant who is eligible to receive Social Security disability benefits shall be deemed to be so disabled without further proof.

SUPPLEMENT H

KRAFT FOODS THRIFT PLAN
Special Benefit Schedule for Former Participants in the
Capri Sun, Inc. Retirement Savings Plan

Pursuant to subsection 1.12, this Supplement H is made a part of the Plan as of the Effective Date set forth below and supersedes any provisions of the Plan which are not consistent with this Supplement H.

- (1) **Participating Group:** This Supplement H modifies and supplements the provisions of the Plan in connection with the participation in the Plan of employees of Capri Sun, Inc., and in connection with the merger into the Plan of the Capri Sun, Inc. Retirement Savings Plan (the "Capri Sun Plan"). For purposes of this Supplement H, the term "Capri Sun Participants" means those Participants in the Plan who immediately prior to the Effective Date were participants in the Capri Sun Plan and who had benefits from such plan transferred to this Plan.
- (2) **Effective Date:** January 1, 1993.
- (3) **Eligibility:** A Capri Sun Participant shall become a Participant in the Plan on the Effective Date. Any other employee of Capri Sun, Inc. shall become eligible to participate in the Plan on the later of the Effective Date or the date such employee would otherwise become eligible to participate in accordance with the provisions of Section 2 of the Plan.
- (4) **Merger of Plans:** The Capri Sun Plan shall be merged with and into the Plan effective March 31, 1993, and the assets and liabilities of the Capri Sun Plan shall become the assets and liabilities of the Plan effective with the merger, in accordance with Section 414(l) of the Code. Effective with the date of the merger, the provisions of the Plan shall apply to the transferred account balances from the Capri Sun Plan, with the modifications set forth below.
- (5) **Vesting in Transferred Amounts:** A Capri Sun Participant shall at all times be 100% vested in his sub-account balance attributable to his transferred account balance from the Capri Sun Plan.
- (6) **Special Distribution and Withdrawal Provision.** This paragraph 6 shall apply only to that portion of a Capri Sun Participant's benefit under the Plan which is attributable to amounts transferred to this Plan from the Capri Sun Plan. A Capri Sun Participant may elect to have the following definition of permanent and total disability apply:

"Permanent and total disability" means a physical or mental condition of a Participant resulting from bodily injury, disease, or mental disorder which renders him incapable of continuing his usual and customary employment with the Employer. The disability of a Participant shall be determined by a licensed physician chosen by the Committee.

SUPPLEMENT I

KRAFT FOODS THRIFT PLAN
Special Benefit Schedule for Former Participants in the
Jack's Frozen Pizza, Inc. 401(k) Profit-Sharing Plan

Pursuant to subsection 1.12, this Supplement I is made a part of the Plan and supersedes any provisions thereof which are not consistent with this Supplement I.

- (1) Participating Group: This Supplement I modifies and supplements the provisions of the Plan in connection with the participation in the Plan of employees of Jack's Frozen Pizza, Inc., and in connection with the merger into the Plan of the Jack's Frozen Pizza, Inc. 401(k) Profit-Sharing Plan (the "Jack's Plan"). For purposes of this Supplement I, the term "Jack's Pizza Participants" means those Participants in the Plan who immediately prior to the Effective Date were participants in the Jack's Plan and who had benefits from such plan transferred to this Plan.
- (2) Effective Date: January 1, 1994.
- (3) Eligibility: As of the Effective Date, the employees described in paragraph 1 became eligible to participate in the Plan subject to its normal terms, except as provided in paragraph 5 of this Supplement I.
- (4) Merger of Plans: The Jack's Plan shall be merged with and into the Plan effective April 1, 1994, and the assets and liabilities of the Jack's Plan shall become the assets and liabilities of the Plan effective with the merger, in accordance with Section 414(l) of the Code. Effective with the date of the merger, the provisions of the Plan shall apply to the transferred account balances from the Jack's Plan, with the modifications set forth below.
- (5) Special Provisions:

The following special provisions shall apply only with respect to that portion of a Jack's Pizza Participant's benefit which is attributable to amounts transferred to this Plan from the Jack's Plan:

- (a) Upon retirement at or after attainment of age 55, a Jack's Pizza Participant shall be 100% vested.
- (b) A Jack's Pizza Participant may elect to apply the following definition of "permanent and total disability":

The inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. The disability of a Jack's Pizza Participant shall be determined by a licensed physician

chosen by the Committee. The determination shall be applied uniformly to all Jack's Pizza Participants.

SUPPLEMENT J

KRAFT FOODS THRIFT PLAN
Special Benefit Schedule for Former Participants in the
Salary Reduction and Voluntary Investment Plan for
Salaried Employees of Oscar Mayer Foods Corporation

Pursuant to subsection 1.12, this Supplement J is made a part of the Plan and supersedes any provisions thereof which are not consistent with this Supplement J.

- (1) Participating Group: This Supplement J modifies and supplements the provisions of the Plan in connection with the participation in the Plan of employees of Oscar Mayer Foods Corporation, and in connection with the merger into the Plan of the Salary Reduction and Voluntary Investment Plan for Salaried Employees of Oscar Mayer Foods Corporation (the "Oscar Mayer Plan"). For purposes of this Supplement J, the term "Oscar Mayer Participants" means those Participants in the Plan who immediately prior to the Effective Date were participants in the Oscar Mayer Plan and who had benefits from such plan transferred to this Plan.
- (2) Effective Date: January 1, 1994.
- (3) Eligibility: As of the Effective Date, the employees described in paragraph 1 became eligible to participate in the Plan subject to its normal terms, except as provided in paragraph 5 of this Supplement J.
- (4) Merger of Plans: The Oscar Mayer Plan shall be merged with and into the Plan effective April 1, 1994, and the assets and liabilities of the Oscar Mayer Plan shall become the assets and liabilities of the Plan effective with the merger, in accordance with Section 414(l) of the Code. Effective with the date of the merger, the provisions of the Plan shall apply to the transferred account balances from the Oscar Mayer Plan, with the modifications set forth below.
- (5) Special Provisions:

The following special provisions shall apply only with respect to that portion of an Oscar Mayer Participant's benefit which is attributable to amounts transferred to this Plan from the Oscar Mayer Plan:

In addition to the withdrawal permitted under subsection 10.2 of the Plan, an Oscar Mayer Participant whose Termination Date has not yet occurred may elect to withdraw all or a part of his interest in his Accounts, as provided and in the order set forth below:

Up to 100% of the March 31, 1992 balance of his After-Tax Account and the earnings thereon. Any such withdrawal shall be made first from the After-Tax Contributions (excluding earnings thereon) made by the Oscar Mayer Participant prior to January 1,

1987 and then from the balance of his March 31, 1992 After-Tax Account, and the earnings thereon.

SUPPLEMENT K

KRAFT FOODS THRIFT PLAN
Special Benefit Schedule For Former Participants in the
RJR Nabisco Capital Investment Plan

Pursuant to subsection 1.12, this Supplement K is made a part of the Plan as of the Effective Date set forth below and supersedes any provisions of the Plan which are not consistent with this Supplement K.

- (1) **Participating Group:** This Special Benefit Schedule modifies and supplements the provisions of the Plan in connection with the participation in the Plan of Nabisco cereal business employees, and in connection with the transfer to the Plan of account balances of such employees under the RJR Nabisco Capital Investment Plan (the "Nabisco Plan"). For purposes of this Special Benefit Schedule, the "Participating Group" means those Participants in the Plan who immediately prior to the Effective Date were participants in the Nabisco Plan and who had benefits from such plan transferred to this Plan.
- (2) **Effective Date:** January 4, 1993.
- (3) **Eligibility:** Pursuant to an Asset Purchase Agreement dated as of November 13, 1992 between the Corporation and Nabisco, Inc. and Nabisco Cereals, Inc., the Corporation agreed to employ certain employees (identified as "Transferred Employees" under the agreement) of the U.S. Ready-to-Eat Cold Cereal Business of Nabisco, Inc. and Nabisco Cereals, Inc. Each Transferred Employee who is a participant in the Nabisco Plan shall become a Participant in the Plan on the Effective Date or, if later, the date such Transferred Employee becomes employed by the Corporation.
- (4) **Vesting in Transferred Amounts:** A Participant in this Participating Group shall at all times be 100% vested in his sub-account balance attributable to his transferred account balance from the Nabisco Plan.
- (5) **Special Distribution and Withdrawal Provisions.** The distributions and withdrawal provisions of the Plan shall apply to the transferred account balances from the Nabisco Plan, with the modifications set forth below. The following provisions of this paragraph 5 shall apply only to that portion of a Participant's benefit under the Plan which is attributable to amounts transferred to this Plan from the Nabisco Plan.
 - (a) A Participant in this Participating Group may elect to have the following definition of Permanent and Total Disability apply in lieu of the definition set forth in Section 1.32 of the Plan:

"Permanent and Total Disability" means being disabled as determined by the Federal Social Security Administration.

(b) Prior to termination of Service, Retirement, death or Permanent and Total Disability, and subject to the provisions set forth below, a Participant in this Participating Group may elect to withdraw all or part of the following portions of his account attributable to the amounts transferred from the Nabisco Plan, in the following order:

- (i) his after-tax contributions, plus earnings with respect thereto;
- (ii) his company matching contributions (whether or not made in the form of matching stock contributions) and rollover contributions, plus earnings with respect thereto; and
- (iii) upon Permanent and Total Disability, his pre-tax contributions, plus earnings with respect thereto.

SUPPLEMENT L

KRAFT FOODS THRIFT PLAN
Special Benefit Schedule for Former Participants in the
Entenmann's, Inc. Employee Savings Plan

Pursuant to subsection 1.12, this Supplement L is made a part of the Plan as of the Effective Date set forth below and supersedes any provisions of the Plan which are not consistent with this Supplement L.

- (1) **Participating Group:** This Supplement L modifies and supplements the provisions of the Plan in connection with the participation in the Plan of employees of Entenmann's Inc., and in connection with the merger into the Plan of the Entenmann's, Inc. Employee Savings Plan (the "Entenmann's Plan"). For purposes of this Supplement L, the term "Entenmann's Participants" means those Participants in the Plan who immediately prior to the Effective Date were participants in the Entenmann's Plan and who had benefits from such plan transferred to this Plan.
- (2) **Effective Date:** January 1, 1995.
- (3) **Eligibility:** An Entenmann's Participant shall become a Participant in the Plan on the Effective Date. Any other employee of Entenmann's, Inc. shall become eligible to participate in the Plan on the later of the Effective Date or the date such employee would otherwise become eligible to participate in accordance with the provisions of Section 2 of the Plan.
- (4) **Merger of Plans:** The Entenmann's Plan shall be merged with and into the Plan effective January 1, 1995, and the assets and liabilities of the Entenmann's Plan shall become the assets and liabilities of the Plan effective with the merger, in accordance with Section 414(1) of the Code. Effective with the date of the merger, the provisions of the Plan shall apply to the transferred account balances from the Entenmann's Plan, with the modifications set forth below.
- (5) **Vesting in Transferred Amounts:** An Entenmann's Participant shall be vested in amounts attributable to his transferred account balance from the Entenmann's Plan (his "Entenmann's balance") in accordance with the schedule set forth in subsection 9.1, taking into account vesting service credited under the Entenmann's Plan prior to the Effective Date.
- (6) **Special In-Service Withdrawal Provisions:** The provisions of this paragraph 6 shall apply only with respect to an Entenmann's Participant's Entenmann's balance.
 - (a) Prior to his Termination Date, a Participant may elect to withdraw all or a portion of his Entenmann's balance attributable to his after-tax supplemental contributions (including the earnings and appreciation thereon). The minimum amount which a Participant may elect to have distributed to him pursuant to this subparagraph shall be the lesser of \$500 or his Entenmann's balance attributable

to his after-tax supplemental contributions (including the earnings and appreciation thereon). A Participant who elects to receive a distribution pursuant to this subparagraph shall continue his status as a Participant in the Plan. Amounts withdrawn by a Participant pursuant to this subparagraph shall be distributed to him in cash, except that he can elect to have distributions from the Philip Morris Stock Fund paid in whole shares of Philip Morris common stock.

- (b) Prior to his Termination Date, a Participant who is not vested may elect to withdraw all of his Entenmann's balance attributable to his after-tax basic contributions (including the earnings and appreciation thereon). Partial withdrawals of a Participant's after-tax basic contributions (including the earnings and appreciation thereon) will not be permitted. Notwithstanding any other provision of the Plan, any Participant who makes a total withdrawal of his after-tax basic contributions pursuant to this subparagraph shall be suspended from making After-Tax Contributions and may not resume such contributions until the first day of any month which is at least 6 months after the day on which he discontinued such contributions. Any Participant who makes a withdrawal pursuant to this subparagraph shall forfeit the amount of any corresponding post-December 31, 1985 Entenmann's balance in his Matching Account. Amounts withdrawn by a Participant pursuant to this subparagraph shall be distributed to him in cash or in stock in accordance with the preceding subparagraph.
- (c) Prior to his Termination Date, a Participant who is vested may elect to withdraw that portion of his Entenmann's balance attributable to after-tax basic contributions and Company contributions (including the earnings and appreciation thereon). Amounts withdrawn by a Participant pursuant to this subparagraph shall be distributed to him in the following order and in cash or in stock in accordance with the preceding subparagraphs:
- (i) All or a portion of his Entenmann's balance attributable to such after-tax basic contributions. A Participant may make two withdrawals from his Entenmann's balance attributable to such after-tax basic contributions. The minimum amount of any withdrawal is the lesser of \$500 or his Entenmann's balance attributable to such after-tax basic contributions. However, a Participant's second withdrawal must be of his entire Entenmann's balance (except for that part of his Entenmann's balance attributable to before-tax basic contributions). Notwithstanding any other provision of the Plan, any Participant who makes a second withdrawal of his after-tax basic contributions pursuant to this subsection shall be suspended from making Before-Tax Contributions and After-Tax Contributions and may not resume any such contributions until the first day of any month which is at least 12 months after the day on which he discontinued such contributions.
- (ii) If he has withdrawn the maximum amount permitted under (a), all or a portion of his Entenmann's balance attributable to such Company contributions provided, however, that the minimum amount which a

Participant may elect to have distributed to him pursuant to this subparagraph shall be \$1,000 or the balance in his Company contribution account, whichever is less.

- (d) The value of a Participant's Entenmann's balance distributed pursuant to this paragraph shall be determined as of the Valuation Date next following receipt by the Committee of notice of such election.
- (e) The value of a Participant's Entenmann's balance in his Account which is forfeited shall be applied to reduce Employer contributions.
- (f) At any time during his employment, a Participant may withdraw the total value of his Rollover Contributions and the earnings and appreciation thereon.

The Participant will not be required to discontinue contributions to the Plan for any period of time on account of a withdrawal of the value of Rollover Contributions.

SUPPLEMENT M

KRAFT FOODS THRIFT PLAN
Special Benefit Schedule for Former Participants in the
Freihofer Savings and Profit Sharing Plan

Pursuant to subsection 1.12, this Supplement M is made a part of the Plan as of the Effective Date set forth below and supersedes any provisions of the Plan which are not consistent with this Supplement M.

- (1) **Participating Group:** This Supplement M modifies and supplements the provisions of the Plan in connection with the participation in the Plan of employees of the Charles Freihofer Baking Company, Inc. (Freihofer), and in connection with the merger into the Plan of the Charles Freihofer Baking Company, Inc. Savings and Profit Sharing Plan (the "Freihofer Plan"). For purposes of this Supplement M, the term "Freihofer Participants" means those Participants in the Plan who immediately prior to the Effective Date were participants in the Freihofer Plan and who had benefits from such plan transferred to this Plan.
- (2) **Effective Date:** January 1, 1995.
- (3) **Eligibility:** A Freihofer Participant shall become a Participant in the Plan on the Effective Date. Any other employee of Freihofer shall become eligible to participate in the Plan on the later of the Effective Date or the date such employee would otherwise become eligible to participate in accordance with the provisions of Section 2 of the Plan.
- (4) **Merger of Plans:** The Freihofer Plan shall be merged with and into the Plan effective January 1, 1995, and the assets and liabilities of the Freihofer Plan shall become the assets and liabilities of the Plan effective with the merger, in accordance with Section 414(1) of the Code. Effective with the date of the merger, the provisions of the Plan shall apply to the transferred account balances from the Freihofer Plan, with the modifications set forth below.
- (5) **Vesting in Transferred Amounts:** A Freihofer Participant's vested interest in his sub-account balance attributable to his transferred account balance from the Freihofer Plan shall be determined by applying the Plan's vesting schedule under subsection 9.1 to the vesting service credited under the Freihofer Plan prior to the Effective Date, provided that a Freihofer Participant's subaccount balance shall be at least 50% vested at all times.
- (6) **Special Withdrawal Provision:** The provisions of this paragraph 6 shall apply only with respect to that portion of a Freihofer Participant's benefit which is attributable to amounts transferred to this Plan from the Freihofer Plan.

Notwithstanding the provisions of subsection 10.2, a Freihofer Participant may withdraw any voluntary after-tax contributions made to the Freihofer Plan and any earnings allocable thereto, until November 1, 1999 subject to a minimum withdrawal of \$300.

SUPPLEMENT N

KRAFT FOODS THRIFT PLAN

Kraft Foods Inc. Common Stock

This Supplement N has an effective date of October 3, 2001 (or such other date as approved by the Vice President Benefits of the Company). All references in the Plan to "Kraft Foods, Inc." or the "Company" shall be a reference to "Kraft Foods North America, Inc." In addition, Section 6.1 of the Plan is amended and restated to read as follows:

6.1 Investment Funds and Loan Account. The Investment Committee shall establish and cause the Trustee to maintain one or more "Investment Funds" for the investment of Participants' Accounts, including one or more Investment Funds that invest in the common stock of a corporation that is a member of the controlled group of corporations (as defined under Section 414(b) of the Code) that includes the Company. The Investment Committee shall also cause the Trustee to maintain a "Loan Account" to reflect any loans to Participants pursuant to subsection 10.1. The Investment Committee in its discretion may change the Investment Strategy of any Investment Fund without prior notice to Participants.

KRAFT FOODS TIP PLAN

(Second Amendment and Restatement
Effective As of May 12, 1997)

Mayer, Brown & Platt
Chicago

I, Jill Youman, Secretary of the Management Committee for Employee Benefits ("MCEB"), hereby certify that I have approved the form of the document attached hereto and that such document is a full, true and complete copy of the Kraft Foods TIP Plan, as amended through the date hereof. I hereby further certify that Supplement C to the Kraft Foods TIP Plan was adopted by unanimous written consent of MCEB dated August 27, 2001.

Dated this 24th day of September, 2001.

/s/ Jill Youman

Secretary as Aforesaid

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KRAFT FOODS TIP PLAN

(Second Amendment and Restatement
Effective As of May 12, 1997)

SECTION 1

General

1.1 History, Purpose and Effective Date. Kraft Foods, Inc., a Delaware corporation (the "Company"), maintains the Kraft Foods TIP Plan (the "Plan"), formerly known as the General Foods Employee Thrift-Investment Plan, to encourage eligible employees to save a portion of their earnings on a regular basis and to accumulate capital for their future economic security. The Plan was amended and restated effective May 12, 1997. The following provisions constitute a second amendment, restatement and continuation of the Plan as in effect immediately prior to May 12, 1997, the "Effective Date" of the Plan as set forth herein. To the extent that any provision of the Plan as set forth herein specifically provides for an effective date other than May 12, 1997, such provision will constitute an amendment of the Plan as in effect on such date and, if such special effective date is later than the general Effective Date, the applicable provision of the Plan as in effect immediately prior to the Effective Date will continue to govern until such special effective date. The Plan is intended to qualify as a profit sharing plan under section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is further intended to include a qualified cash or deferred arrangement under section 401(k) of the Code.

1.2 Related Companies and Employers. The term "Related Company" means any corporation or trade or business during any period during which it is, along with the Company, a member of a controlled group of corporations or a controlled group of trades or businesses, as described in sections 414(b) and 414(c), respectively, of the Code. The Company and each Related Company which adopts the Plan with the consent of the Management Committee for Employee Benefits (the "Committee") are referred to below collectively as the "Employers" and individually as an "Employer".

1.3 Plan Administration, Trust and Fiduciary Responsibility. The authority to control and manage the non-investment operations of the Plan is vested in the Committee, as more fully described in subsection 13.1. Except as otherwise expressly provided herein, the Committee shall have the rights, duties and obligations of an "administrator" as that term is defined in section 3(16)(A) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and of a "plan administrator" as that term is defined in section 414(g) of the Code. With respect to the Plan's funding and the investment of its assets, the Corporate Employee Plans Investment Committee of Philip Morris Companies Inc. (the "Investment Committee") has the authority and responsibility to appoint or select trustees, custodians, investment managers and insurance companies to handle Plan assets and to allocate assets to each of them, to determine the advisability of establishing or modifying the description of any Investment Fund (as defined in subsection 6.1) made available under the Plan, to establish investment guidelines, proxy voting policies and securities trading procedures, and to monitor the investment

performance of the fiduciaries responsible for the investment of Plan assets. The Committee and the Investment Committee are collectively referred to as the "Committees". The Company and the Committees shall be "named fiduciaries", as described in section 402 of ERISA, with respect to their authority under the Plan. All assets of the Plan will be held, managed and controlled by one or more trustees (the "Trustee") acting under a "Trust" established pursuant to a "Trust Agreement" which forms a part of the Plan. As of the Effective Date, the assets of the Plan are held under the Kraft General Foods Master Defined Contribution Trust established pursuant to the Master Savings Plan Trust Agreement by and between the Corporate Employee Plans Investment Committee of Philip Morris Companies Inc., Philip Morris Companies Inc. and Bankers Trust Company, Trustee, dated as of April 1, 1992, as the same may be amended from time to time.

1.4 Plan Year. The term "Plan Year" means the twelve-consecutive-month period beginning on each January 1 and ending on the following December 31.

1.5 Accounting Dates. The term "Accounting Date" means each business day as determined by the Committee in its sole discretion.

1.6 Applicable Laws. The Plan shall be construed and administered in accordance with the internal laws of the State of Illinois to the extent that such laws are not preempted by the laws of the United States of America.

1.7 Gender and Number. Where the context permits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

1.8 Notices. Any notice or document required to be filed with the Committee under the Plan will be properly filed if delivered or mailed by registered mail, postage prepaid, to the Committee (or its delegate), in care of the Company, at its principal executive offices. Any notice required under the Plan may be waived by the person entitled to notice.

1.9 Form of Election and Signature. Unless otherwise specified herein, any election or consent permitted or required to be made or given by any Participant or other person entitled to benefits under the Plan, and any permitted modification or revocation thereof, shall be made in writing or shall be given by means of such telephone voice response system as the Committee may designate from time to time as the vehicle(s) for executing regular transactions under the Plan (referred to generally herein as the "Access System"). Each Participant shall have a personal identification number or "PIN" for purposes of executing transactions through the Access System and shall be required to complete a signature authorization form, and entry by a Participant of his PIN shall constitute his valid signature for purposes of any transaction the Committee determines should be executed by means of the Access System, including but not limited to enrolling in the Plan, electing contribution rates, making investment choices, executing loan documents, and consenting to a withdrawal or distribution. Any election made through the Access System shall be considered submitted to the Committee on the date it is electronically transmitted.

1.10 Evidence. Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

1.11 Action by Employers. Any action required or permitted to be taken by any Employer which is a corporation shall be by resolution of its Board of Directors or a duly authorized committee thereof, or by a duly authorized officer of the Employer. Any action required or permitted to be taken by any Employer which is a partnership shall be by a general partner of such partnership or by a duly authorized officer thereof.

1.12 Plan Supplements. The provisions of the Plan as applied to any Employer or any group of employees of any Employer may be modified or supplemented from time to time by the Committee by the adoption of one or more Supplements. Each Supplement shall form a part of the Plan as of the Supplement's effective date. In the event of any inconsistency between a Supplement and the Plan document, the terms of the Supplement shall govern.

1.13 Defined Terms. Terms used frequently with the same meaning are defined throughout the Plan in boldface. The Index of Defined Terms contains an alphabetical listing of all such terms and the subsections in which they are defined.

1.14 Compliance With USERRA. Notwithstanding any provisions of the Plan to the contrary, contributions and benefits with respect to qualified military service will be provided in accordance with section 414(u) of the Code.

SECTION 2

Participation in Plan

2.1 Eligibility for Participation. Participation in the Plan is entirely voluntary. An eligible employee who elects to participate (a "Participant") shall commence participation on the date determined under subsection 2.2. Subject to the conditions and limitations of the Plan, each individual who was a Participant in the Plan immediately prior to the Effective Date will continue as such on and after that date, and each other employee of an Employer who was not a Participant immediately prior to the Effective Date will be eligible to participate in the Plan upon meeting the following eligibility requirements:

- (a) he has completed one Year of Service (as defined in subsection 3.1);
- (b) contributions are not being made on his behalf to another defined contribution plan intended to be qualified under section 401(a) of the Code that is sponsored by an Employer or a Related Company;
- (c) he is a member of a collective bargaining unit as to which retirement benefits have been the subject of good faith bargaining, and the Plan has been extended to the collective bargaining unit under a currently effective collective bargaining agreement; and

- (d) he does not perform services for an Employer under a contract, agreement or arrangement that purports to treat him as either an independent contractor or the employee of a leasing organization, agency, vendor or any other third-party, even if he is subsequently determined (by judicial action or otherwise) to have instead been a common law employee of such Employer.

Notwithstanding the foregoing provisions of this subsection 2.1, if an individual is employed or reemployed by an Employer on or after the date on which he first completes one Year of Service, he shall be eligible to become a Participant in the Plan on the first day on which he meets the requirements of paragraphs (b) and (c) of this subsection 2.1.

2.2 Commencement of Participation. Each employee eligible to participate in the Plan is required to make an election to participate prior to his commencement of participation in the Plan. Employees who first satisfy the Plan's eligibility requirements on any day during the calendar month of April 1997 may elect to commence participation in the Plan effective as of April 1, 1997. Any eligible employee who does not properly elect to commence participation in the Plan effective on or before April 1, 1997, under the enrollment procedures established by the Committee, may not later elect to commence participation in the Plan until May 12, 1997 or any day thereafter. Employees who first satisfy the Plan's eligibility requirements on or after May 1, 1997, and prior to May 12, 1997, may elect to commence participation in the Plan on May 12, 1997 or any day thereafter. Effective May 12, 1997, an employee may elect to commence participation in the Plan on the first day following the date he has satisfied the eligibility requirements set forth in subsection 2.1, and if an eligible employee does not properly elect to commence participation on such date, he may commence his participation on any day thereafter.

2.3 Inactive Participation. If an individual ceases to meet the eligibility requirements of subsection 2.1, such individual shall be considered an inactive Participant in the Plan as long as any amount is credited to his Account under the Plan, and:

- (a) no contributions shall be made by or for him under Section 4 or Section 5;
- (b) he may not make a withdrawal under Section 10 after he ceases to be an employee of an Employer or a Related Company.

2.4 Plan Not Contract of Employment. The Plan does not constitute a contract of employment, and participation in the Plan will not give any employee or Participant the right to be retained in the employ of any Employer nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan.

SECTION 3

Service

3.1 Years of Service. For purposes of Section 2, an employee's "Years of Service" means:

- (a) With respect to any full-time employee, the aggregate of all time periods commencing on the employee's first day of employment or reemployment and ending on the day he commences a One Year Break in Service (as defined in subsection 3.3). An employee's first day of employment or reemployment is the first day for which he is credited with an Hour of Service (as defined in subsection 3.2).
- (b) With respect to any part-time or seasonal employee, each Computation Period (as defined in the next sentence) during which he completes at least 1,000 Hours of Service. A "Computation Period" is the initial 12-consecutive-month period commencing on the date an employee is first credited with an Hour of Service, and each Plan Year commencing with the first Plan Year which begins on or after the date he is first credited with an Hour of Service. An individual who completes at least 1,000 Hours of Service during his first Computation Period will be eligible to begin participating in the Plan on the day following the end of such Computation Period; an individual who first completes 1,000 Hours of Service in a subsequent Computation Period will be eligible to begin participating in the Plan on the day following the day in which he worked his 1,000th Hour of Service.

For purposes of this Section 3, a "full-time employee" is an employee who is regularly scheduled to work at least 1,000 hours in a calendar year, and a "part-time or seasonal employee" is an employee who is scheduled to work for fewer than 1,000 hours in a calendar year.

3.2 Hour of Service. The term "Hour of Service" means, with respect to any employee, each hour for which he is paid or entitled to payment for the performance of duties for an Employer or a Related Company or for which back pay, irrespective of mitigation of damages, has been awarded to the employee or agreed to by an Employer or a Related Company, subject to the following:

- (a) An employee or Participant shall be credited with the number of regularly scheduled working hours included in the time period on the basis of which payment to the Employee is calculated (or, if the number of such hours is not determinable, 8 Hours of Service per day (to a maximum of 40 Hours of Service per week)) for any period during which he performs no duties for an Employer or a Related Company (irrespective of whether the employment relationship has terminated) by reason of a vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty, or leave of absence but for which he is directly or indirectly paid or entitled to payment by an Employer or a Related Company. Payments considered for purposes of the foregoing sentence shall include payments unrelated to the length of the period during which no duties are performed but shall not include payments made solely as reimbursement for medically related expenses or solely for the purpose of complying with applicable workmen's compensation, unemployment compensation or disability insurance laws.

- (b) Hours of Service shall be calculated and credited pursuant to Department of Labor Regulation section 2530.200b-2, which is incorporated herein by reference.

3.3 One Year Break in Service. Except with respect to an employee whose absence from employment constitutes a Maternity or Paternity Absence, an approved leave of absence, qualified military service, or compensable physical disability incurred during employment service, the term "One Year Break in Service" means the 12-consecutive-month period commencing on the earlier of

- (a) the day an employee's employment with the Employers and Related Companies is terminated for any reason, or
- (b) in the event an employee remains absent from service with the Employers and Related Companies for any reason other than a quit, retirement, discharge or death, the first anniversary of the first day of such period of absence, if he is not paid or entitled to payment for the performance of duties for an Employer or a Related Company during that 12-consecutive-month period. An employee or Participant who is absent on an approved leave of absence for a period shorter than 12 months will commence a One Year Break in Service on the date of his scheduled return to work if he does not in fact return to work at the expiration of such leave. An employee or Participant who is absent on an approved leave of absence for a period of 12 months or more will commence a One Year Break in Service on the first anniversary of the first day of such leave if he does not return to work at the scheduled expiration of such leave. An individual who is absent because of service in the U.S. Armed Forces will begin a One Year Break in Service on the 91st day following his discharge from military service, if he does not return to work within 90 days of such discharge. With respect to an individual whose absence from employment constitutes a Maternity or Paternity Absence, a One Year Break in Service will commence on the second anniversary of the first day of such absence, and the period between the first and second anniversaries of the first day of a Maternity or Paternity Absence shall not constitute a Year of Service. The term "Maternity or Paternity Absence" means an employee's or Participant's absence from active employment with an Employer or Related Company by reason of the employee's pregnancy, the birth of a child of the employee, the placement of a child with the employee in connection with the employee's adoption of such child, or for purposes of caring for such child immediately after its birth or placement. The Committee may require the employee or Participant to furnish such information as it considers necessary to establish that such individual's absence was a Maternity or Paternity Absence. With respect to an individual whose absence from employment is on account of a compensable physical disability incurred during employment service, each year of such absence shall not constitute a One Year Break in Service if such individual recommences employment service within 30 days after the termination of the period for which statutory compensation for such disability was payable, or if such individual attains age 65 while on paid disability leave.

3.4 Service With Philip Morris Affiliates and Predecessor Employers. For purposes of Section 3 and subsection 9.1, service with a Subsidiary or a Predecessor Employer shall be counted in the same manner as if such entity were a Related Company. A "Subsidiary" is any corporation in which Philip Morris Companies Inc. owns (directly or indirectly) more than 50% of the outstanding voting stock. "Predecessor Employer" means a corporation or business which has been merged into or consolidated with, or all or substantially all of its assets acquired by, a Related Company or a Subsidiary.

3.5 Qualified Military Service. Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with section 414(u) of the Code.

SECTION 4

Before-Tax, After-Tax and Rollover Contributions

4.1 Before-Tax Contributions. Subject to the limitations set forth in subsections 4.3 and 4.7 and Section 8 and such additional rules as the Committee may establish on a uniform and nondiscriminatory basis, for any payroll period a Participant may elect to have his salary or wages from his Employer reduced by a whole percentage, and a corresponding amount contributed on his behalf to the Plan by his Employer as a "Before-Tax Contribution." Such amount shall not be less than 1 percent nor more than 10 percent of his Eligible Compensation (as defined in subsection 4.6), but shall be limited to 6% with respect to Eligible Compensation in excess of \$15,000. Any election made pursuant to this subsection 4.1 shall be effective as soon as practicable after the Participant has made his election in accordance with applicable Access System procedures.

4.2 After-Tax Contributions. Subject to the limitations set forth in subsections 4.3 and 4.7 and Section 8 and such additional rules as the Committee may establish on a uniform and nondiscriminatory basis, for any payroll period a Participant may elect to make "After-Tax Contributions" to the Plan through payroll deduction in a whole percentage that is not less than 1 percent nor more than 10 percent of his Eligible Compensation (as defined in subsection 4.6), but shall be limited to 6% with respect to Eligible Compensation in excess of \$15,000. Any election made pursuant to this subsection 4.2 shall be effective as soon as practicable after the Participant has made his election in accordance with applicable Access System procedures.

4.3 Total Before-Tax and After-Tax Contributions. Notwithstanding the foregoing provisions of this Section 4, Before-Tax Contributions made on behalf of a Participant pursuant to subsection 4.1 and After-Tax Contributions made by such Participant pursuant to subsection 4.2 may not together exceed the maximum amount permitted under either such subsection.

4.4 Payment of Before-Tax and After-Tax Contributions. Before-Tax Contributions and After-Tax Contributions shall be made through periodic payroll deductions and shall be paid to the Trustee by the Employer on the earliest date on which such contributions can reasonably be segregated from the Employer's general assets, but not later than the 15th business day of the month following the month in which such amounts would otherwise have been payable to the

Participant. For Participants on a semi-monthly payroll, deductions shall be made from each payroll payment and for Participants on a weekly payroll, deductions shall be made 48 times during the Plan Year, but not more than 4 times during any calendar month.

4.5 Modification, Discontinuance and Resumption of Before-Tax or After-Tax Contributions. Subject to such rules and restrictions as the Committee may establish on a uniform and nondiscriminatory basis, a Participant may adjust his Before-Tax and/or After-Tax Contributions prospectively by entering into the Access System, prior to the time such change is to be effective, an election to make any of the changes listed below:

- (a) Change his Before-Tax and/or After-Tax Contribution rates within the limits specified above.
- (b) Discontinue making Before-Tax and/or After-Tax Contributions.
- (c) Resume making Before-Tax and/or After-Tax Contributions.

4.6 Eligible Compensation. A Participant's "Eligible Compensation" for any Plan Year shall mean his annual base wage or salary rate of pay as in effect on September 30 of the preceding Plan Year, plus any amounts contributed by an Employer pursuant to a salary reduction agreement and which is not includable in gross income under section 125, 402(e)(3), 402(h) or 403(b) of the Code, but it shall not include shift differentials, overtime or other premium pay, or bonus, incentive or other extra compensation.

4.7 Limitation on Compensation Taken Into Account For Any Plan Year. Notwithstanding any other provision of the Plan to the contrary, the amount of Eligible Compensation that may be taken into account under the Plan for any Plan Year for purposes of applying the limitations of this Section 4 and Section 5 shall not exceed the maximum amount permitted for the Plan Year under section 401(a)(17) of the Code.

4.8 Rollover Contributions. A Participant or an employee who meets the eligibility requirements of subsection 2.1 (without regard to paragraph (a) thereof) may make a Rollover Contribution (as defined below) to the Plan, subject to the determination of the Committee that such rollover satisfies the requirements of this subsection 4.8. Before approving a rollover, the Committee may request from the Participant or employee any documents or opinion of counsel which the Committee, in its discretion, deems necessary. The term "Rollover Contribution" means a rollover contribution of all or part of a distribution which, under applicable provisions of the Code, is permitted to be rolled over to a qualified plan. In no event shall a Participant or employee be permitted to make a rollover contribution of any amounts previously contributed to another plan by the Participant on an after-tax basis. If an employee who is not otherwise a Participant makes a Rollover Contribution to the Plan, he shall be treated as a Participant only with respect to his Rollover Account (defined in subsection 7.1) until he has met all of the requirements for Plan participation set forth in subsections 2.1 and 2.2.

SECTION 5

Matching Contributions

5.1 Matching Contributions. Subject to the conditions and limitations of subsection 4.7 and Section 8, for each payroll period during a Plan Year an Employer shall contribute to the Plan on behalf of each Participant employed by such Employer an amount equal to 45 percent of the Before-Tax and After-Tax Contributions made by and on behalf of the Participant. Any contribution made pursuant to this subsection 5.1 shall be referred to hereinafter as a "Matching Contribution".

5.2 Limitations on Amount of Employer Contributions. In no event shall the sum of any Before-Tax Contributions and Matching Contributions made by an Employer for any Plan Year exceed the limitations imposed by section 404 of the Code on the maximum amount deductible on account thereof by the Employer for that year.

5.3 Payment of Employer Contributions. Matching Contributions under the Plan for any Plan Year shall be paid to the Trustee, without interest, no later than the time prescribed by law for filing the Employer's federal income tax return, including any extensions thereof.

SECTION 6

Investment of the Trust Fund

6.1 Investment Funds and Loan Account. The Investment Committee shall establish and cause the Trustee to maintain one or more "Investment Funds" for the investment of Participants' Accounts, which may include an Investment Fund (the "Philip Morris Stock Fund") which is intended to be invested primarily in the common stock of Philip Morris Companies Inc. (the "Common Stock"). The Investment Committee shall also cause the Trustee to maintain a "Loan Account" to reflect any loans to Participants pursuant to subsection 10.1. The Investment Committee in its discretion may add additional Investment Funds, may delete any Investment Fund or may change the investment strategy of any Investment Fund without prior notice to Participants.

6.2 Loan Account and Investment Fund Accounting. The Committee shall maintain or cause to be maintained a separate subaccount for each Participant in each of the Investment Funds and in the Loan Account to separately reflect his interests in each such Fund or in the Loan Account and the portion thereof that is attributable to each of his Accounts.

6.3 Investment Fund Elections. At the time that a Participant enrolls in the Plan or makes a Rollover Contribution he may specify the percentage of contributions subsequently credited to his Accounts that are to be invested in each of the Investment Funds. Any such investment direction shall be deemed to be a continuing direction until changed. During any period in which no such direction has been given in accordance with rules established by the Investment Committee, contributions credited to a Participant shall be invested in the Investment Funds as determined by the Investment Committee. A Participant may modify his investment direction prospectively by entering into the Access System his election to do so prior to the

effective time of the change in accordance with uniform rules established by the Committee. Subject to uniform procedures established by the Committee, a Participant may make one investment election with respect to future contributions allocated to his Before-Tax, After-Tax and Rollover Accounts, and a separate investment fund election with respect to future contributions allocated to his Matching Account.

6.4 Transfers Between Investment Funds. Subject to uniform rules established by the Committee, each Participant may prospectively elect to re-allocate the investment of his Accounts among the Investment Funds then made available to him. Any such election shall be made by entering it into the Access System prior to the time it is to be effective in accordance with uniform rules established by the Committee. One investment fund re-allocation election may be made with respect to a Participant's Before-Tax, After-Tax and Rollover Accounts, and a separate investment fund re-allocation election may be made with respect to a Participant's Matching Account. Notwithstanding the foregoing, if a Participant terminates employment before he is fully vested in his Accounts, and forfeiture of the non-vested portion of his Accounts is delayed pending distribution of the vested portion, such non-vested portion shall be invested in accordance with rules established by the Committee to minimize the risk of loss, and shall not be subject to the investment direction of the Participant.

SECTION 7

Plan Accounting

7.1 Participants' Accounts. The Committee shall maintain the following "Accounts" in the name of each Participant:

- (a) a "Matching Account," which shall reflect:
 - (i) Matching Contributions, if any, made on his behalf and the income, losses, appreciation and depreciation attributable thereto; and
 - (ii) any amounts transferred to the Plan from the General Foods Employee Stock Ownership Plan (the ESOP) upon termination of the ESOP in September 1988 and the income, losses, appreciation and depreciation attributable thereto;
- (b) a "Before-Tax Account," which shall reflect Before-Tax Contributions, if any, made on his behalf and the income, losses, appreciation and depreciation attributable thereto;
- (c) an "After-Tax Account," which shall reflect After-Tax contributions, if any, made by the Participant and the income, losses, appreciation and depreciation attributable thereto; and
- (d) a "Rollover Account," which shall reflect Rollover Contributions, if any, made by him and the income, losses, appreciation and depreciation attributable thereto.

In addition, the Committee may maintain subaccounts within any of a Participant's Accounts to reflect portions of the Account that are subject to special withdrawal or distribution rights or are otherwise subject to special rules. The Accounts and subaccounts provided for in this subsection 7.1 shall be for accounting purposes only, and there shall be no segregation of assets within the Investment Funds or the Loan Account among the separate Accounts. Reference to the "balance" in a Participant's Accounts means the aggregate of the balances in the subaccount maintained in the Investment Funds and Loan Account attributable to those Accounts.

7.2 Allocation of Fund Earnings and Changes in Value. Subject to the last sentence of this subsection, as of each Accounting Date, interest, dividends and changes in value in each Investment Fund since the preceding Account Date shall be allocated to each Participant's subaccount invested in such Investment Fund by adjusting upward or downward the balance of his subaccount invested in such Investment Fund in the ratio which the subaccount of such Participant invested in such Investment Fund bears to the total of the subaccount of all Participants invested in such Investment Fund as of such Accounting Date, excluding therefrom, for purposes of this allocation only, all Before-Tax, After-Tax, Matching and Rollover Contributions received since the preceding Accounting Date, so that the total of the subaccount of all Participants in each Investment Fund shall equal the total value of such fund (exclusive of such contributions) in accordance with uniform procedures consistently applied. Notwithstanding the fact that the Plan shall use a daily valuation system, which generally means that Participants' Accounts will be updated each Accounting Date to reflect activity for that day, such as new contributions received by the Trustee, changes in Participants' investment elections, and changes in the unit value of the Investments Funds, events may occur that cause an interruption in the process affecting a single Participant or a group of Participants. Neither the Employers, the Trustee nor the Plan guarantee that any given transaction will be processed on the anticipated day.

The Investment Committee, in its discretion, may establish special rules for valuing any Investment Fund invested primarily in stock of the Company or a Related Company, to address the possibility of unusually high trading volume or a temporary suspension of trading in such stock. Such rules may set forth the circumstances under which transfers out of such Investment Fund will be valued using either the closing price on the applicable day on the New York Stock Exchange, a composite price listed in the Wall Street Journal, or a weighted average selling price.

7.3 Allocation and Crediting of Contributions. Subject to the provisions of Section 8, Before-Tax, After-Tax, Matching and Rollover Contributions made on behalf of a Participant for any payroll period shall be credited to that Participant's appropriate Accounts as of the Accounting Date coinciding with or immediately following the last day of such payroll period. Notwithstanding the foregoing, unless the Committee establishes uniform rules to the contrary, contributions made to the Plan shall share in the gains and losses of the Investment Funds only when actually made to the Trustee.

7.4 Correction of Error. In the event of an error in the adjustment of a Participant's Accounts, the Committee, in its sole discretion, may correct such error by either crediting or charging the adjustment required to make such correction to or against income and expenses of the Trust for the Plan Year in which the correction is made or the Employer may make an

additional contribution to permit correction of the error. Except as provided in this subsection 7.4, the Accounts of other Participants shall not be readjusted on account of such error.

7.5 Statement of Plan Interest. As soon as practicable after the last day of each Plan Year and at such other intervals as the Committee may determine, the Committee shall provide each Participant with a statement reflecting the balances of his Accounts. Each Participant is responsible for reviewing his statement and any Participant who discovers an error shall bring it to the attention of the Committee within 90 days of receipt of the statement. If a Participant does not bring errors in his statement to the attention of the Committee within 90 days of receipt of his statement, the Participant will be deemed to have confirmed the accuracy of the statement.

SECTION 8

Limitations on Compensation, Contributions and Allocations

8.1 Reduction of Contribution Rates. To conform the operation of the Plan to sections 401(a)(4), 401(k)(3), 402(g) and 415(c) of the Code, the Committee may establish limits on the Before-Tax and After-Tax Contribution rates that may be elected by Participants, may unilaterally modify or revoke any Before-Tax or After-Tax Contribution election made by a Participant pursuant to subsections 4.1 and 4.2, and may reduce the level of Matching Contributions (even to zero) allocable to any Participant pursuant to subsection 5.1.

8.2 Compensation for Limitation/Testing Purposes. "COMPENSATION" for purposes of this Section 8 shall mean:

- (a) the Participant's wages, salary, commissions, bonuses and other amounts received (in cash or kind) during the Plan Year from any Employer or Related Company for personal services actually rendered in the course of employment and includable in gross income, including taxable fringe and welfare benefits, non-qualified stock options taxable in the year of grant, amounts taxable under a section 83(b) election and nondeductible moving expenses, but excluding distributions from any deferred compensation plan (qualified or non-qualified), amounts realized from the exercise of (or disposition of stock acquired under) any non-qualified stock option or other benefits given special tax treatment and lump sum severance pay, all as defined in Treas. Reg. Section 1.415-2(d)(2), plus,
- (b) any amounts contributed on the Participant's behalf for the Plan Year to a plan sponsored by an Employer or Related Company pursuant to a salary reduction agreement which are not includable in gross income under sections 125, 402(e)(3), 402(h) or 403(b) of the Code,

up to the maximum limit for that Plan Year under Code section 401(a)(17).

8.3 Limitations on Annual Additions. Notwithstanding any other provisions of the Plan to the contrary, a Participant's Annual Additions (as defined below) for any Plan Year shall not exceed an amount equal to the lesser of:

- (a) \$30,000; or
- (b) 25 percent of the Participant's Compensation for that Plan Year, determined without regard to clause (b) of subsection 8.2 for Plan Years beginning prior to January 1, 1998, and calculated as if each Section 415 Affiliate (defined below) were a Related Company,

reduced by any Annual Additions for the Participant for the Plan Year under any other defined contribution plan of an Employer or a Related Company or Section 415 Affiliate, provided that, if any other such plan has a similar provision, the reduction shall be pro rata. The term "Annual Additions" means, with respect to any Participant for any Plan Year, the sum of all contributions allocated to a Participant's Accounts under the Plan for such year, excluding any Before-Tax Contributions that are distributed as excess deferrals in accordance with subsection 8.6, but including any Before-Tax Contributions treated as excess contributions under subsection 8.8. The term Annual Additions shall also include, solely with respect to the dollar limit in (a) above, employer contributions allocated for a Plan Year to any individual medical account (as defined in section 415(1) of the Code) of a Participant and any amount allocated for a Plan Year to the separate account of a Participant for payment of post-retirement medical benefits under a funded welfare benefit plan (as described in section 419A (d)(2) of the Code), which is maintained by an Employer or a Related Company or Section 415 Affiliate. "Section 415 Affiliate" means any entity that would be a Related Company if the ownership test of section 414 of the Code was "more than 50%" rather than "at least 80%".

8.4 Excess Annual Additions. If, as a result of a reasonable error in estimating a Participant's Compensation, a reasonable error in determining the amount of Before-Tax Contributions that may be made with respect to a Participant under the limits of section 415 of the Code or such other mitigating circumstances as the Commissioner of Internal Revenue shall prescribe, the Annual Additions for a Participant for a Plan Year exceed the limitations set forth in subsection 8.3, the excess amounts shall be treated, as necessary, in accordance with Treas. Reg. Section 1.415-6(b)(6)(ii), after any After-Tax Contributions, and then any Before-Tax Contributions, and any income, losses, appreciation or depreciation attributable to the foregoing, are first returned to the Participant to reduce the excess amount.

8.5 Combined Plan Limitation. If a Participant also participates in any defined benefit plan (as defined in section 415(k) of the Code) maintained by an Employer or a Related Company or Section 415 Affiliate, the aggregate benefits payable to, or on account of, the Participant under such plan together with this Plan will be determined in a manner consistent with section 415(e) of the Code, to the extent then applicable. The benefit provided for the Participant under the defined benefit plan shall be adjusted to the extent necessary so that the sum of the "defined benefit fraction" and the "defined contribution fraction" (as such terms are defined in section 415(e) of the Code and applicable regulations thereunder) calculated with regard to such Participant does not exceed 1.0. For purposes of this subsection 8.5, all qualified defined benefit plans (whether or not terminated) of the Employers, Related Companies and Section 415 Affiliates shall be treated as one defined benefit plan. The provisions of this subsection 8.5 shall not apply to Plan Years beginning after December 31, 1999.

8.6 Annual Dollar Limitation. In no event shall the Before-Tax Contributions for a Participant under the Plan and any other elective deferrals (as defined in section 402(g)(3) of the Code) under any other cash-or-deferred arrangement maintained by an Employer or a Related Company for any taxable year exceed \$9,500 or such other amount as may be permitted under section 402(g) of the Code. If during any taxable year a Participant is also a participant in any other cash-or-deferred arrangement, and if his elective deferrals made under such other arrangements together with his Before-Tax Contributions made under the Plan exceed the maximum amount permitted for the Participant for that year under section 402(g) of the Code, the Participant, not later than March 1 following the close of such taxable year, may request the Committee to direct the Trustee to distribute all or a portion of such excess to him, with any gains or losses allocable thereto for that Plan Year determined in accordance with any reasonable method adopted by the Committee for that Plan Year that either (i) conforms to the accounting provisions of Section 7 and is consistently applied to the distribution of excess contributions under this subsection 8.6 and subsection 8.8 to all affected Participants, or (ii) satisfies any alternative method set forth in applicable Treasury regulations. Any such request shall be in writing and shall include adequate proof of the existence of such excess, as determined by the Committee in its sole discretion. If the Committee is so notified, such excess amount shall be distributed to the Participant no later than the April 15 following the close of the Participant's taxable year. In addition, if the applicable limitation for a Plan Year happens to be exceeded with respect to this Plan alone, or this Plan and another plan or plans of the Employers and Related Companies, the Committee shall direct such excess Before-Tax Contributions (with allocable gains or losses) to be distributed to the Participant as soon as practicable after the Committee is notified of the excess deferrals by the Company, an Employer or the Participant, or otherwise discovers the error (but no later than the April 15 following the close of the Participant's taxable year). Notwithstanding the foregoing provisions of this subsection 8.6, the dollar amount of any distribution due hereunder shall be reduced by the dollar amount of any Before-Tax Contributions previously distributed to the same Participant pursuant to subsection 8.8, provided, however, that for purposes of subsections 8.3 and 8.7, the correction under this subsection 8.6 shall be deemed to have occurred before the correction under subsection 8.8.

8.7 Section 401(k)(3) Testing. For any Plan Year beginning after December 31, 1996, the amount by which the average of the Deferral Percentages (as defined below) for the Plan Year for the group of eligible employees who are Highly Compensated (the "Highly Compensated Group Deferral Percentage") exceeds the average of the Deferral Percentages for the same Plan Year for the group of eligible employees who are not Highly Compensated (the "Non-highly Compensated Group Deferral Percentage"), shall be less than or equal to either (i) a factor of 1.25 or (ii) both a factor of 2 and a difference of 2. The "Deferral Percentage" for any eligible employee for a Plan Year shall be determined by dividing his Before-Tax Contributions for that Plan Year by his Compensation for that Plan Year, subject to the following special rules:

- (a) any employee eligible to participate in the Plan at any time during a Plan Year in accordance with subsection 2.1 (without regard to any suspension imposed by any other provision hereunder) shall be counted, whether or not any Before-Tax Contributions are made on his behalf for the year;

- (b) the Deferral Percentage for any Highly Compensated Participant who is eligible to participate in the Plan and who is also eligible to make elective deferrals under one or more other arrangements described in section 401(k) of the Code that are maintained by an Employer or a Related Company for a plan year that ends with or within the same calendar year as the Plan Year (other than a plan subject to mandatory disaggregation under applicable Treasury regulations) shall be determined as if all of such elective deferrals were made on his behalf under the Plan;
- (c) excess Before-Tax Contributions distributed to a Participant under subsection 8.6 shall be counted in determining such Participant's Deferral Percentage, except in the case of a distribution to a non-Highly Compensated Participant required to comply with section 401(a)(30) of the Code; and
- (d) all collective bargaining units shall be treated as a single collective bargaining unit, and separate testing of each collective bargaining unit shall not be required under this subsection 8.7.

Application of the provisions of this subsection 8.7 shall be made in accordance with the requirements of section 401(k)(3) of the Code and applicable regulations thereunder.

8.8 Correction Under Section 401(k) Test. In the event that the Highly Compensated Group Deferral Percentage for any Plan Year does not initially satisfy one of the tests referred to in subsection 8.7, the Committee shall direct the Trustee to distribute the Excess Contributions (as defined below) for such year, with any gains or losses allocable thereto for that Plan Year. The "Excess Contributions" for any Plan Year shall mean the excess of the aggregate amount of Before-Tax Contributions taken into account in computing the Deferral Percentages of Highly Compensated Participants for such year over the maximum amount of Before-Tax Contributions permitted under the test set forth in subsection 8.7. Distribution of the Excess Contributions for a Plan Year shall be made to Highly Compensated Participants on the basis of the amount of contributions made on behalf of each such Participant for such year beginning with those Highly Compensated Participants making the largest dollar amount of contributions, in the manner required under section 401(k)(8)(B) of the Code. The gain or loss allocable to Excess Contributions shall be determined in accordance with any reasonable method adopted by the Committee for that Plan Year that either (i) conforms to the accounting provisions of Section 7 and is consistently applied to making corrective distributions under this subsection 8.8 and subsections 8.6, 8.10 and 8.11 to all affected Participants or (ii) satisfies any alternative method set forth in applicable Treasury regulations. The amounts to be distributed to any Participant pursuant to this subsection 8.8 shall be reduced by the amount of any Before-Tax Contributions distributed to him for the taxable year ending with or within such Plan Year pursuant to subsection 8.6. The Committee shall take such actions and cause any distribution to be made no later than the close of the Plan Year following the Plan Year for which the Excess Contributions were made.

8.9 Highly Compensated. For years beginning after December 31, 1996, an active employee (that is, an employee who performs services for the Employer or any Related Company during the year in question) or Participant shall be "Highly Compensated" for any Plan Year if:

- (a) he was at any time during that Plan Year or the preceding Plan Year a 5 percent owner of an Employer or a Related Company; or
- (b) he received Compensation for the preceding Plan Year in excess of \$80,000 (indexed for cost-of-living adjustments under section 415(d) of the Code).

A former employee (that is, any employee who separated from service, or was deemed to have separated, prior to the year in question and who performs no services for the Employers and Related Companies during the year) shall be "Highly Compensated" if he was a Highly Compensated active employee for either the separation year or any Plan Year ending on or after his 55th birthday. Notwithstanding the foregoing provisions of this subsection 8.9, for any Plan Year the Committee may use any alternative definition of highly compensated permitted under section 414(q) of the Code and applicable regulations thereunder.

8.10 Forfeiture of "Orphaned" Matching Contributions. If Before-Tax Contributions are returned to a Highly Compensated Participant to satisfy the contribution limits of section 415(c) of the Code, the deferral limits of section 402(g) of the Code or the nondiscrimination requirements of section 401(k)(3) of the Code, any Matching Contributions allocable thereto shall be forfeited and used to reduce the amount of Employer contributions otherwise required to be made to the Plan.

SECTION 9

Vesting Service, Vesting and Termination Dates

9.1 Determination of Vesting Service and Vested Interest. A Participant at all times shall have a fully vested, nonforfeitable interest in his Before-Tax Account, After-Tax Account and Rollover Account. A Participant shall become vested in his Matching Account in accordance with the following schedule:

Completed Years of Service -----	Percent Vested -----
Less than 2	0%
2	25%
3	50%
4	75%
5	100%

For purposes of this subsection 9.1, a Participant's "Years of Service" will be computed in accordance with paragraph 3.1(a) and subsection 3.4 regardless of whether he is a full-time employee or a part-time or seasonal employee, provided that no part-time or seasonal employee shall have fewer Years of Service for purposes of this subsection 9.1 as of December 31, 1997

than he would have had under the method of computing vesting service applicable to him under the terms of the Plan as in effect on May 11, 1997. Notwithstanding the foregoing provisions of this subsection 9.1, if an employee or Participant terminates employment with the Employers and Related Companies when he does not have a vested right to any portion of his Matching Account under this subsection 9.1, and if the number of his consecutive One Year Breaks in Service equals or exceeds the greater of five (5) or the aggregate number of his Years of Service prior to the first such One Year Break in Service, then his Years of Service prior to such break shall be disregarded and, if he is later employed or reemployed by an Employer or a Related Company, he shall be considered a new employee for purposes of this subsection 9.1.

9.2 Accelerated Vesting. Notwithstanding the foregoing provisions of this Section 9, a Participant shall have a fully vested, nonforfeitable interest in all his Accounts when he attains age 55, dies or becomes permanently and totally disabled (as defined below) while employed by an Employer or a Related Company. In addition, in the event of the Plan's termination (in accordance with subsection 14.2) or partial termination (as determined under applicable law and regulations), or the complete discontinuance of Employer contributions to the Plan, each affected Participant shall be fully vested in all his Accounts. For purposes of this subsection 9.2, a Participant will be considered "permanently and totally disabled" if, on account of physical or mental disability, he no longer is capable of performing any job or position with his employer for which he is otherwise eligible or qualified, such disability continues for at least six (6) months, and it is demonstrated to the satisfaction of the Committee that such disability will be permanent and continuous for the remainder of his life. The Committee in its discretion may also determine that the Accounts of Participants affected by a divestiture, plant closing or termination of an operation shall be fully vested, even though such event does not constitute a partial termination.

9.3 Termination Date. If a Participant is terminated for any reason, his "Termination Date" generally will be the last day for which he is paid wages or salary for services performed for an Employer, unless he is terminated while on an unpaid leave of absence, in which case his Termination Date will be the day as of which he is notified of his termination or resigns (whichever is applicable).

9.4 Distribution of Before-Tax Account Only Upon Separation From Service. Notwithstanding any other provision of the Plan to the contrary, a Participant may not commence distribution of the portion of his Account attributable to his Before-Tax Contributions prior to the date he attains age 59-1/2, even though his employment with the Employers and Related Companies has terminated and he is otherwise eligible for a distribution under Section 11, unless or until he also has a "separation from service" within the meaning of section 401(k)(2)(B) of the Code. The foregoing restriction shall not apply, however, if the Participant's termination of employment occurs in connection with the sale by an Employer or a Related Company to an unrelated corporation of at least 85% of the assets of a trade or business or the disposition of its interest in a subsidiary to an unrelated entity that meets the requirements for distribution under applicable Treasury regulations.

SECTION 10

Loans and Withdrawals of Contributions While Employed

10.1 Loans to Participants. The Committee, upon request by a Participant who is an employee of an Employer or a Related Company (excluding any employee on layoff or a leave of absence without pay) or who is a "party in interest" with respect to the Plan (as such term is defined in section 3(14) of ERISA) may authorize a loan to be made to the Participant from his vested interest in the Trust Fund, subject to the following:

- (a) The minimum loan amount is \$1,000. No loan shall be made to a Participant if, immediately after such loan, the sum of the outstanding balances (including principal and interest) of all loans made to him under this Plan and under any other qualified retirement plans maintained by the Related Companies would exceed the lesser of:
 - (i) \$50,000, reduced by the excess, if any, of:
 - (A) the highest outstanding balance of all loans to the Participant from the plans during the one-year period ending on the day immediately before the date on which the loan is made; over
 - (B) the outstanding balance of loans from the plans to the Participant on the date on which such loan is made; or
 - (ii) the combined values of the Participant's After-Tax, Before-Tax and Rollover Accounts;and no loan shall be made to a Participant from the Plan in an amount that would exceed one-half of the total vested balance of the Participant's Accounts under the Plan as of the date the loan is made. Notwithstanding the foregoing, if the amount described in clause (ii) above declines because of investment losses between the date the loan is requested and the Accounting Date as of which it is made, the difference may be taken from the vested portion of his Matching Account (so long as the loan does not exceed one-half of the total vested balance of his Accounts).
- (b) Each loan to a Participant shall be charged against the Participant's Accounts in the order and manner determined by the Committee, and shall be charged pro rata against each Investment Fund in which such Accounts are invested.
- (c) Each loan shall be evidenced by a written note providing for:
 - (i) a repayment period of 12 through 60 months, inclusive;
 - (ii) a reasonable rate of interest (as determined below);
 - (iii) substantially equal payments of principal and interest over the term of the loan no less frequently than quarterly; and

- (iv) such other terms and conditions as the Committee shall determine.

The interest rate shall provide the Plan with a return commensurate with the interest rates charged by persons in the business of lending money for loans which would be made under similar circumstances and shall be a fixed rate for the life of the loan. The interest rate which applies to a loan shall be the rate in effect on the date that the loan application is made by the Participant.

- (d) A loan shall be the borrowing Participant's individual investment within the Loan Account.
- (e) Payments of principal and interest to the Trustee with respect to any loan to a Participant:
 - (i) shall reduce the outstanding balance with respect to that loan;
 - (ii) shall reduce the balance of the Loan Account holding the promissory note reflecting that loan;
 - (iii) shall be credited to the Participant's Accounts in the reverse order in which they were charged; and
 - (iv) shall be invested in the Investment Funds in accordance with his current investment directions with respect to such Accounts.
- (f) A Participant's obligation to repay a loan (or loans) from the Plan shall be secured by the Participant's vested interest in the Plan. The note evidencing the loan, the security agreement and the payroll deduction authorization shall each be executed by the Participant by entry of his PIN into the Access System. Endorsement of the loan check shall constitute the Participant's affirmation of the note, security agreement and payroll deduction authorization set forth in the written confirmation sent to the Participant after he made his loan request.
- (g) Generally, loan repayments will be made by automatic payroll deductions. However, during any period when payroll deduction is not possible or is not permitted under applicable law, repayment will be made by check or money order and shall be sent to the Plan's service center. Loan repayments will be suspended under this Plan as permitted under section 414(u)(4) of the Code.
- (h) The loan may be prepaid in full, without penalty, at any time after it has been outstanding for 12 months. In the event of early repayment of the loan, the Participant may not apply for a new loan until at least 30 days after the prior loan's repayment.
- (i) Effective January 1, 1999, a loan to a Participant shall become immediately due and payable without notice of any kind upon his permanent and total disability or his termination of employment with the Employers and Related Companies. Notwithstanding any other provision of the Plan to the contrary, if the outstanding

balance of principal and interest on any loan is not paid within the grace period established by the Committee for a delinquent payment (not later than the end of the calendar quarter following the quarter in which it is due) or within 90 days after acceleration in accordance with the preceding sentence, a default shall occur and the Trustee shall apply all or a portion of the Participant's vested interest in the Plan in satisfaction of such outstanding obligation, but only to the extent such vested interest (or portion thereof) is then distributable under applicable provisions of the Code. If necessary to satisfy the entire outstanding obligation, such application of the Participant's vested interest may be executed in a series of actions as amounts credited to the Participant's Accounts become distributable. Any partial payments shall be applied first to the payment of accrued interest and thereafter to the payment of outstanding principal.

- (j) If distribution is to be made to a Beneficiary in accordance with subsection 11.2, any outstanding promissory note of the Participant shall be canceled and the unpaid balance of the loan, together with any accrued interest thereon, shall be treated as a distribution to or on behalf of the Participant immediately prior to commencement of distribution to the Beneficiary.
- (k) The Committee shall establish uniform procedures for applying for a loan, evaluating loan applications, and setting reasonable rates of interest, which shall be communicated to Participants in writing. A Participant may have only one loan outstanding at any time, and any prior loan must be repaid and credited to a Participant's Accounts before the Participant may apply for a new loan.

10.2 Hardship Withdrawals. Subject to the provisions of this subsection 10.2 and of paragraph 10.3(c), a Participant who has not attained age 59-1/2, whose Termination Date has not yet occurred, and who incurs a Hardship (as defined in subsection 10.3) may elect to withdraw all or part of his interest in the following Accounts, as provided and in the order set forth below:

- (a) up to 100% of his After-Tax Account, and the earnings thereon;
- (b) up to 100% of his Rollover Account; and
- (c) up to 100% of the Before-Tax Contributions credited to his Before-Tax Account and any earnings credited to such account as of December 31, 1988.

Any such Hardship withdrawal is subject to a minimum amount of \$500. A Participant who does not have at least \$500 in the Accounts listed above is ineligible for a Hardship withdrawal. A Participant who is eligible to make a withdrawal under subsection 10.5 and/or subsection 10.6 must withdraw the full amount available to him under both such subsections before he makes a Hardship withdrawal under this subsection 10.2.

10.3 Determination of Hardship. A withdrawal will not be considered to be made on account of "Hardship" unless the following requirements are met:

- (a) The withdrawal is requested because of an immediate and heavy financial need of the Participant, and will be so deemed if the Participant represents that the withdrawal is made on account of:
- (i) uninsured expenses for medical care described in section 213(d) of the Code incurred by the Participant, a parent of the Participant, the Participant's spouse or any dependent of the Participant (as defined in section 152 of the Code) or necessary for such persons to obtain such medical care;
 - (ii) the purchase (excluding mortgage payments) of a principal residence of the Participant;
 - (iii) payment of tuition and related educational fees for the next 12 months of post-secondary education for the Participant, or his spouse, children or dependents;
 - (iv) the need to prevent the eviction of the Participant from his principal residence or foreclosure on the mortgage of the Participant's principal residence;
 - (v) funeral expenses of a family member, past due taxes, past due child support, other past due obligations, cash settlements due in a divorce, the cost of repairs to the Participant's home as a result of major damage or to a major appliance, or repairs to or purchase of a car needed to commute to work; or
 - (vi) any other circumstances of immediate and heavy financial need identified as such in revenue rulings, notices or other documents of the Internal Revenue Service of general applicability or other unusual or unexpected expenses meeting such criteria as are determined by the Committee to constitute an immediate and heavy financial need.
- (b) The withdrawal must also be necessary to satisfy an immediate and heavy financial need of the Participant. It will be considered necessary if the Committee determines that the amount of the withdrawal does not exceed the amount required to relieve the financial need (taking into account any applicable income or penalty taxes resulting from the withdrawal) and if the need cannot be satisfied from other resources that are reasonably available to the Participant. In making this determination, the Committee may reasonably rely on the Participant's written representation that the need cannot be relieved:
- (i) through reimbursement or compensation by insurance or otherwise;
 - (ii) by reasonable liquidation of the Participant's assets, to the extent such liquidation would not itself give rise to an immediate and heavy financial need;

(iii) by ceasing to make Before-Tax or After-Tax Contributions to the Plan (or any other plan of the Employer permitting deferral of compensation); or

(iv) by a loan pursuant to subsection 10.1 or by borrowing from commercial sources on reasonable commercial terms.

(c) The withdrawal must be made pursuant to a written request to the Committee, which request shall include any representation required by this subsection 10.3 and adequate proof thereof, as determined by the Committee in its sole discretion.

10.4 Age 59 1/2 Withdrawals. Once a Participant attains age 59-1/2 he may withdraw all or any portion of his entire vested Account balance regardless of whether he has a Hardship.

10.5 Withdrawals From 3/31/97 After-Tax and Matching Account Balances. A Participant who was participating in the Plan prior to April 1, 1997 and whose Termination Date has not yet occurred may elect to withdraw all or a portion of his March 31, 1997 After-Tax Account and Matching Account balances, as provided and in the order set forth below:

(a) that portion of his After-Tax Account attributable to After-Tax Contributions made prior to April 1, 1997, and any earnings thereon; and

(b) that portion of his Matching Account attributable to Matching contributions made prior to April 1, 1997, and any earnings thereon.

Until November 1, 1999 any withdrawal under this subsection 10.5 is subject to a minimum amount of \$500 or the total amount that may be withdrawn pursuant to this subsection, whichever is less.

10.6 Form of Withdrawals. Any loan or withdrawal from any Account pursuant to this Section 10 shall be made proportionately from each of the Investment Funds in which such Account is invested. All loan proceeds shall be paid solely in cash. All Hardship withdrawals and, except as provided in the following sentence, all withdrawals under subsections 10.4 and 10.5, shall be made solely in cash. Withdrawals under subsections 10.4 and 10.5 from the portion of a Participant's Accounts that is invested in the Philip Morris Stock Fund shall be made in cash, except to the extent the Participant elects to receive whole shares of Common Stock (with cash in lieu of any fractional share).

SECTION 11

Distributions

11.1 Distributions to Participants After Termination of Employment. If a Participant's Termination Date occurs (for a reason other than his death), the vested portions of his Accounts shall be distributed in accordance with the following provisions of this subsection 11.1, subject to the rules of subsections 11.5 and 9.4:

- (a) Effective January 1, 1998, if the value of the vested portions of such Participant's Accounts (including any loans outstanding on his Termination Date) does not exceed \$5,000 or such larger amount as may be permitted for involuntary cash-outs under applicable provisions of the Code, (and for determinations made prior to September 1, 1999 did not exceed such amount at the time of any earlier withdrawal), determined as soon as practicable following his Termination Date, such vested portions, less any outstanding loan balance distributable in accordance with paragraph 10.1(i), shall be distributed to him as soon as practicable following notification, in a lump sum payment; provided, however, that the distribution shall not commence earlier than 30 days after the Participant is given the direct rollover notice required under section 402(f) of the Code unless the Participant has been informed of his right to a period of at least 30 days to consider the decision of whether or not to elect a direct rollover, and the Participant, after receiving such notice, affirmatively elects the distribution.
- (b) If a Participant is not cashed out under the provisions of the foregoing paragraph (a), the vested portions of the Participant's Account, less any outstanding loan balance distributable in accordance with subsection 10.1(i), shall be distributed (or shall begin to be distributed) to the Participant on (or as soon as practicable after) the Distribution Date (as defined in paragraph (c) below) he elects, by one of the following methods chosen by the Participant:
- (i) by payment in a lump sum; or
- (ii) by payment in a series of monthly, quarterly, semi-annual or annual installments for a period selected by the Participant that complies with subsection 11.5 (the amount of each installment as of each applicable Accounting Date shall be equal to the product of the Participant's then Account balances multiplied by a fraction, the numerator of which is one and the denominator of which is the difference between the number of installments selected and the number of installments previously paid); provided, however, that a Participant may elect payments in the form of a fixed amount option under which the Participant will receive a specified dollar amount payable at specified intervals (monthly, quarterly, semiannually or annually) until his account is completely liquidated, and a Participant may elect to change the fixed amount (without changing the frequency of the payments) subject to uniform rules established by the Committee; and provided further that the Participant may elect to accelerate any installment payments and to have his remaining vested Account balance distributed to him in a lump sum payment as soon as practicable after the Accounting Date coincident with or next following the date his acceleration election is submitted to the Committee; or
- (iii) by purchase from an insurance company and distribution to him of an annuity contract providing for periodic distributions to him for his life (with or without a period certain) or to him and his beneficiary for their joint lives, subject to the provisions of subsection 11.3.

- (c) A Participant's "Distribution Date" shall mean the Accounting Date as of which a payment in any form is made to him pursuant to this Section 11, without regard to any reasonable administrative delay; provided, however, that in the event of an election of an annuity under clause (b)(iii) above, the Distribution Date shall be no later than the date payment is irrevocably made on behalf of the Participant to the insurance company issuing the annuity contract. A Participant may elect that his Distribution Date occur as of any Accounting Date occurring on or after his Termination Date (but not later than the date on which he attains age 70-1/2), provided that no election of a Distribution Date will be valid if it is made more than 90 days prior to such date and further provided that the distribution shall not commence earlier than 30 days after the Participant is given the direct rollover notice required under section 402(f) of the Code and the notice required under Treasury regulation section 1.411(a)-11(c) unless the Participant has been informed of his right to a period of at least 30 days to consider the decision of whether or not to elect a direct rollover and whether or not to elect a distribution, and the Participant, after receiving such notices, affirmatively elects the distribution.

11.2 Distributions to Beneficiaries. Subject to subsection 11.5, the following rules shall apply if a Participant dies while any vested portion of his Accounts remains undistributed:

- (a) If the Participant dies before benefit payments to him have commenced, the vested balance of his Accounts, less any outstanding loan balance distributable in accordance with paragraph 10.1(j), shall be distributed as follows:
- (i) If the value of the vested portion of the Participant's Accounts (less the outstanding loan balance) does not exceed \$5,000 (or the applicable cash-out limit), determined as soon as practicable following his date of death, or, effective September 1, 1999, if the Beneficiary is not the Participant's surviving spouse, such vested portion (less the outstanding loan balance) shall be distributed to his Beneficiary as soon as practicable after his death, in a lump sum payment.
 - (ii) If the value of the vested portion of the Participant's Accounts (less the outstanding loan balance) exceeds \$5,000 (or the applicable cash-out limit), determined as soon as practicable following his date of death and effective September 1, 1999 the Beneficiary is the Participant's surviving spouse, such vested portion (less the outstanding loan balance) shall be distributed to his Beneficiary as of any Accounting Date following the date of his death selected by the Beneficiary (in accordance with subsection 11.5), in one of the methods described at paragraph 11.1(b) as chosen by the Beneficiary.
- (b) If a Participant dies after benefit payments to him have commenced, the vested balance, if any, of his Accounts shall continue to be distributed to his Beneficiary in accordance with the method of distribution selected by the Participant; provided, however, that the Beneficiary may elect to accelerate the payments and

to have such remaining vested balances distributed in a lump sum payment as soon as practicable after the Accounting Date next following the date the Beneficiary's acceleration election is filed with the Committee.

11.3 Special Rules Governing Annuity Elections. If a married Participant elects distribution in the form of an annuity pursuant to clause 11.1(b)(iii), the following rules shall apply and shall supersede any other provision of the Plan to the contrary:

- (a) The vested portions of the Participant's Accounts, less any outstanding loan balance distributable in accordance with paragraph 10.1(i), shall be used to purchase a nontransferable "Joint and Survivor Annuity" (that is, an annuity payable for the life of the Participant with a survivor annuity payable for the life of his spouse which is not less than 50% of the amount of the annuity payable during the joint lives of the Participant and spouse), unless he elects another form of annuity and, if applicable, a Beneficiary other than his spouse, with the consent of his spouse to such form and Beneficiary, during the 90-day period immediately preceding his Distribution Date. The Participant's Distribution Date shall be no earlier than 30 days after the Participant is given the notice required under Treasury regulation section 1.411(a)-11(c), (including a written explanation of the terms and conditions of the Joint and Survivor Annuity and the effect of an election of a different annuity form), unless the Participant has been informed of his right to a period of at least 30 days to consider the decision of whether or not to elect a distribution and a particular distribution option, and the Participant, after receiving such notice, affirmatively elects the distribution.
- (b) No consent by the spouse to the election of a form of annuity other than the Joint and Survivor Annuity and, if applicable, Beneficiary other than the spouse shall be effective unless it is in writing, acknowledges the effect of such consent and is witnessed by a Plan representative or a notary public (unless the Committee determines that there is no spouse, that the spouse cannot be located, that the Participant and his spouse are legally separated, that the Participant has been abandoned (under applicable state law) and the Participant has a court order to that effect, or that consent may be waived because of such other circumstances as regulations or rulings under Code section 417 set forth).
- (c) During the period between his election of an annuity and his Distribution Date, no loan may be made to a Participant pursuant to subsection 10.1, no amount may be withdrawn by the Participant pursuant to Section 10 and no amount may be distributed to the Participant pursuant to subsection 11.1, in any form other than a Joint and Survivor Annuity, without the written consent of the spouse as provided in paragraph (b) of this subsection 11.3.
- (d) Subject to paragraph (e) below, if the Participant dies during the period between his election of an annuity and his Distribution Date, the vested portions of his Accounts (less any amounts credited to the Loan Fund, which shall be distributed in accordance with paragraph 10.1(j)) shall be paid to his spouse in the form of a life annuity as of the Accounting Date next following the date the Participant

would have attained age 65 or, if the spouse so elects, as soon as practicable after any earlier Accounting Date next following his death; provided, however, that a spouse to whom payment is due under this paragraph (d) may elect to have such vested portions, if any, distributed in the form of a lump sum payment.

- (e) The provisions of paragraph (d) above shall not apply, and distribution upon the death of the Participant shall be made in accordance with subsection 11.2, if the spouse consents to the designation of a Beneficiary other than the spouse in accordance with subsection 11.6 during the period between the Participant's election of an annuity and his death, and acknowledges that such consent to the Participant's designation of such Beneficiary constitutes the spouse's consent to the Participant's waiver of a qualified pre-retirement survivor annuity payable to the spouse in accordance with section 417 of the Code.
- (f) A Participant may revoke his election pursuant to this subsection 11.3, and may make a new election of any form of distribution permitted under paragraph 11.1(b), at any time during the 90-day period immediately preceding his Distribution Date; provided, however, that if the effect of such revocation is to select a distribution form other than a Joint and Survivor Annuity, it shall be ineffective without the written consent of his spouse in accordance with paragraph (b) of this subsection 11.3 to the new form of distribution and, if applicable, a Beneficiary other than the spouse.

11.4 Forfeitures and Restorations of Non-Vested Contributions. If a Termination Date occurs with respect to a Participant who is not fully vested in his Accounts (as determined under Section 9), the following rules shall apply:

- (a) The non-vested portion of his Accounts shall be forfeited as of the earlier of the date as of which the vested portion of his Accounts is distributed to him or the date the Participant incurs five consecutive One Year Breaks in Service.
- (b) If a forfeiture occurs due to the distribution of the vested portion of the Participant's Accounts, and the Participant is reemployed by an Employer or a Related Company before he incurs five consecutive One Year Breaks in Service, the amount forfeited under paragraph (a) above shall be restored, as adjusted for earnings in accordance with uniform rules established by the Committee, as soon as practicable after his reemployment.
- (c) If a forfeiture occurs due to the distribution of the vested portion of the Participant's Accounts, and the Participant is reemployed by an Employer or Related Company after he incurs five consecutive One Year Breaks in Service, such reemployment shall have no effect on the forfeiture under paragraph (a) above.
- (d) The restoration referred to in paragraph (b) above shall be made first from current forfeitures, if any, under the Plan and then, if necessary, from a special Employer contribution to the Plan.

- (e) A restoration pursuant to paragraph (b) above shall not be considered an annual addition for purposes of subsection 8.3.
- (f) If a Participant who is reemployed by an Employer or Related Company prior to incurring five consecutive One Year Breaks in Service received a distribution of the vested portion of his Matching Account, the amount restored under paragraph (b) above shall be maintained in a separate subaccount within the Participant's Matching Account and his vested interest in each subaccount shall be determined in accordance with the rules set forth in Treas. Reg. Section 411(a)-7(d)(5)(iii)(A).
- (g) During the period between the Participant's Termination Date and the date he is either reemployed by an Employer or Related Company or the date the non-vested portion of his Matching Account is forfeited such non-vested portion shall be credited to a forfeiture subaccount and invested in accordance with rules established by the Committee to minimize the risk of loss, and shall not be subject to the investment direction of the Participant.
- (h) All forfeitures under this subsection 11.4 shall be used to reduce Matching Contributions under Section 5, except to the extent needed to restore prior forfeitures under paragraph (b) above.

11.5 Limits on Commencement and Duration of Distributions. The following distribution rules shall be applied in accordance with sections 401(a)(9) and 401(a)(14) of the Code and applicable regulations thereunder, including the minimum distribution incidental benefit requirement of Treas. Reg. Section 1.401(a)(9)-2, and shall supersede any other provision of the Plan to the contrary:

- (a) Unless the Participant elects otherwise, in no event shall distribution commence later than 60 days after the close of the Plan Year in which the latest of the following events occurs: the Participant's attainment of age 65; the 10th anniversary of the year in which the Participant began participating in the Plan; or the Participant's Termination Date. The failure of a Participant to consent to a distribution is deemed to be an election to defer commencement of payment for purposes of the preceding sentence.
- (b) Notwithstanding any other provision herein to the contrary, distribution of a Participant's Accounts shall commence to be made to him (or on his behalf) once he has attained age 70-1/2 in the form of a lump sum distribution or, if elected by the Participant, in any other form permitted by paragraph 11.1(b), on or before his Required Beginning Date (as defined below) and each December 31 thereafter. (In the event an annuity or lump sum has been elected, each additional payment shall consist of a lump sum payment of all amounts then credited to his Accounts.) For years beginning after December 31, 1998, a Participant's "Required Beginning Date" shall mean April 1 of the calendar year following the later of (i) the calendar year in which he attains age 70 1/2, or (ii) the calendar year in which the Participant's Termination Date occurs; provided, however, that

clause (ii) shall not apply to any Participant who is a 5-percent owner of any Employer or Related Company (as defined in section 416 of the Code).

- (c) Distribution payments made in the form of an annuity shall be made over the life of the Participant or, if the Participant provides accurate and timely Beneficiary information, over the lives of such Participant and his Beneficiary (or over a period not extending beyond the life expectancy of such Participant or the life expectancy of such Participant and his Beneficiary).
- (d) If a Participant dies after distribution of his vested interest in the Plan has begun, the remaining portion of such vested interest, if any, shall be distributed to his Beneficiary at least as rapidly as under the method of distribution used prior to the Participant's death.
- (e) If a Participant dies before distribution of his vested interest in the Plan has begun, distribution of such vested interest to his Beneficiary shall be completed by December 31 of the calendar year in which the fifth anniversary of the Participant's death occurs; provided, however, that this five-year rule shall not apply to a natural person designated as Beneficiary by the Participant or under the specific terms of the Plan, if
 - (i) such vested interest will be distributed over the life of such designated Beneficiary (or over a period not extending beyond the life expectancy of such Beneficiary), and
 - (ii) such distribution to the Beneficiary begins not later than December 31 of the calendar year following the calendar year in which the Participant died or, if such Beneficiary is the Participant's surviving spouse, not later than December 31 of the calendar year following the calendar year in which the Participant would have attained age 70 1/2.
- (f) If the Participant's surviving spouse is his Beneficiary and such spouse dies before the distributions to such spouse begins, paragraph (e) shall be applied as if the surviving spouse were the Participant.
- (g) For purposes of paragraph (d) and (e), distribution of a Participant's vested interest in the Plan is considered to begin on his Required Beginning Date; provided, however, that distribution irrevocably begun in the form of an annuity shall be considered to begin on the date it actually commences.
- (h) For purposes of this subsection 11.5, the life expectancy of a Participant or a Beneficiary will be determined in accordance with Tables V and VI of Treas. Reg. Section 1.72-9 (provided that the Participant gives the Committee or its delegate timely and accurate Beneficiary information), and shall not be recalculated.

11.6 Beneficiary Designations. The term "Beneficiary" shall mean the Participant's surviving spouse. However, if the Participant is not married, or if the Participant is married but his spouse consents (as provided below) to the designation of a person other than the spouse, the

term Beneficiary shall mean such person or persons as the Participant designates to receive the vested portions of his Accounts upon his death. Such designation may be made, revoked or changed (without the consent of any previously-designated Beneficiary except his spouse) only by an instrument signed by the Participant and filed with the Committee prior to his death. A spouse's consent to the designation of a Beneficiary other than the spouse shall be in writing, shall acknowledge the effect of such designation, shall be witnessed by a Plan representative or a notary public and shall be effective only with respect to such consenting spouse. In default of such designation, or at any time when there is no surviving spouse and no surviving Beneficiary designated by the Participant, his Beneficiary shall be his surviving children (in equal shares) or, if he has no living child, his living parents (in equal shares) or, if he has no living parent, his living brothers and sisters (in equal shares) or, if he has no living brother or sister, his legal representative. For purposes of the Plan, "spouse" means the person to whom the Participant is legally married at the relevant time. Notwithstanding the foregoing provisions of this subsection 11.6, no spouse's consent to the designation of a person other than, or in addition to, the spouse as Beneficiary shall be required if (i) the Participant and his spouse are legally separated or the Participant has been abandoned (under applicable state law) and the Participant has a court order to that effect or (ii) it is established to the satisfaction of the Committee that the spouse's consent cannot be obtained because there is no spouse, because the spouse cannot be located or because of such other circumstances as may be prescribed in applicable Treasury regulations.

11.7 Form of Payment. Distributions to or on behalf of a Participant or Beneficiary shall be made proportionately from each of the Investment Funds in which the Participant's Accounts are invested and, except as provided otherwise in the following sentence, shall be paid solely in cash. Distributions from the portion of a Participant's Accounts, if any, that is invested in the Philip Morris Stock Fund shall be made in cash, except to the extent the Participant or Beneficiary elects, solely with respect to distributions to be made in the form of a lump sum or installments (and not with respect to any distribution to be made in the form of an annuity), to receive whole shares of Common Stock (with cash distributed in lieu of any fractional share).

11.8 Facility of Payment. Notwithstanding the provisions of subsections 11.1 and 11.2, if, in the Committee's opinion, a Participant or other person entitled to benefits under the Plan is under a legal disability or is in any way incapacitated so as to be unable to manage his financial affairs, the Committee may direct the Trustee to make payment to a relative or friend of such person for his benefit until claim is made by a conservator or other person legally charged with the care of his person or his estate. Thereafter, any benefits under the Plan to which such Participant or other person is entitled shall be paid to such conservator or other person legally charged with the care of his person or his estate.

11.9 Interests Not Transferable. The interests of Participants and other persons entitled to benefits under the Plan are not subject to the claims of their creditors and may not be voluntarily or involuntarily assigned, alienated or encumbered, except in the case of qualified domestic relations orders that relate to the provision of child support, alimony or marital rights of a spouse, child or other dependent and which meet such other requirements as may be imposed by section 414(p) of the Code or regulations issued thereunder. Notwithstanding any other provision of the Plan to the contrary, distribution of the entire portion of the Account balance of a Participant awarded to his alternate payee may be made in a lump sum payment, as soon as practicable after the Committee determines that such order is qualified, without regard to

whether the Participant would himself be entitled under the terms of the Plan to withdraw or receive a distribution of such amount at that time, but only if the terms of the order provide for such immediate distribution either specifically or by general reference to any manner of distribution permitted under the Plan.

11.10 Absence of Guaranty. None of the Committee, the Trustee, or the Employers in any way guarantee the assets of the Plan from loss or depreciation. The Employers do not guarantee any payment to any person. The liability of the Trustee to make any payment is limited to the available assets of the Plan held under the Trust.

11.11 Missing Participants or Beneficiaries. Each Participant and each designated Beneficiary must file with the Committee from time to time in writing his post office address and each change of post office address. Any communication, statement or notice addressed to a Participant or designated Beneficiary at his last post office address filed with the Committee, or, in the case of a Participant, if no address is filed with the Committee, then at his last post office address as shown on the Employers' records, will be binding on the Participant and his designated Beneficiary for all purposes of the Plan. None of the Committee, the Employers, or the Trustee will be required to search for or locate a Participant or designated Beneficiary.

11.12 Direct Rollover Option. In accordance with uniform rules established by the Committee, each Participant, surviving spouse of a Participant or alternate payee under a qualified domestic relations order within the meaning of section 414(p) of the Code who is due to receive an eligible rollover distribution from the Plan may direct the Committee to transfer all or a portion of such distribution directly to another eligible retirement plan. For purposes of this subsection, the terms "eligible rollover distribution" and "eligible retirement plan" as applied to any such individual shall have the meaning accorded such terms under section 401(a)(31) of the Code (or any successor provision thereto) and applicable regulations thereunder.

11.13 Distributions on Account of Permanent and Total Disability. For purposes of this Section 11, a Participant will be considered to have terminated employment and will be entitled to a distribution of his vested Account balances when he is determined by the Committee to be permanently and totally disabled (as defined in subsection 9.2).

SECTION 12

No Reversion to Employers

No part of the corpus or income of the Trust shall revert to the Employers or be used for, or diverted to, purposes other than the exclusive benefit of Participants and Beneficiaries, subject to the following:

- (a) Employer contributions under the Plan are conditioned upon the deductibility of the contributions under section 404 of the Code, and, to the extent any such deduction is disallowed, the Trustee shall, upon written request of the Employer, return the amount of any contribution (to the extent disallowed), reduced by the amount of any losses thereon, to the Employer within one year after the date the deduction is disallowed.

- (b) If a contribution or any portion thereof is made by an Employer by a mistake of fact, the Trustee shall, upon written request of that Employer, return the amount of such contribution or portion, reduced by the amount of any losses thereon, to that Employer within one year after the date of payment.
- (c) If, upon termination of the Plan, any amounts are held under the Plan in a suspense account pursuant to Treas. Reg. Section 1.415-6(b)(6)(ii) and such amounts may not be credited to the Accounts of Participants, such amount will be returned to the Employers as soon as practicable after the termination of the Plan.

SECTION 13

Administration

13.1 Committee Membership and Authority. The Committee referred to in subsection 1.3 shall consist of one or more members appointed by the Company. Except as otherwise specifically provided in this Section 13, the Committee shall act by a majority of its then members, by meeting or by writing filed without meeting, and shall have the following discretionary authority, powers, rights and duties in addition to those vested in it elsewhere in the Plan or Trust Agreement:

- (a) to adopt such rules of procedure and regulations as, in its opinion, may be necessary for the proper and efficient administration of the Plan and as are consistent with the provisions of the Plan;
- (b) to enforce the Plan in accordance with its terms and with such applicable rules and regulations as may be adopted by the Committee;
- (c) to determine conclusively all questions arising under the Plan, including the power to determine the eligibility of employees and the rights of Participants and other persons entitled to benefits under the Plan and their respective benefits, to make factual findings and to remedy ambiguities, inconsistencies or omissions of whatever kind;
- (d) to maintain and keep adequate records concerning the Plan and concerning its proceedings and acts in such form and detail as the Committee may decide;
- (e) to direct all payments of benefits under the Plan;
- (f) to perform the functions of a "plan administrator", as defined in section 414(g) of the Code, for all purposes of the Plan, including for purposes of establishing and implementing procedures to determine the qualified status of domestic relations orders (in accordance with the requirements of section 414(p) of the Code) and to administer distributions under such qualified orders;

- (g) to employ agents, attorneys, accountants or other persons (who may also be employed by or represent the Employers) for such purposes as the Committee considers necessary or desirable to discharge its duties;
- (h) to establish a claims procedure in accordance with section 503 of ERISA; and
- (i) to furnish the Employers, the Investment Committee and the Trustee with such information with respect to the Plan as may be required by them for tax or other purposes.

The certificate of a majority of the members of the Committee that the Committee has taken or authorized any action shall be conclusive in favor of any person relying on the certificate.

13.2 Allocation and Delegation of Committee Responsibilities and Powers. In exercising its authority to control and manage the operation and administration of the Plan, the Committee may allocate all or any part of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked at any time. Any member or delegate exercising Committee responsibilities and powers under this subsection shall periodically report to the Committee on its exercise thereof and the discharge of such responsibilities.

13.3 Uniform Rules. In managing the Plan, the Committee shall uniformly apply rules and regulations adopted by it to all persons similarly situated.

13.4 Information to be Furnished to Committee. The Employers and Related Companies shall furnish the Committee such data and information as may be required for it to discharge its duties. The records of the Employers and Related Companies as to an employee's or Participant's period of employment, termination of employment and the reason therefor, leave of absence, reemployment and Compensation shall be conclusive on all persons unless determined to be incorrect. Participants and other persons entitled to benefits under the Plan must furnish to the Committee such evidence, data or information as the Committee considers desirable to carry out the Plan.

13.5 Committee's Decision Final. Any interpretation of the Plan and any decision on any matter within the discretion of the Committee made by the Committee shall be binding on all persons. A misstatement or other mistake of fact shall be corrected when it becomes known, and the Committee shall make such adjustment on account thereof as it considers equitable and practicable.

13.6 Exercise of Committees' Duties. Notwithstanding any other provisions of the Plan, the Committees shall discharge their duties hereunder solely in the interests of the Participants and other persons entitled to benefits under the Plan, and:

- (a) for the exclusive purpose of providing benefits to Participants and other persons entitled to benefits under the Plan; and

- (b) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

13.7 Remuneration and Expenses. No remuneration shall be paid from the Plan to a member of any of the Committees who is an employee of any Employer or Related Company. Except as otherwise determined by the Committee, the reasonable expenses of administering the Plan and the fees and expenses incurred in connection with the collection, administration, management, investment, protection and distribution of the Plan assets under the Trust shall be paid directly by the Trust out of Plan assets or, if paid by one or more Employers, reimbursed by the Trust to the maximum extent permitted by law.

13.8 Indemnification of the Committees. To the extent not reimbursed by any applicable insurance policy, the Committees, the individual members thereof and the secretary (if any) of each of the Committees shall be indemnified by the Employers against any and all liabilities, losses, costs and expenses (including legal fees and expenses) of whatsoever kind and nature which may be imposed on, incurred by or asserted against any of them by reason of the performance of the Committees' functions if the Committees or such members or secretary did not act dishonestly or in willful violation of the law or regulation under which such liability, loss, cost or expense arises.

13.9 Resignation or Removal of Committee Member. A Committee member may resign at any time by giving ten days' advance written notice to the Company, the Trustee and the other Committee members. The Company may remove a Committee member by giving advance written notice to him and the other Committee members.

13.10 Appointment of Successor Committee Members. The Company may fill any vacancy in the membership of the Committee and shall give prompt written notice thereof to the other Committee members. While there is a vacancy in the membership of the Committee, the remaining Committee members shall have the same powers as the full Committee until the vacancy is filled.

SECTION 14

Amendment and Termination

14.1 Amendment. While it is expected that the Plan will be continued, either the Company or the Committee nevertheless may terminate the Plan or amend it from time to time, except that no amendment will reduce a Participant's interest in the Plan to less than an amount equal to the amount he would have been entitled to receive if he had resigned from the employ of the Employers and the Related Companies on the day of the amendment, and no amendment will eliminate an optional form of benefit with respect to a Participant or Beneficiary except as otherwise permitted by law.

14.2 Termination. The Plan will terminate as to all of the Employers on any day specified by the Company upon advance written notice of the termination given to the Employers. Employees of an Employer shall cease active participation in the Plan (and will be treated as inactive Participants in accordance with subsection 2.3) on the first to occur of the following:

- (a) the date on which that Employer ceases to be a contributing sponsor of the Plan, by appropriate action taken by the Company or by such Employer;
- (b) the date that Employer is judicially declared bankrupt or insolvent; or
- (c) the dissolution, merger, consolidation, reorganization or sale of that Employer, or the sale of all or substantially all of the assets of an Employer, except that, subject to the provisions of subsection 14.3, with the consent of the Company or the Committee, in any such event arrangements may be made whereby the Plan will be continued by any successor to that Employer or any purchaser of all or substantially all of that Employer's assets, in which case the successor or purchaser will be substituted for the Employer under the Plan.

14.3 Merger and Consolidation of the Plan, Transfer of Plan Assets. The Committee in its discretion may direct the Trustee to transfer all or a portion of the assets of this Plan to another defined contribution plan of the Employers or Related Companies which is qualified under section 401(a) of the Code or, in the event of the sale of stock of an Employer or all or a portion of the assets of an Employer, to a qualified plan of an employer which is not a Related Company, or to accept a transfer of assets and liabilities to this Plan from another defined contribution plan that is qualified under section 401(a) of the Code. In the case of any such merger, or transfer of assets and liabilities, provision shall be made so that each affected Participant in the Plan on the date thereof would receive a benefit immediately after the merger, consolidation or transfer which is equal to the benefit he would have been entitled to receive immediately prior to the merger or transfer. The Committee may adopt such amendment or Supplement to the Plan as may be necessary to preserve the protected rights that may not be changed or eliminated by reason of such transfer or merger under section 411 of the Code; pending such amendment or adoption of such Supplement, the applicable provisions of the merged or transferee plan describing such section 411 protected rights shall be incorporated herein by reference.

14.4 Distribution on Termination and Partial Termination. Upon termination or partial termination of the Plan, all benefits under the Plan shall continue to be paid in accordance with Sections 10 and 11 as those sections may be amended from time to time.

14.5 Notice of Amendment, Termination or Partial Termination. Affected Participants will be notified of an amendment, termination or partial termination of the Plan as required by law.

SECTION 15

Change of Control Provisions

15.1 Application. In the event of a Change of Control (as defined in subsection 15.2), the provisions of this Section 15 shall apply, notwithstanding any other provision in the Plan to the contrary.

15.2 Definition of Change of Control. For purposes of the Plan, a "Change of Control" means the happening of any of the following events:

- (a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of common stock of Philip Morris Companies Inc. (the "Parent") (such stock hereinafter referred to as the "Outstanding Parent Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Parent entitled to vote generally in the election of directors (the "Outstanding Parent Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Parent, (ii) any acquisition by the Parent, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Parent or any corporation controlled by the Parent or (iv) any acquisition by any corporation pursuant to a transaction described in clauses (i), (ii) and (iii) of paragraph (c) of this subsection 15.2; or
- (b) Individuals who, as of November 1, 1989, constitute the Board of Directors of the Parent (the "Incumbent Board") cease for any reason to constitute at least a majority of such Board; provided, however, that any individual becoming a director subsequent to November 1, 1989 whose election, or nomination for election by the Parent's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board; or
- (c) Approval by the shareholders of the Parent of a reorganization, merger, share exchange or consolidation (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Parent Common Stock and Outstanding Parent Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 80% of, respectively, the then Outstanding shares of common stock and the

combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Parent through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Parent Common Stock and Outstanding Parent Voting Securities, as the case may be, (ii) no Person (excluding any employee benefit plan (or related trust) of the Parent or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Incumbent Board, providing for such Business Combination; or

- (d) Approval by the shareholders of the Parent of (i) a complete liquidation or dissolution of the Parent or (ii) the sale or other disposition of all or substantially all of the assets of the Parent, other than to a corporation, with respect to which following such sale or other disposition, (A) more than 80% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Parent Common Stock and Outstanding Parent Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Parent Common Stock and Outstanding Parent Voting Securities, as the case may be, (B) less than 20% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of the Parent or such corporation), except to the extent that such Person owned 20% or more of the Outstanding Parent Common Stock or Outstanding Parent Voting Securities prior to the sale or disposition and (C) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Incumbent Board, providing for such sale or other disposition of assets of the Parent or were elected, appointed or nominated by the Incumbent Board.

15.3 Contribution Requirement. Subject to the conditions and limitations of Section 8 (after taking into account the affect thereon of the last sentence of this subsection 15.3) and of the next sentence, upon the occurrence of a Change of Control, for the year in which the Change

of Control occurs and for each of the two years following the year in which the Change of Control occurs the "Control Period", each Employer shall make a "Matching Contribution" to the Plan on behalf of each Participant employed by such Employer who has made Before-Tax or After-Tax Contributions to the Plan for that year in an amount equal to the greater of:

- (a) \$.30 for each \$1.00 contributed to the Plan by the Participants for each year in the Control Period, or
- (b) the average rate of the Matching Contributions for the two Plan Years prior to the Plan Year in which the Change of Control occurs.

In no event shall the sum of the Before-Tax Contributions and any Matching Contributions made by an Employer for any Plan Year exceed the limitations imposed by section 404 of the Code on the maximum amount deductible on account thereof by the Employer for that year. Each Employer's Matching Contributions for any Plan Year shall be paid to the Trustee, without interest, no later than the time prescribed by law for filing the Federal corporate income tax return of Philip Morris Companies Inc., or its successors, as applicable, including any extensions thereof. The Matching Contributions made on behalf of a Participant pursuant to this Section 14 shall be allocated to the Participant's Matching Account.

15.4 Vesting. Upon and after a Change of Control, a Participant's vested percentage in all his Accounts under the Plan shall be 100%.

15.5 Enforcement Rights; Amendment Restrictions.

- (a) In addition to all other rights under the Plan and applicable law, any individual who shall be a Participant or Beneficiary at the date on which the Change of Control occurs (the "Control Date") shall from and after such date have the right to bring an action, either individually or on behalf of all Participants and Beneficiaries, to enforce the provisions of this Section 15 by seeking injunctive relief or damages, or both, and the Company shall be obligated to pay or reimburse such Participant or Beneficiary who shall prevail, in whole or in substantial part, for all reasonable expenses, including attorney's fees, in connection with such action.
- (b) Anything in the Plan to the contrary notwithstanding, on and after the Control Date none of the provisions of this Section 15 shall be amended unless within sixty days after the date of the action taken to amend such provisions at least two-thirds of the individuals who were Participants at the date of such action shall have given their written approval of such action based on full and complete information provided to them regarding the actual and potential effects of such action on them.

15.6 Construction. The foregoing provisions of this Section 15 shall be construed liberally to the end that its purposes shall be fully implemented.

SUPPLEMENT A

KRAFT FOODS TIP PLAN

California Vegetable Concentrates Division

This Supplement A to the Kraft Foods TIP Plan sets forth special provisions that first became effective February 16, 1993 and continue to be applicable to the Participating Group described below on and after May 12, 1997 and supersedes any provisions of the Plan which are not consistent with this Supplement A.

1. **Participating Group:** This Supplement A is applicable to those Participants in the Plan who were employees of the California Vegetable Concentrates division of Kraft Food Ingredients Corp. and who became employees of Basic Vegetable Products, L.P., pursuant to that certain Asset Purchase Agreement entered into as of February 16, 1993 by and between Basic Vegetable Products, L.P., and Kraft Food Ingredients Corp.
2. **Special Vesting Provisions:** On and after February 16, 1993, a Participant in this Participating Group shall be 100% vested in his Matching Account.
3. **Special Withdrawal Provisions:**

Notwithstanding any provisions of the Plan to the contrary, the provisions of Section 10 relating to hardship withdrawals and in-service withdrawals of After-Tax and Matching Contributions shall continue to apply to a Participant in the Participating Group for such time as said Participant remains an employee of Basic Vegetable Products, L.P., or its successors or affiliates (collectively referred to as the "Successor Employer"). Notwithstanding any provisions of the Plan to the contrary, for purposes of applying the post-employment termination distribution provisions of Section 11 of the Plan to a Participant in the Participating Group, such Participant's employment shall not be considered to have terminated (whether on account of retirement, permanent and total disability, or for any other reason) until such time as said Participant has terminated employment with the Successor Employer.

SUPPLEMENT B

KRAFT FOODS TIP PLAN

Naperville Hourly Employees

This Supplement B to Kraft Foods TIP Plan sets forth special provisions that first became effective January 4, 1993 and that continue to be applicable on and after May 12, 1997 with respect to the Participating Group described below and supersedes any provisions of the Plan which are not consistent with this Supplement B.

1. Participating Group: This Supplement B is applicable to hourly employees covered by a collective bargaining contract at the Kraft Foods facility (formerly a Nabisco cereal plant) in Naperville, Illinois.
2. Special Service Provisions: For purposes of Section 3 and subsection 9.1 of the Plan, service with Nabisco Brands, Inc. and those companies treated as a single employer under sections 414(b) and (c) of the Code prior to January 4, 1993, shall be treated as service under the Plan for this Participating Group.
3. Special Contribution Provisions. The following provisions shall apply in lieu of subsections 4.1, 4.2, 4.3, 4.6 and 5.1 of the Plan:
 - (a) Before-Tax Contributions. Subject to the limitations set forth in paragraph (c) below and subsection 4.7 and Section 8 of the Plan, and such additional rules as the Committee may establish on a uniform and nondiscriminatory basis, for any payroll period a Participant in this Participating Group may elect to have his salary or wages from his Employer reduced by a whole percentage, and a corresponding amount contributed on his behalf to the Plan by his Employer as a "Before-Tax Contribution", which amount shall not be less than 1 percent nor more than 16 percent of his Eligible Compensation (as defined in paragraph (d) below), for that payroll period. Any election made pursuant to this paragraph (a) shall be effective as soon as practicable after the Participant has made his election in accordance with applicable Access System procedures.
 - (b) After-Tax Contributions. Subject to the limitations set forth in paragraph (c) below and subsection 4.7 and Section 8 of the Plan, and such additional rules as the Committee may establish on a uniform and nondiscriminatory basis, for any payroll period a Participant in this Participating Group may elect to make "After-Tax Contributions" to the Plan through payroll deduction in a whole percentage that is not less than 1 percent nor more than 16 percent of his Eligible Compensation (as defined in paragraph (d) below) for that payroll period. Any election made pursuant to this paragraph (b) shall be effective as soon as practicable after the Participant has made his election in accordance with applicable Access System procedures.

- (c) Total Before-Tax and After-Tax Contributions. Notwithstanding the foregoing provisions of this paragraph 4 of Supplement B to the Kraft Foods TIP Plan, for any payroll period the Before-Tax Contributions made on behalf of a Participant in this Participating Group and After-Tax Contributions made by such Participant may not together exceed 16 percent of the Participant's Eligible Compensation (as defined in paragraph (d) below) for such payroll period.
- (d) Eligible Compensation. With respect to Participants in this Participating Group, "Eligible Compensation" means wages, overtime, shift differential pay, vacation pay, sick pay, holiday pay and other forms of cash compensation that are includible on the Participant's Federal income tax form W-2 with respect to the Participant's periods of active participation in the Plan, plus any amounts contributed by an Employer pursuant to a salary reduction agreement and which is not includable in gross income under sections 125, 402(e)(3), 402(h) or 403(b) of the Code, and excluding any bonus payments.
- (e) Matching Contributions. Subject to the conditions and limitations of subsection 4.7 and Section 8 of the Plan, for each payroll period during a Plan Year an Employer shall contribute to the Plan on behalf of each Participant in this Participating Group employed by such Employer a Matching Contribution amount equal to 25 percent of the Before-Tax and After-Tax Contributions made by and on behalf of the Participant that do not exceed 6 percent of such Participant's Eligible Compensation for such payroll period. Match-eligible Before-Tax and After-Tax Contributions from the first 6 percent of a Participant's Eligible Compensation are sometimes referred to as "Basic Contributions", and unmatched contributions in excess of the first 6 percent of Eligible Compensation are sometimes referred to as "Supplemental Contributions".
4. Special Accounting Provisions. The After-Tax Account maintained under the Plan for each Participant in the Participating Group shall include the after-tax contribution balances for such Participant, if any, that were transferred to the Plan from the Nabisco Brands Employee Savings Plan. The Matching Account maintained under the Plan for each Participant in the Participating Group shall include the company contribution account balances for such Participant, if any, that were transferred to the Plan from the Nabisco Brands Employee Savings Plan, and all of such transferred balances shall be 100% vested.
5. Special Vesting Provisions. In addition to the vesting provisions of subsections 9.1 and 9.2 of the Plan, each individual who is a Participant in this Participating Group on March 31, 1997 will have a fully vested, nonforfeitable interest in his Matching Account upon the completion of 24 months of employment after his initial enrollment date in the Plan.
6. Special In-Service Withdrawal Provisions. The last sentence of subsection 10.5 of the Plan shall not apply to the Participants in this Participating Group and accordingly no minimum withdrawal amount shall apply to such Participants.

SUPPLEMENT C

KRAFT FOODS TIP PLAN

Kraft Foods Inc. Common Stock

This Supplement C has an effective date of October 3, 2001 (or such other date as approved by the Vice President Benefits of the Company). All references in the Plan to "Kraft Foods, Inc." or the "Company" shall be a reference to "Kraft Foods North America, Inc." In addition, Section 6.1 of the Plan is amended and restated to read as follows:

6.1 Investment Funds and Loan Account. The Investment Committee shall establish and cause the Trustee to maintain one or more "Investment Funds" for the investment of Participants' Accounts, including one or more Investment Funds that invest in the common stock of a corporation that is a member of the controlled group of corporations (as defined under Section 414(b) of the Code) that includes the Company. The Investment Committee shall also cause the Trustee to maintain a "Loan Account" to reflect any loans to Participants pursuant to subsection 10.1. The Investment Committee in its discretion may change the Investment Strategy of any Investment Fund without prior notice to Participants.

NABISCO, INC. CAPITAL INVESTMENT PLAN
(Restated Effective as of December 31, 2000)

NABISCO, INC.
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NABISCO, INC. CAPITAL INVESTMENT PLAN

INTRODUCTION

WHEREAS, prior to June 14, 1999, RJR Nabisco, Inc. ("RJR") maintained the RJR Nabisco Capital Investment Plan (the "RJR Plan") for the benefit of its eligible employees, including those employed by Nabisco, Inc. (the "Company") and its affiliates ("Eligible Nabisco Employees"); and

WHEREAS, on June 14, 1999, RJR was spun-off from its parent company, RJR Nabisco Holdings Corp. through a distribution to its shareholders of all of the outstanding shares of the common stock of RJR, and, as a result of such spin-off, RJR is no longer related to Nabisco, Inc. and its affiliates; and

WHEREAS, in connection with such spin-off, effective June 14, 1999, the RJR Plan is maintained by R. J. Reynolds Tobacco Company for the benefit of its eligible employees and the eligible employees of its affiliates; and

WHEREAS, in light of the foregoing, effective June 14, 1999, the Eligible Nabisco Employees are no longer eligible to participate in the RJR Plan; and

WHEREAS, effective as of June 14, 1999, the Company desires to establish the Nabisco, Inc. Capital Investment Plan (the "Plan"), a profit sharing plan containing Section 401(k) cash or deferred features for the benefit of the Eligible Nabisco Employees and newly eligible employees of the Company and its affiliates; and

WHEREAS, effective June 14, 1999, the account balances held under the RJR Plan attributable to the Eligible Nabisco Employees and forfeitures attributable to individuals who terminated employment prior to June 14, 1999 but would have been employees of the Company or its affiliates on June 14, 1999 but for such termination of employment are being transferred to the Plan; and

WHEREAS, as a result of the acquisition of the common stock of Nabisco Holdings Corp. by Philip Morris Companies Inc. and the subsequent merger of Nabisco, Inc. into Kraft Foods North America, Inc., the Plan is hereby restated and amended effective as of December 31, 2000.

ARTICLE I

DEFINITIONS

- 1.01 Accounts, unless otherwise indicated, means a Participant's Basic, Supplemental Pre-Tax, Supplemental After-Tax, and Company Contribution Accounts and any subaccounts thereunder. Some Participants may also have Rollover Contribution Accounts and After-Tax Basic Contribution Accounts.
- 1.02 Administrative Committee means the Administrative Committee(s) that is appointed by the Committee to handle the day-to-day administration of the Plan. (See Section 10.02).
- 1.03 Affiliated Company means the Company and any corporation which is a member of a controlled group of corporations (as defined in Section 414(b) of the Code) which includes the Company; any trade or business (whether or not incorporated) which is under control (as defined in Section 414(c) of the Code) with the Company; any organization (whether or not incorporated) which is a member of an affiliated service group (as defined in Section 414(m) of the Code) which includes the Company; and any other entity required to be aggregated with the Company pursuant to regulations under Section 414(o) of the Code. For purposes of Article XIV, the definition of Affiliated Company shall be modified in accordance with Code Section 415(h).
- 1.04 Affiliated Plan means a defined contribution plan sponsored by an Affiliated Company.
- 1.05 Automatic Enrollment Date means, for each Eligible Employee, a date determined by the Committee, which date is no earlier than three weeks following the date the Eligible Employee first becomes eligible to participate in the Plan in accordance with Section 2.01(b).
- 1.06 Basic Contributions means the contributions of a Participant which are credited to his Basic Contribution Account in accordance with Section 3.01.
- 1.07 Basic Contribution Account means that portion of the Trust Fund which, with respect to any Participant, is attributable to his Basic Contributions and any investment earnings or losses thereon, and excluding amounts, if any, distributed to the Participant in accordance with Section 3.07(c). An After-Tax Basic Contribution Account includes that portion of the Trust Fund which, with respect to any Participant, is attributable to any After-Tax Basic Contributions which were

transferred to this Plan pursuant to ARTICLE XV, and any investment earnings or losses thereon.

- 1.08 Beneficiary means the beneficiary designated by the Participant under the Company's group term life insurance plan, unless the Participant has designated any other person or persons (who may be designated contingently or successively and which may be an entity other than a natural person) on a form supplied by the Administrative Committee to receive benefits payable in the event of the death of the Participant; provided, however that if the Participant is married at the date of his death, the Beneficiary shall be the Participant's Surviving Spouse, and any Beneficiary designation that does not name the Participant's Surviving Spouse as the Beneficiary shall be void unless it has been consented thereto on a form supplied by the Administrative Committee in writing by the Participant's Surviving Spouse and such consent (i) designated the alternative Beneficiary and/or form of benefit which may not be changed without spousal consent, (ii) acknowledges the effect of such election, and (iii) is witnessed by a notary public. The Participant may, however, revoke his alternate Beneficiary at any time, thereby reinstating his Surviving Spouse as sole Beneficiary. In the event of the Participant's death without an effective Beneficiary designation, any Plan benefits payable shall be paid in equal parts to the Participant's surviving children or, if the Participant has no surviving children, to the Participant's surviving parents or, if the Participant has no surviving parents, to the Participant's surviving siblings or, if the Participant has no surviving siblings, to the Participant's estate. Section 9.01 (a) should be referred to in the event of the death of a Participant with an outstanding loan balance, Section 12.05 should be referred to in the event of a Qualified Domestic Relations Order and Section 12.12 should be referred to for payment in the event of incompetency of a Beneficiary.
- 1.09 Board of Directors means, prior to August 2001, the Board of Directors of Nabisco, Inc. and after July 2001, the Board of Directors of Kraft Foods North America, Inc., and any committee authorized by such Board to act in its behalf with reference to the Plan.
- 1.10 Break in Service means any twelve-consecutive-month period beginning on a Severance Date during which an Employee does not complete an Hour of Service.
- 1.11 Code means the Internal Revenue Code of 1986 as amended from time to time. Reference to any Section or subsection of the Code includes reference to any comparable or succeeding provisions of any legislation which amends, supplements or replaces such Section or subsection.

- 11
1.12 Committee means the Nabisco Employee Benefits Committee which shall act as the Plan Administrator for the Plan. The Committee shall have the duties and powers described in Article X.
- 1.13 Company means, prior to August 2001, Nabisco, Inc. Subsequent to July 2001, Company means the Nabisco Biscuit & Snacks Group of Kraft Foods North America, Inc. With respect to any corporate act after July 2001, Company means Kraft Foods North America, Inc.
- 1.14 Company Contribution Account means that portion of the Trust Fund which, with respect to any Participant, is attributable to any contributions made on his behalf by the Company, and any investment earnings and gains or losses thereon.
- 1.15 Compensation means, with respect to any Plan Year, the basic compensation and such other forms of compensation paid for employment as are listed in Schedule A hereto for the calendar year beginning in such Plan Year. Compensation in excess of the limit described in Section 401(a)(17) of the Code (subject to cost of living adjustments) shall not count for purposes of this Plan.
- 1.16 Disability means being disabled as determined by the Federal Social Security Administration and receiving the Social Security Award.
- 1.17 Effective Date of this Plan means June 14, 1999.
- 1.18 Eligible Employee means any person employed by a Participating Company in an "eligible category", who is paid from a United States dollar payroll maintained in the United States; provided, that except as the Board of Directors or the Committee, pursuant to authority delegated to it by the Board of Directors, may otherwise provide on a basis uniformly applicable to all persons similarly situated, no person shall be an "Eligible Employee" for purposes of the Plan:
- (a) who is excepted by the Committee,
 - (b) whose terms and conditions of employment are determined by a collective bargaining agreement with the Company or a Participating Company which does not make this Plan applicable to him, provided that employee retirement benefits were negotiated thereunder, or
 - (c) who is a "leased employee" as defined in Section 414(n) of the Code and who is required by such Section to be considered an employee of the Company or an Affiliated Company. Notwithstanding the foregoing, if a

"leased employee" is reclassified as an Employee, years of service as a "leased employee" of the Company or an Affiliated Company shall be considered in computing Service for vesting.

Notwithstanding any provision of the Plan to the contrary, Eligible Employee shall not include any person who becomes an Employee pursuant to the Asset Purchase Agreement entered into on November 19, 1999 among Favorite Brands International Holding Corp., Favorite Brands International, Inc., Sather Trucking Corporation, Trolli, Inc., Nabisco, Inc., Nabisco Brands Company, and Nabisco Technology Company and who works at a facility in the following locations.

Favorite Brands International, Inc., and Trolli, Inc. Locations

- | | |
|---------------------------|-------------------------------|
| 1. Bannockburn, Illinois | 8. Pittston, Pennsylvania |
| 2. Chicago, Illinois | 9. Round Lake, Minnesota |
| 3. DesPlaines, Nevada | 10. New Orleans, Louisiana |
| 4. Henderson, Nevada | 11. Oklahoma City, Oklahoma |
| 5. Kendallville, Indiana | 12. San Bernadino, California |
| 6. Ligonier, Indiana | 13. Creston, Iowa |
| 7. Chattanooga, Tennessee | 14. Plantation, Florida |

The exclusion from participation of those Employees covered by the Asset Purchase Agreement shall not apply beginning as of the date the Nabisco Retirement Savings Plan and the Nabisco Retirement Plan are merged with the Plan.

- 1.19 Employee means any person employed by (or, after July 2001, working at) the Company or an Affiliated Company.
- 1.20 Entry Dates are any business day.
- 1.21 ERISA means the Employee Retirement Income Security Act of 1974, and as is amended from time to time.
- 1.22 Investment Fund or Funds means the separate funds in which Participant and Company Contributions to the Plan are invested in accordance with Article IV.
- 1.23 Job Elimination means the elimination of an existing position at the sole discretion of the Company when, because of changing needs or circumstances, (i) the job is no longer performed, or (ii) the job is still performed, but fewer employees are needed to perform it.

- 1.24 Participant means any person participating in the Plan as provided in Article II. Except for purposes of Sections 2.01, 2.02 and 6.02 (ii) and Article 3, an Eligible Employee who has made a rollover or transfer to the Plan which meets the requirements of Section 12.13 or 12.15 and for whom a Rollover Contribution Account is maintained shall be treated as a Participant and such Eligible Employee shall become a Participant for all purposes after meeting the requirements of Sections 2.01 and 2.02. In addition, in any Plan Year in which the Plan is top-heavy (as defined in Section 14.02) and for purposes of Section 14.02(f), "participant" shall include an Eligible Employee not otherwise described in the preceding two sentences who shall, pursuant to Treasury Regulation Section 1.416-1, Q&A M-10, receive the contribution described in Section 14.02(f), and such Eligible Employee shall become a Participant for all purposes after meeting the requirements of Sections 2.01 and 2.02.
- 1.25 Participating Company means the Company and any United States subsidiary of the Company which is approved by the Committee to participate in the Plan. The term shall not include any foreign corporations, or units thereof.
- 1.26 Plan means the Nabisco, Inc. Capital Investment Plan.
- 1.27 Plan Year means the period from each December 31 through the next December 30. The Limitation Year shall be the calendar year.
- 1.28 Prior Plan means any U.S. qualified plan (or an individual retirement account, annuity or bond in which a qualified plan distribution was separately invested pursuant to Code Sections 408(d)(3)(A)(ii) and (D)(i)).
- 1.29 Retirement means the normal retirement of a Participant who has attained age 65, or the early retirement of a Participant who has attained age 55 and who has completed 10 years of service.
- 1.30 RJR Plan means the RJR Nabisco Capital Investment Plan.
- 1.31 Rollover Contributions means the amount contributed to the Plan as a rollover contribution from a Prior Plan, in accordance with Section 12.13(b).
- 1.32 Rollover Contribution Account means that portion of the Trust Fund which, with respect to any Eligible Employee, is attributable to his Rollover Contributions, and any investment earnings or losses thereon.

1.33

Service means all periods during which an Employee is employed by (or, after July 2001, working at) the Company, a Participating Company or any Affiliated Company commencing with the first day of employment or the first day of reemployment and ending with his Severance Date which next follows the first day of employment or the first day of reemployment, as the case may be. The first day of employment or the first day of reemployment shall be deemed to be the first day in which the Employee performs an "Hour of Service" (as defined in Department of Labor Reg. Section 2530.200b-2) as an Employee. Periods of Service commencing on the first day of employment and ending on the first Severance Date and commencing on each reemployment date and ending on the Severance Date which next follows shall be aggregated on a day by day basis and 365 days of aggregate Service shall constitute one year of Service. Service shall include any period of authorized part-time employment, periods of authorized leave of absence up to a maximum of one year, periods of absence due to service in the Armed Forces of the United States as required pursuant to Section 414(u) of the Code, periods of absence due to unpaid leave taken pursuant to the Family and Medical Leave Act of 1993 or similar state laws (to the extent required by such laws, but only to the extent such leave is not otherwise credited under this Section 1.33), and periods of absence due to illness or disability up to a maximum of 12-consecutive months. Service shall also include all service credited to an Eligible Employee under the RJR Plan prior to June 14, 1999. If an individual who is a participant in the RJR Plan on or after June 14, 1999 becomes an Eligible Employee on or before June 14, 2000, Service shall also include the service credited to such Eligible Employee under the RJR Plan in respect of the period commencing on June 14, 1999 and ending on June 14, 2000.

Notwithstanding the preceding paragraph and unless otherwise determined by the Committee, Service with an Affiliated Company that was not a member of the Nabisco Controlled Group as of December 10, 2000 shall only be taken into account subsequent to the time that such corporation became an Affiliated Company. Nabisco Controlled Group means Nabisco, Inc. and any other corporation that was a member of the controlled group of corporations (as defined in Section 1563(a) of the Code) that included Nabisco, Inc. as of December 10, 2000.

1.34

Severance Date means the following:

- (a) the date on which an Employee quits, retires, is discharged, dies or terminates employment following a period of salary and benefit continuation; or

- (b) the first anniversary of the first date of a period in which an Employee remains absent from Service (with or without pay) with the Company or an Affiliated Company for any reason other than quit, retirement, discharge, or death; provided, however, the absence from Service of an Employee receiving benefits under one or more long-term disability plans of the Company or an Affiliated Company is not a severance until the earlier of normal retirement age, the cessation of such disability payments or two consecutive years on long-term disability; provided further that if such an Employee in active employment after his normal retirement age becomes disabled, his Severance Date is the date such long-term disability plan benefits commence or would commence.

In the case of an Employee who is absent from work by virtue of (i) the Employee's pregnancy, (ii) birth of the Employee's child, (iii) placement of a child with the Employee by adoption, or (iv) caring for any such child for a period of up to a year immediately following such birth or placement, the Severance Date is the second anniversary of the first day of absence from Service provided that the period between the first and second anniversary of such first day of absence is neither counted as Service nor a Break in Service.

- 1.35 Supplemental After-Tax Contributions means the contributions which a Participant elects to make to the Plan in accordance with Section 3.03.
- 1.36 Supplemental After-Tax Contribution Account means that portion of the Trust Fund which, with respect to any Participant, is attributable to his own Supplemental After-Tax Contributions and any investment earnings or losses thereon and any subaccounts as may be necessary to reflect the provisions of Section 3.07.
- 1.37 Supplemental Pre-Tax Contributions means the contributions which a Participant elects to have the Company make directly to the Plan on behalf of the Participant in accordance with Section 3.02.
- 1.38 Supplemental Pre-Tax Contribution Account means that portion of the Trust Fund which, with respect to any Participant, is attributable to his own Supplemental Pre-Tax Contributions and any investment earnings or losses thereon.
- 1.39 Surviving Spouse means the person to whom the Participant is married, under applicable state law, at the time of the Participant's death and to whom the benefits under the Plan shall be payable in the event of the Participant's death unless a valid Beneficiary designation and consent thereto by the Participant's spouse has been

made and received by the Committee, or unless such benefits are subject to a qualified domestic relations order as defined in Section 414(p) of the Code.

- 1.40 Termination of Employment means separation from the employment of the Company or an Affiliated Company for any reason, including, but not limited to, Retirement, death, Disability, resignation or dismissal; provided, however, that transfer in employment between the Company and an Affiliated Company shall not be deemed to be a "Termination of Employment" and provided further, that if an Employee is rehired by the Company or an Affiliated Company within 30 days of his or her separation from the employment of the Company or an Affiliated Company, such separation shall not be considered to be a "Termination of Employment."
- 1.41 Trustee means a trustee or trustees at any time acting as such under a trust agreement or agreements established for purposes of this Plan.
- 1.42 Trust Fund means the cash and other properties arising from (i) contributions made by Participants and by the Participating Companies in accordance with the provisions of this Plan, (ii) funds transferred from the RJR Plan or Affiliated Plans, and (iii) any investment earnings and gains or losses thereon. The Trust Fund is held and administered by the Trustee pursuant to Article IV.
- 1.43 Valuation Date means each business day and any other date the Committee deems desirable or necessary to value the Trust Fund in accordance with Article V.

When used herein, the masculine shall include the feminine, and the singular shall include the plural, unless the context clearly indicates a different meaning.

ARTICLE II
PARTICIPATION

2.01 Eligibility.

- (a) An Eligible Employee who was eligible to participate in the RJR Plan immediately prior to the Effective Date shall be eligible to participate in the Plan on the Effective Date.
- (b) Any Employee shall be eligible to become a Participant in the Plan as of the first Entry Date coincident with or next following the date he becomes an Eligible Employee.
- (c) All Eligible Employees of a Participating Company who participate in this Plan shall participate under the terms and conditions herein stated.
- (d) An Employee who was a participant in the Nabisco Retirement Savings Plan or the Nabisco Retirement Plan on the date that such plan merged with the Plan shall become a Participant as of the Entry Date coinciding with or next following the merger date. All service under any such plan shall be taken into account for determining participation under the Plan.

2.02 Participation.

- (a) An Eligible Employee may become a Participant on any Entry Date by making application in a manner prescribed by the Committee in which he:
 - (i) designates the percentage of Compensation to be contributed as Basic Contributions in accordance with Section 3.01;
 - (ii) designates the percentage of Compensation, if any, to be contributed as Supplemental Pre-Tax and/or Supplemental After-Tax Contributions in accordance with Sections 3.02 and 3.03;
 - (iii) authorizes applicable payroll deductions; and
 - (iv) chooses one or more Investment Fund(s).
- (b) If the Eligible Employee does not make the application contemplated in Section 2.02(a) prior to his Automatic Enrollment Date, such Eligible

Employee shall become a Participant effective as of his Automatic Enrollment Date and shall be deemed to have (i) authorized payroll deductions for Basic Contributions in accordance with Section 3.01, equal to 3% of his Compensation and (ii) elected to invest such contributions in the Fidelity Asset Manager: Income. Notwithstanding the foregoing, the Eligible Employee may at any time elect a different contribution percentage (including 0%) in accordance with Section 3.05 and/or different Investment Funds in accordance with Section 4.06.

- 2.03 Participant Status. An Employee who has become a Participant shall remain a Participant so long as he remains in the service of the Company or an Affiliated Company, and shall cease to be a Participant upon his Termination of Employment, except that he shall remain a Participant so long as he has an Account balance. Active participation, however, including contributions to the Plan by or for a Participant, shall automatically be suspended effective as of the Participant's Severance Date. Participation in the Plan shall cease as of the date Accounts are transferred to an Affiliated Plan pursuant to Section 12.14.

ARTICLE III
CONTRIBUTIONS

- 3.01 Participant Basic Contributions. Subject to the provisions of Section 3.07, each Participant may elect that the Participating Company contribute from 1% to 6% of his Compensation to the Plan (in 1% increments) as Pre-Tax Contributions in lieu of an equal amount being paid to him as current cash Compensation. Basic Contributions are matched with Company Contributions in accordance with Section 3.04. Basic Contributions are made through payroll deductions and are credited to Participants' Accounts as soon as reasonably possible following the date of payment of the Compensation from which the contribution is taken.
- 3.02 Supplemental Pre-Tax Contributions. Subject to the provisions of Section 3.07, a Participant who has authorized the maximum Basic Contribution rate of 6% may also make additional pre-tax contributions to the Plan by authorizing Supplemental Pre-Tax Contributions of 1% to 10% of his Compensation (in 1% increments) in lieu of an equal amount being paid to him as current cash Compensation. Supplemental Pre-Tax Contributions are made through payroll deductions and are credited to Participants' Accounts as soon as reasonably possible following the date of payment of the Compensation from which the contribution is taken.
- 3.03 Supplemental After-Tax Contributions. A Participant may make contributions to the Plan on an after-tax basis, either in lieu of or in combination with Pre-Tax Contributions by authorizing Supplemental After-Tax Contributions of 1% to 16% of his Compensation (in 1% increments); provided that the combined percentage of Compensation for Basic and Supplemental Contributions is a minimum of 1% and a maximum of 16%. (After-Tax Contributions are referred to as "supplemental" even though a Participant may elect to make them prior to authorizing any or the full amount of Pre-Tax Basic Contributions). Supplemental After-Tax Contributions are made through payroll deductions and are credited to Participants' Accounts as soon as reasonably possible following the date of payment of the Compensation from which the contribution is taken.
- 3.04 Company Contributions.
- (a) All Company Contributions shall be made subject to the terms and conditions of this Section 3.04. Prior to August 2001, Company Contributions are made by Nabisco, Inc. After July 2001, Company Contributions are made with respect to the Nabisco Biscuit & Snacks Group of Kraft Foods North America, Inc.

- (b) For each Plan Year, the Participating Companies shall contribute an amount which, together with any forfeitures under Article VI, shall produce an allocation to each Participant's Company Contribution Account equal to 50% of such Participant's Basic Contributions for such Plan Year.
- (c) Each Participating Company's share of Company Contributions for any Plan Year shall be that proportion of the amount of Company Contributions for that year which the Basic Contributions withheld by that Participating Company bears to the total Basic Contributions withheld by all Participating Companies for the Plan Year.
- (d) In any Plan Year in which the Plan is top-heavy (as defined in Section 14.02) the Participating Companies shall make additional Company Contributions to the extent necessary to comply with the minimum top-heavy contribution requirement as set forth in Section 14.02(f).
- (e) Each Company Contribution to the Plan is conditioned on its deductibility.

In the event that the Commissioner of Internal Revenue, determines that the Plan does not qualify for tax-exempt status under Section 401 of the Code and issues an adverse determination with respect to its initial qualification, the Company Contributions made on or after the date on which such determination is applicable shall be returned to the Company without interest within one year after such determination, but only if the application for determination is made by the time prescribed by law for filing the Company's return for the taxable year in which the Plan was adopted, or such later date as the Secretary of the Treasury may prescribe.

In the event that a Company Contribution to the Plan is made by a mistake of fact or all or part of the Company's deductions under Section 404 of the Code for contributions to the Plan are disallowed by the Internal Revenue Service, the portion of the contributions attributable to such mistake of fact or to which such disallowance applies shall be returned to the Company without interest. Any such return shall be made within one year after the making of such contribution by mistake of fact or disallowance of deductions, as the case may be.

3.05 Change in Participant Contributions. Subject to the provisions of this Article, a Participant may elect to change the percentage of his authorized payroll deduction by giving notice to the Committee in such manner as the Committee may prescribe. Such changed percentage shall become effective beginning with the first payroll period commencing after processing such notice. If the Committee makes a mistake-of-fact with regard to any contribution, it shall, depending on the mistake-of-fact, either (i) cause said contribution to be returned to the Participant without restriction or (ii) accept additional contributions for the affected period.

3.06 Suspension of Participant Contributions.

- (a) A Participant may elect to suspend his Basic, Supplemental Pre-Tax or Supplemental After-Tax Contributions by notifying the Committee in advance in the manner prescribed by the Committee. The suspension shall become effective on the first day of the first payroll period commencing on or after processing such request. No Company Contributions shall be made on behalf of a Participant during a period of suspension of Basic Contributions.
- (b) A Participant who has suspended his Basic, Supplemental Pre-Tax or Supplemental After-Tax Contributions may elect to apply to the Committee to resume his contributions in the manner prescribed by the Committee. The resumption shall become effective as of the first payroll period commencing on or after processing his request.
- (c) No contributions may be made by a Participant for any period of unpaid absence from Service. A Participant who has ceased to make contributions under the Plan in accordance with this subsection (c) shall again be eligible to resume making contributions on the date he returns to Service as an Eligible Employee.
- (d) A Participant who has ceased to make contributions under the Plan because he has ceased to be an Eligible Employee but, nevertheless, continues to be an Employee shall again be eligible to resume making contributions on the date he again becomes an Eligible Employee and gives notice to the Committee in the prescribed manner.

3.07 Restrictions on Pre-Tax Contributions.

- (a) In no event may the sum of the Basic and Supplemental Pre-Tax Contributions made by the Company on behalf of any Participant exceed

\$10,000 (as adjusted in accordance with Code Section 402(g)(5)). In the event the dollar limit for pre-tax contributions is reached with respect to a Participant during a calendar year, all additional contributions made on behalf of the Participant for that calendar year will be made on an after-tax basis, including, if necessary, a portion of the contributions that the Participant had designated as Basic Contributions.

- (b) The Committee shall have the right to establish rules with respect to the making of elections of Pre-Tax Contributions, including, without limitation, the right to require that any such election be made at such time prior to its becoming effective as the Committee shall determine and the right to restrict the Participant's right to change such election. Such contributions are intended to be treated for federal income tax purposes as contributions made by the Company under a qualified cash or deferred arrangement (as defined in Section 401(k) of the Code) but shall be treated as if they were contributions by a Participant for the purpose of the Plan except where the Plan expressly indicates otherwise.
- (c) Notwithstanding any other provision of the Plan, Allocable Excess Pre-Tax Contributions and income allocable thereto shall be distributed no later than April 15 to Participants who claim Allocable Excess Pre-Tax Contributions for the preceding calendar year. "Allocable Excess Pre-Tax Contributions" shall mean the amount of Pre-Tax Contributions for a calendar year that the Participant allocates to this Plan that exceed the limits of Code Section 402(g).
- (d) The Participant's claim shall be in writing, shall be submitted to the Committee no later than March 1; shall specify the Participant's Allocable Excess Pre-Tax Contributions for the preceding calendar year; and shall be accompanied by the Participant's written statement that if such amounts are not distributed, such Allocable Excess Pre-Tax Contributions, when added to amounts deferred under other plans or arrangements described in Sections 401(k), 402(h), 408(k) or 403(b) of the Code, exceed the limit imposed on the Participant by Section 402(g) of the Code for the year in which the deferral occurred. A Participant is deemed to notify the Committee of any Allocable Excess Pre-Tax Contributions that arise by taking into account only those amounts deferred pursuant to this Plan and any other Plans of a Participating Company.
- (e) The Allocable Excess Pre-Tax Contributions distributed to a Participant with respect to a calendar year shall be adjusted for income and, if there is

a loss allocable to the Excess Pre-Tax Contributions, shall in no event be less than the lesser of the Participant's Pre-Tax Account under the Plan or the Participant's Pre-Tax Contributions for the Plan Year.

3.08 Code Section 401(k) and 401(m) Nondiscrimination Tests. The Plan is subject to the following nondiscrimination tests.

- (a) Definitions. For purposes of this Section, the following additional definitions shall be used for Plan Years beginning after 1996:
 - (i) Highly Compensated Employee means an individual who performs service during the determination year and is an Employee who is a 5-percent owner (as defined in Section 416(i)(1) of the Code) at any time during the Plan Year or the preceding Plan Year, or an Employee who received compensation in excess of \$80,000 (adjusted for changes in the cost of living) and is a member of the "Top-Paid Group" for the preceding Plan Year.
 - (ii) "Top-Paid Group" means those Employees who are in the top 20-percent of all Employees based on compensation paid by the Company.
- (b) Average Actual Deferral Percentage Test ("ADP"). For each Plan Year, Participants' Pre-Tax Contributions shall satisfy the requirements described under Section 401(k)(3)(A)(ii) of the Code. The Committee shall have the right to limit Pre-Tax Contributions of Highly Compensated Employees as it deems necessary to satisfy such requirements.
- (c) Average Actual Contribution Percentage Test ("ACP"). For each Plan Year, matching Company Contributions and Participant After-Tax Contributions shall satisfy the requirements under Section 401(m)(2) of the Code. The Committee shall have the right to limit matching Company Contributions and Participant After-Tax Contributions of Highly Compensated Employees as it deems necessary to satisfy such requirements.

3.09 Qualified Military Service. Any Participant who resumes participation in the Plan following a period of qualified military service shall have the right to make-up the contributions described in Section 3.01, Section 3.02 and Section 3.03 that were not made on account of qualified military service as provided under Section 414(u) of the Code. The Company will make contributions as described in Section 3.04 in

the same manner and in the same amount as if the Participant's contributions were made during qualified military service.

ARTICLE IV

TRUST FUND AND INVESTMENT FUNDS

- 4.01 The Trust Agreement. The Company shall enter into a trust agreement which shall contain such provisions as shall render it impossible for any part of the corpus of the Trust or income therefrom to be at any time used for, or diverted to, purposes other than for the exclusive benefit of Participants. Any or all rights or benefits accruing to any person under the Plan with respect to any Company Contributions deposited under the Trust Agreement shall be subject to all the terms and provisions of the Trust which shall specifically incorporate and be subject to the provisions of the Plan.
- 4.02 The Trustee. The Trustee shall be a corporate trustee appointed by the Corporate Employee Plans Investment Committee of Philip Morris Companies Inc. (the "Philip Morris Committee"), unless such authority is transferred to the Compensation and Governance Committee of Kraft Foods Inc. (the "Kraft Committee").
- 4.03 Separate Funds. Subject to Section 4.04, the Trustee shall maintain separate Investment Funds within the Fund as are designated by the Company.
- 4.04 Investment Funds. The Philip Morris Committee, unless such authority is transferred to the Kraft Committee, shall select the Investment Funds offered under the Plan and reserves the right to eliminate or add Funds from time to time, including Funds that invest in the common stock of an Affiliated Company.
- 4.05 Temporary Investment. Pending permanent investment of the assets of any Investment Fund, the Trustee may temporarily hold cash or make short-term investments in obligations of the United States Government, commercial paper, an interim investment fund for tax qualified employee benefit plans established by the Trustee unless otherwise provided by applicable law, or other investments of a short-term nature.
- 4.06 Investment of Contributions.
- (a) Election. All Basic Contributions, Supplemental Pre-Tax Contributions, Supplemental After-Tax Contributions and Company Contributions will be invested at the election of the Participant in multiples of 1% in any one or

combination of the Investment Funds under the Plan, subject to any restrictions imposed on investing in any stock fund. A Participant may make or change an election on any day by giving notice to the Committee in the prescribed manner. Any such election or change of election shall be effective as of the first payroll period after it is processed.

- (b) Reallocation of Investments. A Participant may elect on any day to reallocate the investment of his Accounts to any one or combination of the Investment Funds in multiples of 1% by giving notice to the Committee in such manner as the Committee may prescribe. The amounts reallocated will be based upon values as of the Valuation Date applicable to the processing of the request.

4.07 Voting by Participants.

- (a) Voting of Stock Generally. Each Participant shall have the right and shall be afforded the opportunity to instruct the Trustee how to vote that proportionate number of the total number of shares of stock held in any Fund that consists of the common stock of the Company or an Affiliated Company that is the same proportion that the value of his interest bears to the total value of such Fund. Instructions by Participants to the Trustee shall be in such form and pursuant to such regulations as the Committee may prescribe. Any such instructions shall remain in the strict confidence of the Trustee.
- (b) Tender or Exchange Offers. In the event of a tender or exchange offer for any or all shares of Stock, the Committee shall notify each Participant or Beneficiary and utilize its best efforts to timely distribute or cause to be distributed to him such information as will be distributed to other shareholders of such Stock in connection with any such tender or exchange offer. Each Participant or his Beneficiary shall have the right to instruct the Trustee in writing not to tender or exchange shares of Stock credited to his Account under the Trust Fund. Unless the Trustee determines that ERISA requires it to act otherwise, the Trustee shall not tender or exchange any shares of Stock credited to a Participant's Account under the Trust Fund unless specific instructions to tender or exchange such shares have been received. For purposes of this Section 4.07(b), "Stock" shall mean the stock held in any Fund that consists of the common stock of the Company or an Affiliated Company.

4.08 Investment Managers. The Philip Morris Committee may enter into a written agreement with or direct the Trustee to enter into an agreement with one or more investment managers to manage the investments of one or more of the Investment Funds. Such investment managers may include legal reserve life insurance companies which enter into group annuity contracts with the Trustee. The Philip Morris Committee may remove any such investment manager or any successor investment manager, or direct the Trustee to do so, and any such investment manager may resign. In addition, the Philip Morris Committee may, upon removal or resignation of an investment manager, provide for the appointment of a successor investment manager. The Kraft Committee shall exercise the duties described in this Section 4.08 if such authority is transferred to the Kraft Committee from the Philip Morris Committee.

4.09 Participant Responsibility For Selection of Funds. Each Participant is solely responsible for the selection of his Investment Funds. Neither the Trustee, the Committee, any Administrative Committee, the Company nor any of the directors, officers or employees of the Company or any Affiliated Company is required to advise a Participant as to the manner in which his Accounts should be invested. The fact that a security is available to Participants for investment under the Plan shall not be construed as a recommendation for the purchase of that security, nor shall the designation of any Investment Fund impose any liability on the Company, any Affiliated Company, their directors, officers or employees, the Trustee, the Committee, or any Administrative Committee.

ARTICLE V

ACCOUNT STATEMENTS AND VALUATION

- 5.01 Valuation Of Accounts. As of each Valuation Date, the Accounts of each Participant shall be adjusted to reflect any appreciation or depreciation in the fair market value and any income earned by each Investment Fund in which the Participant's Accounts are invested since the prior Valuation Date. Such fair market value shall be the aggregate fair market value of all securities or other property held for each Investment Fund, plus cash and accrued earnings, less accrued expenses and proper charges against each Investment Fund.

When determining the value of Participant Accounts, any deposits due which have not been deposited in the Trust Fund on behalf of the Participant shall be added to his Accounts. Similarly, adjustments of Accounts for appreciation or depreciation of an Investment Fund shall be deemed to have been made as of the Valuation Date to which the adjustment relates, even though they are actually made as of a later date.

- 5.02 Valuation Upon Transfer Withdrawal or Distribution. The valuation of Accounts for purposes of an in-service withdrawal, a transfer of Accounts to another Investment Fund, or a cash distribution shall be as described in Section 5.01.

- 5.03 Statement of Accounts. Each Participant shall be furnished at least annually a statement setting forth the value of his Accounts.

ARTICLE VI

VESTING AND FORFEITURES

- 6.01 Vesting Of Participant's Contributions. Each Participant's Basic Contribution Account, Supplemental Pre-Tax Contribution Account and Supplemental After Tax Contribution Account shall at all times be fully vested.
- 6.02 Vesting of Company Contributions. A Participant shall become fully vested in his Company Contribution Account upon the earlier of (i) completion of 60 months of Service, (ii) 24 months of employment after his initial Entry Date, or (iii) the occurrence of any one of the following:
- (a) attainment of age 65,
 - (b) Retirement,
 - (c) Disability,
 - (d) death,
 - (e) termination of employment as a result of Job Elimination,
 - (f) termination of the Plan, or
 - (g) complete discontinuance of Company Contributions.

With respect to an Employee who becomes a Participant following the merger of the Nabisco Retirement Savings Plan (the "Savings Plan") or the Nabisco Retirement Plan (the "Retirement Plan") with the Plan, the following additional conditions shall apply regarding any amount credited to his Company Contribution Account:

- (a) The vested percentage shall not be less than the vested percentage, determined as of the merger date, of the Employee's (i) matching contributions account and supplemental contribution account under the Savings Plan or (ii) the amount attributable to employer contributions under the Retirement Plan.
- (b) A "Year of Service" under the Savings Plan shall be equivalent to 12 months of Service under the Plan.
- (c) The Employee's Entry Date shall be the later of November 19, 1999 or the date of hire by the Company.
- (d) The Employee shall be credited with 12 months of Service for the period beginning July 1, 2000 and ending June 30,

2001 if he would have been credited with a "Year of Service" shall have the meaning described in Section 8.2 of the Savings Plan.

- (e) All service under the Savings Plan and the Retirement Plan as of the merger date will be taken into account under the Plan.
- (f) With respect to a former participant in the Retirement Plan, any such Employee will have a 100% vested interest upon attaining age 55 while employed by the Company.

6.03 Forfeiture on Termination of Employment. If a Participant's employment is terminated prior to attainment of age 65 for reasons other than Retirement, Disability, death, or Job Elimination the portion, if any, of his Company Contribution Account in which he is not vested shall be forfeited upon the earlier of (i) the accrual of five (5) consecutive Break in Service years, or (ii) the receipt of a cash-out and, under circumstances where all Participant Contributions were distributed prior to Termination of Employment or there are no Participant Contributions, a cash-out will be deemed to have been made on the date the Termination of Employment occurred. All forfeitures pursuant to (ii) above are subject to the provisions of Section 6.05.

6.04 Disposition of Forfeitures. All forfeitures shall be used to reduce Company Contributions otherwise payable to the Plan.

6.05 Restoration of Forfeitures. Any amount forfeited pursuant to the provisions of clause (ii) of Section 6.03 shall be restored to the Account of a Participant if the Participant is re-employed before he accrues five consecutive Break in Service years. The restoration will occur without the requirement that the Participant repay to the Plan any amounts previously distributed to him.

ARTICLE VII
DISTRIBUTIONS

7.01 Distribution Of Benefits.

- (a) Termination of Employment. A Participant who has a Termination of Employment for reasons other than Retirement, Disability or death shall receive a lump sum distribution of the value of his vested Accounts, subject to the provisions of Section 7.01(e). Distribution shall be made as soon as administratively feasible following the valuation of the Participant's Accounts. If the Committee has not received an application for distribution by the time specified in subsection (d) below, a distribution shall automatically be made at such time.
- (b) Retirement or Disability. A Participant who has a Termination of Employment due to Retirement or Disability shall receive a lump sum distribution of the value of his Accounts. Distribution shall be made as soon as administratively feasible following the valuation of the Participant's Accounts. However, and notwithstanding anything in this Plan to the contrary, a Participant may not postpone payment beyond April 1 of the calendar year following the calendar year in which he attains age 70 1/2. Participants who are not 5% owners (as defined in Code Section 416(i)(1)(B)) and who attained age 70 1/2 prior to January 1, 1988, are not required to have their distribution commence prior to April 1 of the calendar year following the calendar year in which they retire, regardless of their age.
- (c) Death. The Accounts of a Participant who has died shall be distributed to his Beneficiary in a single lump sum payment. Payment will be made after notification and verification of the Participant's death; provided however, that if the Beneficiary is the Participant's Surviving Spouse, a distribution shall not be made until after a written application for distribution from the Surviving Spouse has been received by the Committee. The Accounts shall be valued as soon as administratively feasible after receipt of the written application for distribution, and distribution shall be made as soon as administratively feasible following the valuation of the Participants Accounts. If the Committee has not received an application for distribution by the time the Participant would have attained age 65, the distribution shall automatically be made at such time.

- (d) Latest Date for Distribution. Distributions to a Participant shall commence no later than the April 1 following the calendar year in which the Participant attains age 70 1/2.
- (e) Small Lump Sum Cash-Outs. The foregoing notwithstanding, if the value of the Participant's vested Account does not exceed \$5,000, a distribution shall be made to the Participant as soon as administratively feasible after a written application for distribution has been received by the Committee, valued as soon as administratively feasible after receipt of such application; provided, however, that if the Committee does not receive a written application for distribution within 90 days after the Participant's Termination of Employment, the Account shall be valued and distribution shall be made as soon as administratively feasible after the expiration of such 90-day period. In no event shall the Account of a Participant which is in excess of the amount of \$5,000 be distributed to him or on his behalf prior to the time specified in (d) above without the written consent to the Participant or, if applicable, his Surviving Spouse.
- (f) QDRO. Notwithstanding subsections (a)-(e) above and Section 8.05, if a qualified domestic relations order, as described in Section 12.05, requires the distribution of all or part of a Participant's benefits under the Plan, the establishment or acknowledgment of the alternate payee's rights to benefits under the Plan in accordance with the qualified domestic relations order shall in all events be applied in a manner consistent with the terms of the Plan. Notwithstanding the foregoing, (i) the Committee is authorized, pursuant to such uniform and nondiscriminatory rules as it shall establish which shall be consistent with applicable law and the terms of the applicable qualified domestic relations order, to cash out benefits to which alternate payees may be entitled prior to the date such benefits would otherwise become payable in accordance with the applicable provisions of the Plan, and (ii) in no event shall the recognition of an alternate payee's rights in accordance with this Section 7.01 (f) be deemed to include the right to make a withdrawal pursuant to the provisions of Article VIII or to receive any benefits in the form of a partial payment.
- (g) Company/Affiliated Company Stock Fund Distributions. With respect to any Investment Fund that consists of the common stock of the Company or an Affiliated Company, a Participant or his Beneficiary may elect that the distribution from any such Investment Fund be made in the form of cash or shares of stock, except that any fractional portion of a share shall be paid in

cash. If a Participant does not make an election in connection with the distribution, all amounts shall be paid in cash.

- 7.02 Installment Option. A Participant or Beneficiary may elect to receive the value of his Accounts in monthly or annual installment payments; provided, however, such Participant may elect at any time to receive the remaining amount credited to his Accounts in a lump-sum distribution.
- 7.03 Proof of Death and Right of Beneficiary. The Committee may require and rely upon such proof of death and such evidence of the right of any Beneficiary to receive the undistributed value of the Account of a deceased Participant as the Committee may deem proper, and its determination of death and of the right of such Beneficiary or other person to receive payments shall be conclusive.
- 7.04 Completion of Appropriate Forms and Procedures. The Committee has prescribed forms/procedures providing notice to it in order for a distribution to be made under the Plan. In the event a Participant or Beneficiary does not comply with such procedures before the date a distribution becomes payable under the terms of the Plan, distribution from such Participant's or Beneficiary's Account may, at the option of the Committee (taking into account Section 12.12), be mailed to the Address of Record as provided in Section 12.09.
- 7.05 Investment Pending Distribution.
- (a) The provisions of Section 4.06 shall continue to apply to the Accounts of inactive Participants, including Participants who have elected the installment option as provided in Section 7.02(a).
- (b) A Participant is not entitled to any interest, dividends or any other form of investment proceeds on his Account for the period between the Valuation Date on which his Account is valued for payment and the date payment is made.
- 7.06 Direct Rollovers.
- Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Article, a distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

- (a) Eligible Rollover Distribution. An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities); and any hardship distribution described in Section 401(k)(2)(B) of the Code made after 1998.
- (b) Eligible Retirement Plan. An eligible retirement plan is an individual retirement account described in Section 408(a) of the Code, and individual retirement annuity described in Section 408(b) of the Code, and annuity plan described in Section 403(b) of the Code, or a qualified trust described in Section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.
- (c) Distributee. A distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.
- (d) Direct Rollover. A direct rollover is a payment by the plan to the eligible retirement plan specified by the distributee.

ARTICLE VIII

WITHDRAWAL PRIOR TO TERMINATION OF
EMPLOYMENT AND SPECIAL PRE-TAX CONTRIBUTION RULES

8.01 Election to Withdraw from Accounts. As of any Valuation Date and subject to Sections 8.02, 8.03 and 8.04, a Participant may elect to withdraw, in cash only and in a stated amount, all or a portion of the value of vested amounts in his Accounts from which withdrawals are allowed.

8.02 Withdrawal of After-Tax and Company Contributions. Withdrawals as described in Section 8.01 and subject to the rules of Section 8.03 shall be applied by the Committee against a Participant's Accounts in the order and classification as follows:

Tax-Free Withdrawal: If applicable, the amount in his Supplemental After-Tax Account that may be withdrawn on a tax-free basis.

Regular Withdrawal: The remaining value in his Supplemental After-Tax Account, the value in his Rollover Contribution Account, and the vested value in his Company Contribution Account.

Participants with less than 60 months of Plan participation may not withdraw (i) after-tax contributions that were matched and have been in the Plan for less than 24 months, and (ii) Company Contributions that have been in the Plan for less than 24 months.

Hardship Withdrawal: A Participant who qualifies for a financial hardship as defined in Section 8.04 may withdraw up to 100% of the amount available under a Regular Withdrawal plus the remaining value of his After-Tax Supplemental Account, the remaining vested value of his Company Contribution Account, and any dollar amount from his Basic and Supplemental Pre-Tax Contribution Accounts, excluding earnings to Basic Pre-Tax Contributions and Supplemental Pre-Tax Contributions made under this Plan and earnings credited after December 31, 1988 to Pre-Tax Contributions made under the RJR Plan.

Withdrawal Upon Attainment of Age 59 1/2 or Disability: A Participant who has attained age 59 1/2 or is totally Disabled may withdraw the maximum available under a Regular Withdrawal plus any dollar amount up to the remaining vested value of his After-Tax Supplemental Account, Company Contributions Account and his Basic and Supplemental Pre-Tax Accounts.

8.03 Rules Applicable to Withdrawals Prior to Termination of Employment. The following rules shall, except as noted in Section 8.04, apply to withdrawals under this Article VIII:

- (a) Withdrawals may only be made by prior notice to the Committee in the manner prescribed by the Committee.
- (b) Excluding Hardship withdrawals, no more than one withdrawal may be made in any six-month period.
- (c) Excluding Hardship withdrawals, in no event may a Participant make a withdrawal in an amount less than \$1000, or the maximum amount available for withdrawal as a Tax-Free Withdrawal or a Regular Withdrawal, if less.
- (d) In no event may a Participant elect an order of withdrawal other than set forth in Section 8.02, nor may a Participant select the classification or Investment Fund from which his stated amount of withdrawal will be withdrawn.
- (e) Payments of withdrawal amounts will be made as soon as practicable after a Participant's election to withdraw.
- (f) Amounts received from any plan in a trust-to-trust transfer which were subject to Code Section 401 (k) under such plan shall be subject to Code Section 401 (k) requirements under this Plan.

8.04 Hardship Withdrawals. Financial hardship for purposes of Section 8.02 shall mean that a Participant requires a withdrawal of money for an immediate and heavy financial need. Such withdrawal cannot exceed the sum of (i) the amount required to meet such need and (ii) any amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated as a result of the distribution. No withdrawal shall be permitted unless the hardship cannot reasonably be relieved from other sources including distributions (other than hardship withdrawals) and nontaxable loans available under this Plan or any other plan, through reimbursement or compensation by insurance or otherwise, by liquidation of assets to the extent such liquidation would not itself cause an immediate and heavy financial need, by cessation of all Basic and Supplemental Pre-Tax Contributions or Supplemental After-Tax Contributions under the Plan, or by borrowing from commercial sources on reasonable commercial terms. Purchase by a Participant of a primary residence, the need to prevent eviction or foreclosure on the primary

residence of a Participant, post-secondary education tuition, related fees, or room and board for a Participant or his dependents and any non-reimbursed medical expense of a Participant or his dependents may generally be considered situations of heavy financial need, unless otherwise governed by law or regulation. The Committee may, under rules established by it which are uniformly applicable to all similarly situated Participants, determine other circumstances where a Participant has a heavy financial need and the decision of the Committee as to whether a Participant satisfies the financial hardship rule shall be conclusive, unless otherwise governed by law or regulation.

8.05 Restrictions on Pre-Tax Contribution Distributions. Notwithstanding any other provision in this Plan to the contrary, a Participant's Pre-Tax Contribution Account may not be distributed earlier than upon one of the following events:

- (a) The Participant's Retirement, death, Disability or Termination of Employment;
- (b) The termination of the Plan without the establishment of a successor plan;
- (c) A Participant's attainment of age 59 1/2;
- (d) A Participant's hardship, restricted as set forth in Section 8.04;
- (e) The sale or other disposition of the Company or any Affiliated Company to an unrelated corporation, which does not maintain the Plan, of substantially all of the assets used in a trade or business, but only with respect to Employees who continue with the acquiring corporation; or
- (f) The sale or disposition by the Company or any Affiliated Company of its interest in a subsidiary to an unrelated entity which does not maintain the Plan, but only with respect to Employees who continue employment with the subsidiary.

This Section is intended to comply with the earliest distribution requirements of Treasury Reg. 1.401 (k)-1(d) and is not intended to add any forms of distribution not otherwise allowed under the Plan.

ARTICLE IX

LOANS

- 9.01 Loan Provisions. An active Participant may make application to the Committee to borrow from the Trust Fund and the Committee may permit such a loan upon the conditions hereinafter specified and any other rules promulgated by the Committee.
- (a) Loans shall be made available to all eligible Participants on a reasonably equivalent basis and (i) shall not be made available to highly compensated employees (as defined in Section 414(q) of the Code) in an amount greater than the amount made available to other Participants, and (ii) shall not be permitted for purchasing securities or in any way financing a securities investment.
 - (b) The maximum amount of a loan to a Participant shall not exceed the lesser of (i) 50% of the vested interest in his Account, or (ii) \$50,000, reduced by the highest outstanding loan balance during the preceding twelve months. The minimum loan amount is \$1,000. Notwithstanding the foregoing, no amount of a Participant's Account shall be considered available for a loan if it is subject to a qualified domestic relations order as such term is defined under Section 414(p)(1)(A) of the Code.
 - (c) The Committee shall have complete discretion in determining lien priorities among the various investments in the Account. The Committee shall determine the interest rate for each loan, consistent with the rate being charged by other lending institutions for a similar loan to an unrelated borrower on the same date. A loan shall be deemed to be an investment of a Participant's individual Account and all interest payments and repayments of principal shall be credited to the Account of the Participant.
 - (d) The Participant shall be required to authorize payroll deductions from his Compensation in an amount sufficient to repay the loan over its term. Loan repayment amounts shall be credited to a Participant's Account as of the date of payment of the Compensation from which the repayment is taken. In the event of default of the Participant before the loan is repaid in full, the unpaid balance shall become due and payable and, to the extent that the outstanding amount is not repaid within 60 days after demand for payment is

sent, such amount shall be deemed to have been distributed and the Trustee shall first satisfy the indebtedness from the amount payable to the Participant before making any payment to the Participant. In the event of a Participant's death before the loan is repaid in full, the Participant's estate shall be the Beneficiary with respect to the outstanding loan notwithstanding any other deemed or actual Beneficiary designation and the unpaid loan balance shall be deemed to have been distributed to the Participant's estate.

Upon a Participant's Termination of Employment, the Participant can repay any outstanding loan balance in full or continue to repay the outstanding balance in the same amount and at the same rate as prior to the Termination of Employment. Repayments after a Participant's Termination of Employment shall be effected as determined by the Committee.

- (e) During the repayment period for the loan, the Participant shall be permitted to fully participate in the Plan.
- (f) The Participant shall execute such other documents as the Committee shall request.
- (g) Only one loan for each Participant may be outstanding at one time.
- (h) The Committee may make additional rules for loans under the Plan, provided that such rules are administered in a nondiscriminatory manner.

ARTICLE X

ADMINISTRATION OF THE PLAN

10.01 Nabisco Employee Benefits Committee.

- (a) The general administration of the Plan and the responsibility for carrying out the provisions of the Plan shall be placed in the Committee, consisting of not less than three persons.
- (b) Any member of the Committee may resign by delivering his written resignation to the Secretary of the Committee and such resignation shall become effective upon the date specified therein. A member shall be deemed to have resigned if he leaves the active employment of the Company and all Affiliated Companies.
- (c) The Committee shall elect from its members a Chairman, and shall also elect a Secretary who may, but need not, be one of the members of the Committee. The Committee may appoint from its members such committees with such powers as it shall determine, and may authorize one or more of its members, or any agent, to execute or deliver any instrument or make any payment in its behalf.
- (d) The Committee shall hold meetings upon such notice, at such place or places, and at such time or times as it may from time to time determine.
- (e) A majority of the members of the Committee shall constitute a quorum for the transaction of business. All resolutions or other action taken by the Committee shall be by the vote of a majority of the members of the Committee present at any meeting or without a meeting by an instrument in writing signed by a majority of the members of the Committee.
- (f) No member of the Committee shall receive any compensation for his service as such, and, except as may be required by applicable law, no bond or other security is required of him in such capacity in any jurisdiction.

10.02 Administrative Committee.

- (a) The Committee, in its discretion, may delegate its administrative duties and responsibilities to one or more Administrative Committees each consisting of three or more persons, who shall be appointed by and serve at the

pleasure of the Committee and one or more of whom may also be members of such Committee. Vacancies in the Administrative Committee shall be filled by the Committee but the Administrative Committee may act, notwithstanding any vacancies, so long as there are at least two members of such Committee. The members of an Administrative Committee shall serve without compensation for their services as such, but shall be reimbursed by the Company for all necessary expenses incurred in the discharge of their duties.

- (b) Subject to restrictions imposed by the Committee, an Administrative Committee's powers shall include the following powers:
- (i) to interpret Plan provisions with respect to eligibility, service, vesting and determination of benefits,
 - (ii) to calculate benefits and authorize the payment of benefits by the Plan trustees through disbursement accounts as directed by the Administrative Committee,
 - (iii) to authorize the payment of routine plan expenses exclusive of trustee, investment manager, or actuary fees,
 - (iv) to prepare and/or approve the filing of required governmental reports,
 - (v) to maintain Plan and Account records,
 - (vi) to prepare employee announcements, forms and procedures, and
 - (vii) to review denials of benefit claims made by Participants or Beneficiaries.

The Administrative Committee, at its discretion, may delegate to assistants, including employees in the Company's Employee Benefits Department, ministerial and clerical duties.

10.03 Authority and Duties of Various Fiduciaries.

- (a) The Committee (or the Administrative Committee acting on behalf of the Committee) shall have the exclusive right to interpret the Plan and to decide

any and all matters arising under the Plan or in connection with its administration, including determination of and eligibility for the amount of distributions and withdrawals. The Company shall have no power to direct or modify any interpretations, determinations, or decisions of the Committee. The Committee may amend the Plan, subject to the provisions of Section 11.01. The Committee may adopt rules for the administration of the Plan and the conduct of its business and such rules shall be consistent with the provisions of the Plan.

- (b) The Committee and any other named fiduciary may each employ counsel, agents, and such clerical and accounting services as it may require in carrying out its responsibilities under the Plan. All fiduciaries shall be entitled to rely upon tables, valuations, certificates, opinions, and reports furnished by any actuary, accountant, or legal counsel appointed under the provisions of the Plan.
- (c) The Committee shall keep in convenient form such personnel data as may be necessary for the Plan. The Committee shall prepare, distribute, and file such reports and notices as may be required by applicable law or regulation.
- (d) The members of the Committee shall use that degree of care, skill, prudence and diligence that a prudent man acting in a like capacity and familiar with such matters would use in his conduct of a similar situation. A member of the Committee shall not be liable for the breach of fiduciary responsibility of another fiduciary unless (i) he participates knowingly in, or knowingly undertakes to conceal, an act or omission of such other fiduciary, knowing such act or omission is a breach; or (ii) by his failure to discharge his duties solely in the interest of the Participants, Surviving Spouses and Beneficiaries for the exclusive purpose of providing their benefits and defraying reasonable expenses of administering the Plan not met by the Company, he has enabled such other fiduciary to commit a breach; or (iii) he has knowledge of a breach by such other fiduciary and does not make reasonable efforts to remedy the breach; or (iv) the Committee improperly allocates duties among its members or delegates duties to others and fails to properly review such allocation or delegation of fiduciary responsibilities.
- (e) The Company will indemnify and hold harmless the members of the Committee and any person to whom fiduciary responsibilities are delegated under this Plan against any cost or expense (including attorney's fees) or liability (including any sum paid in settlement of a claim with the approval

of the Company) arising out of any act or omission to act, except in the case of willful misconduct.

- (f) Whenever, in the administration of the Plan, any discretionary action is required, the authorized party shall exercise his authority in a nondiscriminatory manner so that all persons similarly situated will receive substantially the same treatment.

10.04 Named Fiduciaries.

- (a) The Committee and any Administrative Committee shall each constitute named fiduciaries as such term is defined in ERISA.
- (b) Any fiduciary appointed as a named fiduciary by the Company by resolution or appointed by an appropriate instrument executed by an officer of the Company thereunto authorized shall also constitute a named fiduciary in respect of the duties delegated to him or it in such resolution or instrument.

10.05 Delegation. Any named fiduciary designated herein or appointed as provided herein, unless precluded from doing so by the terms of such appointment, may by appropriate instrument designate any person (including any firm or corporation) to carry out part or all of such fiduciary's responsibilities and upon such designation the named fiduciary shall have no liability, except as imposed by applicable law, for any act or omission of such person. The foregoing does not preclude any other fiduciary to the extent allowed by ERISA and the terms of his appointment from delegating part or all of such fiduciary's responsibilities with respect to the Plan.

10.06 Multiple Capacities. Any fiduciary may serve in more than one fiduciary capacity with respect to the Plan.

ARTICLE XI

AMENDMENTS, TERMINATION, PERMANENT DISCONTINUANCE
OF CONTRIBUTIONS, MERGER OR CONSOLIDATION

- 11.01 Amendments. Subject to the provisions hereinafter set forth, the Company reserves the right at any time and from time to time by action of the Committee in writing, both retroactively and prospectively, to modify or amend, in whole or in part, any or all of the provisions of the Plan; provided, however, that (a) no such modification or amendment shall make it possible for any part of the funds of the Plan to be used for, or diverted to, purposes other than for the exclusive benefit of Participants, Surviving Spouses or Beneficiaries under the Plan; and (b) no modification or amendment shall be made which has the effect of decreasing retroactively the Accounts of any Participant or of reducing the nonforfeitable percentage of the Company Contribution Account of a Participant below the nonforfeitable percentage thereof computed under the Plan as in effect on the later of the date on which the amendment is adopted or becomes effective; and provided further, that any amendment of the Plan that involves a material increase in benefits for officers of the Company, a material increase in cost or a material change in design, other than technical amendments required by law or regulations, must be approved by the Board of Directors. No amendment shall eliminate or reduce an early retirement benefit or eliminate an optional form of benefit except as permitted by law.
- 11.02 Termination or Permanent Discontinuance of Contributions. The Company may by action of the Committee terminate the Plan with respect to all participating locations or any of them or direct complete discontinuance of contributions hereunder by all or any of the participating location for any reason at any time. In case of such termination or complete discontinuance of contributions hereunder, there shall automatically vest in the appropriate Participants nonforfeitable rights to the Company Contributions credited to their Accounts, and the total amount in each Participant's Accounts shall be distributed, as the Committee shall direct, to him or for his benefit.
- 11.03 Partial Termination. In the event of a partial termination of the Plan, the provisions of Section 11.02 shall be applicable only to the Participants affected by such partial termination.
- 11.04 Benefits in Case of Merger or Consolidation. The Plan may not be merged or consolidated with, nor may its assets or liabilities be transferred to, any other plan unless each Participant, spouse or Surviving Spouse, former Participant, retired

Participant or Beneficiary under the Plan would, if the resulting plan were then terminated, receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation, or transfer if the Plan had then terminated.

ARTICLE XII

MISCELLANEOUS

- 12.01 Benefits Payable from Trust Fund. All persons with any interest in the Trust Fund shall look solely to the Trust Fund for any payments with respect to such interest.
- 12.02 Elections. Elections for benefits or Beneficiaries hereunder shall be made by a Participant in the manner prescribed by the Committee for such purposes, within the prescribed time limits.
- 12.03 No Right to Continued Employment. Neither the establishment of the Plan nor the payment of any benefits thereunder nor any action of the Company, the Board of Directors, the Committee or the Trustee shall be held or construed to confer upon any person any legal right to be continued in the employ of the Company.
- 12.04 Inalienability of Benefits and Interests. No benefit payable under the Plan or interest in the Trust Fund shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any such attempted action shall be void and no such benefit or interest shall be in any manner liable for or subject to debts, contracts, liabilities, engagements or torts of any Participant, Surviving Spouse or Beneficiary.
- 12.05 Qualified Domestic Relations Orders.
- (a) The provisions in Section 12.04 shall also apply to the creation, assignment or recognition of a right to any benefit payable with respect to a Participant pursuant to a domestic relations order, unless such order: (i) is determined to be a qualified domestic relations order, as defined in Section 414(p) of the Code, or (ii) was entered before January 1, 1985.
 - (b) If the Committee is in receipt of a domestic relations order, or the Committee is otherwise aware that a qualified domestic relations order affecting a Participant's account is being sought, the Committee may take such action as necessary (including, without limitation, restricting the participant's ability to withdraw or borrow funds in his or her Accounts) in order to administer the Plan consistently with the terms of any such qualified domestic relations order.
- 12.06 Payments for Exclusive Benefit of Participants. Payments of benefits in respect of the interest of a Participant under the Plan to any person other than such Participant

in accordance with the provisions of the Plan shall be deemed to be for the exclusive benefit of such Participant.

- 12.07 New Jersey Law to Govern. All questions pertaining to the construction, regulation, validity and effect of the provisions of the Plan shall be determined in accordance with the laws of the State of New Jersey, except to the extent such laws are pre-empted by ERISA.
- 12.08 No Guarantee. Neither the Company nor the Trustee guarantee the Trust Fund in any manner against loss or depreciation.
- 12.09 Address of Record. Each individual or entity with an actual or potential interest in the Plan shall file and maintain a current record address with the Plan. Communications mailed by the Company, Trustee, or Committee to such record address fulfills all obligations to provide required information to Participants, including former employees, Surviving Spouses and Beneficiaries, in regard to the Plan. If no record address is filed, it may be presumed that the address used by the Company in forwarding statements of a Participant's Account is the record address.
- 12.10 Unlocated Spouse. Notwithstanding the consent requirement in Section 1.08, if the Participant establishes to the satisfaction of the Committee that such written consent cannot be obtained because there is no spouse or the spouse cannot be located, a waiver shall be deemed to be valid. Any consent necessary under Section 1.08 will be valid only with respect to the spouse who signs the consent, or in the event of a deemed election, the designated spouse.
- 12.11 Agent for Process. The Secretary of Kraft Foods North America, Inc. shall be the designated agent for the service of legal process.
- 12.12 Payment in the Event of Incompetency. If the Committee finds that a Participant or other person entitled to a benefit is unable to care for his affairs because of illness or accident or is a minor, the Committee may direct that any benefit payment due the Participant, unless claim shall have been made therefor by a duly appointed legal representative, be paid to his spouse, a child, or a parent for the benefit of such Participant, and any such payment so made shall be a complete discharge of the liabilities of the Plan therefor.
- 12.13 Transfer of Accounts to This Plan.
- (a) Affiliated Plans. If a participant of a U.S. qualified Affiliated Plan becomes eligible to be a Participant of this Plan before receiving a distribution from

the Affiliated Plan, his Account under the Affiliated Plan shall be transferred to this Plan by way of a trustee-to-trustee transfer. This Plan shall be considered as a successor plan with regard to such employee and all Affiliated Plan contributions transferred shall be treated as though they were made under this Plan for purposes of vesting, withdrawals and distributions. In the absence of an applicable Participant election, assets transferred from an Affiliated Plan shall be invested in the equivalent investment funds under this Plan or, if an equivalent investment fund does not exist, then the assets from the Affiliated Plan shall be invested in the Interest Income Fund; and the accounts of participants and beneficiaries under the Affiliated Plan will become their Accounts as Participants and Beneficiaries under this Plan, effective as of the transfer date. Once a Participant has received a distribution from the Affiliated Plan, it shall be treated as a Prior Plan for purposes of this Section 12.13.

- (b) Prior Plans. This Plan does not accept trustee-to-trustee transfers from a Prior Plan. However, the Trustee is authorized to accept as a Rollover Contribution any contribution that meets the following criteria:
- (i) the contribution is made by, or on behalf of, an Eligible Employee;
 - (ii) the contributed amounts were distributed from the Prior Plan as an "eligible rollover distribution"(as defined in Section 7.06);
 - (iii) the contribution is made either (a) as a direct rollover from the Prior Plan to this Plan, or (b) by the Eligible Employee, within 60 days after the date such distribution is received by the Eligible Employee;
 - (iv) if applicable, the spousal consent requirements of Code Section 417(x)(2) were complied with; and
 - (v) such Rollover Contribution meets any other conditions as determined necessary by the Trustee or Committee to comply with Code Section 408(d)(3).

Rollover Contributions shall be held in the Eligible Employee's Rollover Contribution Account. The Eligible Employee is at all

times fully vested with respect to his Rollover Contribution Account.

- (c) RJR Plan. In connection with the spin-off of RJR Nabisco, Inc. by RJR Nabisco Holdings Corp. effective as of June 14, 1999, certain individuals who were participating in the RJR Plan immediately prior to the spin-off, ceased to participate in the RJR Plan effective as of such date and, as of such date, commenced participation in this Plan (such individuals being hereinafter referred to as "Transferred Nabisco Employees". In connection with such commencement of participation in the Plan, this Plan shall accept a transfer of such Transferred Nabisco Employees' accounts (including any outstanding participant loans) under the RJR Plan in accordance with the provisions of ARTICLE XV. In addition, this Plan shall accept a transfer of the Accounts and any unused forfeiture amounts that are attributable to the Accounts of any individual who terminated employment with Nabisco, Inc. or an affiliate (other than an affiliate that is a participating company under the RJR Plan) prior to June 14, 1999, in accordance with the provisions of ARTICLE XV. If an individual who is a participant in the RJR Plan becomes an Employee after June 14, 1999 and elects to transfer amounts from the RJR Plan to this Plan, this Plan shall accept a transfer of such Employee's accounts (including any outstanding participant loans) under the RJR Plan in accordance with the provisions of ARTICLE XV.
- (d) Certain 401(k) Plans. With respect to an Eligible Employee who, pursuant to an Asset Purchase Agreement entered into on November 19, 1999, has an accrued benefit from a qualified plan maintained by Favorite Brands International, Inc. transferred to the Nabisco Retirement Savings Plan (the "Savings Plan") or an accrued benefit from a qualified plan maintained by Trolli, Inc. transferred to the Nabisco Retirement Plan (the "Retirement Plan") and who becomes a Participant before receiving a distribution from the Savings Plan, as applicable, including any outstanding loan balances, shall be transferred to this Plan by way of a trustee-to-trustee transfer.

With respect to an Eligible Employee who previously was a participant in the Stella D'Oro Biscuit Co., Inc. Salary Reduction Plan (For Employees Who are Members of B.C. & T.C.W. Local 50) (the "Local 50 Plan") or the Stella D'Oro Biscuit Co., Inc. Salary Reduction Plan for Employees of Local 550 (the "Local 550 Plan") and who becomes a Participant before receiving a distribution from the Local 50 Plan, his account balance in the Local 50 Plan or the Local 550 Plan, as applicable, including any

outstanding loan balances, shall be transferred to this Plan by way of a trustee-to-trustee transfer.

All service credited under the Savings Plan, the Retirement Plan, the Local 50 Plan and the Local 550 Plan shall be taken into account for all purposes under the Plan. In the absence of an applicable Participant election, assets transferred from the Savings Plan, the Retirement Plan, the Local 50 Plan or the Local 550 Plan shall be invested in the equivalent investment funds under this Plan or, if an equivalent investment funds does not exist, then the assets from the Savings Plan, the Retirement Plan, the Local 50 Plan or the Local 550 Plan shall be invested in the Interest Income Fund. Once a Participant has received a distribution from the Savings Plan, the Retirement Plan, the Local 50 Plan or the Local 550 Plan, it shall be treated as a Prior Plan for purposes of this Section 12.13.

12.14 Transfer Of Accounts from this Plan to an Affiliated Plan. If a Participant transfers employment from the Company to an Affiliated Company and thereafter becomes eligible to participate in an Affiliated Plan, the assets in his Accounts in the Plan shall be transferred to such Affiliated Plan in accordance with the terms thereof.

12.15 Direct or Indirect Transfer. With respect to any Eligible Employee who is actively employed, the Plan shall accept any "eligible rollover distribution"(as defined in Section 7.06) from a defined benefit plan, money purchase pension plan (including a target benefit plan), stock bonus plan, or profit sharing plan or a conduit individual retirement account.

12.16 Payment of Expenses.

- (a) Direct charges and expenses arising out of the purchase or sale of securities, and taxes levied on or measured by such transactions may be charged against the Account(s) or Investment Fund for which the transactions took place.
- (b) Direct charges or expenses arising out of the establishment and maintenance of any funding account with an insurance company or other financial institution may be charged against the Account(s) or Investment Fund(s) for which the funding account is established.
- (c) Investment Manager fees arising out of the establishment and maintenance of any investment Fund may be charged against the Investment Fund for which the Investment Manager fees are incurred.

- (d) Trustee fees attributable to the Trust, auditor fees for the plan, and IRS user fees may be paid directly from the Trust. The Committee shall determine the manner in which these fees shall be charged against the Accounts or Investment Funds held in the Trust.
- (e) Any other charges or expenses relating to the maintenance or administration of the Plan that are permitted under applicable law to be paid from the Trust including, but not limited to, recordkeeping fees, may be paid directly from the Trust. The Committee shall determine the manner in which these charges and expenses shall be charged against the Accounts or Investment Funds held in the Trust.
- (f) Any of the expenses in (a)-(e) above may, at the option of the Company, be paid wholly or partly directly by the Company.
- (g) The Company shall pay all other expenses reasonably incurred to administering the Plan.
- (h) The Committee may authorize additional expenses to be charged directly from the Trust; provided that payment of such additional expenses from the Trust is permitted under applicable law, such fees are reasonable, and that any change in fee policy is communicated to Participants in a timely manner.

12.17 Transfer of Accounts to the R. J. Reynolds Tobacco Company Capital Investment Plan. The assets in the Accounts (including any outstanding Participant loans) of any individual who terminates employment with the Company or an Affiliated Company and commences employment with R. J. Reynolds Tobacco Company (or its affiliates) may (upon the election of such individual) be transferred to the corresponding accounts under the RJR Plan.

12.18 Headings. Headings of Articles and Sections of the Plan are inserted for convenience of reference. They constitute no part of the Plan.

ARTICLE XIII

CLAIMS PROCEDURE

- 13.01 Initial Determination. The initial determination of a Participant's, Surviving Spouse's or Beneficiary's eligibility for, and the amount of, a benefit shall be made by the Administrative Committee, or in its absence, the Committee, which shall mail or deliver to each covered individual who has filed an effective claim for a benefit a written statement of the amount of his benefit or a notice of denial of his claim on or before the 90th day following the Committee's receipt of such claim. If special circumstances require additional time for processing the claim, the Administrative Committee, or in its absence, the Committee, may delay issuing its statement or notice for an additional 90 days provided that the Participant, Surviving Spouse or Beneficiary is notified of the circumstances necessitating the delay and the date the Committee expects to render its final opinion. A claim for benefits is not effective unless filed in the manner prescribed by the Committee. Each notice of whole or partial denial of claimed benefits shall set forth the specific reasons for the denial, the time within which an appeal must be made by the Participant, Surviving Spouse or Beneficiary or his duly authorized representative, and shall contain such other information as may be required by applicable law. If a statement or notice is not issued within the prescribed period, the claim shall be deemed denied.
- 13.02 Review. Each Participant, Surviving Spouse or Beneficiary whose claim for benefits has been wholly or partially denied shall have such rights to review documents and submit comments as applicable law and regulations of the Committee may provide, and shall also have the right to request the Committee to review such denial; such request to be made on forms prescribed by the Committee. A request for review shall be filed by the Participant, Surviving Spouse or Beneficiary or his duly authorized representative on or before the 60th day following the earlier of the Participant's, Surviving Spouse's or Beneficiary's receipt of notice of denial of his claim or the expiration of the prescribed period for issuing a statement of benefits or notice of denial. The Committee shall issue a written statement on or before the 60th day following its receipt of such request stating the Committee's decision on review and the reasons therefore, including specific references to pertinent Plan provisions on which the decision is based, and any other information required by applicable law. If special circumstances require additional time for processing such review, the Committee may delay issuing its decision for an additional 60 days provided that the Participant, Surviving Spouse or Beneficiary is notified of such circumstances and the date the Committee

53 expects to render its final decision. If the decision is not issued within the prescribed period, the appeal shall be deemed denied.

ARTICLE XIV

LIMITATION ON BENEFITS

14.01 Code Section 415 Limits.

- (a) The following definitions shall be applied in construing this Section.
- (1) Defined Benefit Plan means any defined benefit plan (as defined in Section 415(k) of the Code) maintained by any Affiliated Company.
 - (2) Related Plan means any Defined Contribution Plan (as defined in Section 415(k) of the Code), other than the Plan, maintained by any Affiliated Company or any individual account maintained for voluntary contributions made by a Participant under a Defined Benefit Plan.
 - (3) Total Compensation means all remuneration paid to an Employee by any Affiliated Company, as determined pursuant to the provisions of Treasury Regulation Section 1.415-2(d)(11)(i).
 - (4) Annual Addition means the sum of the following amounts credited to a Participant's account for the limitation year:
 - (A) employer contributions;
 - (B) employee contributions;
 - (C) forfeitures; and
 - (D) amounts allocated to an individual medical account, as defined in Section 415(1)(2) of the Code, which is part of a pension or annuity plan maintained by the employer and amounts derived from contributions paid or accrued after December 31, 1985, in taxable years ending after such date, which are attributable to post-retirement medical benefits allocated to the separate account of a key employee, as defined in Section 419A(d)(3) of the Code, under a welfare

benefit fund, as defined in Section 419(e) of the Code, maintained by the employer.

(b) Limitations Applicable to Participants in Defined Contribution Plans Only

- (i) The Annual Addition credited to a Participant under the Plan or any Related Plan for any Limitation Year must not exceed the lesser of (1) \$30,000 (or, if greater, 25% of the defined benefit dollar limitation set forth in Section 415(b)(1) of the Code as in effect for the Plan Year) or (2) 25% of the Participant's Total Compensation for such Limitation Year.
- (ii) Excess Annual Additions. If the amount of Annual Additions which are credited to a Participant under this Plan for any Limitation Year exceeds the maximum amount permitted under this Section ("Excess Annual Additions", and if such excess was caused by the allocation of forfeitures, a reasonable error in estimating a Participant's annual compensation, a reasonable error in determining the amount of Basic Contributions and Supplemental Pre-Tax Contributions that may be made with respect to the Participant under the limitations of this Section, or other limited facts and circumstances which the Commissioner of Internal Revenue finds justified, the Excess Annual Additions may be reduced for such Limitation Year in the following manner:
 - (A) Supplemental After-Tax Contributions (and any income attributable thereto) made by the Participant shall be distributed to the Participant to the extent such distributions reduce the Excess Annual Additions. Any Supplemental After-Tax Contributions that are so distributed shall not be considered as an Annual Addition for the Limitation Year and shall be disregarded for purposes of Section 3.08.
 - (B) If there remains any Excess Annual Additions after the application of subparagraph (i) of this paragraph, Supplemental Pre-Tax Contributions (and any income attributable thereto) made by the Participant shall be distributed to the Participant to the extent that such distributions reduce the Excess Annual

Additions. Any Supplemental Pre-Tax Contributions that are so distributed shall not be considered as an Annual Addition for the Limitation Year and shall be disregarded for purposes of Sections 3.07 and 3.08.

- (C) If there remains any Excess Annual Additions after the application of subparagraphs (i) and (ii) of this paragraph, Basic Contributions (and any income attributable thereto) made by the Participant shall be distributed to the Participant to the extent that such distributions reduce the Excess Annual Additions. Any Basic Contributions that are so distributed shall not be considered as an Annual Addition for the Limitation Year and shall be disregarded for purposes of Sections 3.07 and 3.08.
- (D) If there remains any Excess Annual Additions after the application of subparagraphs (i), and (ii) and (iii) of this paragraph, such Excess Annual Additions shall be used to reduce Company Contributions for the next Limitation Year (and succeeding Limitation Years, as necessary) for the Participant. However, if the Participant is not participating in the Plan for the applicable Limitation Year, the Excess Annual Additions shall be held in a suspense account for that Limitation Year and allocated in the next Limitation Year to all remaining Participants in the same proportion as the Compensation paid to such Participants during such Limitation Year. Furthermore, the Excess Annual Additions shall be used to reduce Company Contributions for the next Limitation Year (and succeeding Limitation Years, as necessary) for all of such Participants. Any Excess Annual Additions that are treated in accordance with this subparagraph (iv) for the Limitation Year shall not be considered as Annual Additions for such Limitation Year.
- (E) If the suspense account is in existence at any time during the Limitation Year in accordance with this Section, investment gains and losses and other

income and expenses shall not be allocated to the suspense account.

(F) If this Plan is terminated and at the time of such termination a balance remains in the suspense account which, because of the limitations imposed by this Section, cannot be credited to any Participant, such balance shall revert to the Company.

(c) Adjustments on Account of Excess Credits. If it is determined at any time that the Defined Contribution Fraction and the Defined Benefit Fraction exceed 1.0, the maximum benefit under any applicable Defined Benefit Plan will be adjusted to the extent necessary to satisfy the combined fraction limitation.

(d) In addition to other limitations set forth in the Plan and notwithstanding any other provisions of the Plan, contributions (and contributions to all other Defined Contribution Plans required to be aggregated under this Plan under the provisions of Section 415 of the Code), shall not be made in an amount in excess of the amount permitted under Section 415 of the Code.

14.02 Code Section 416 Limits. This Section is intended to ensure the Plan's compliance with Section 416 of the Code. It shall be applicable to Participants for any Plan Year with respect to which the Plan is top-heavy.

(a) Definitions. The following definitions shall be applied in construing this Section.

(i) Top-Heavy Plan means any plan maintained by the Company or an Affiliated Company if, as of the Determination Date, the Top-Heavy Ratio for the plan and all other plans in the Aggregation Group exceeds 60%. The plan will be deemed a "super top-heavy plan" if, as of the Determination Date, the Plan would meet the test specified above for being a Top-Heavy Plan if 90% were substituted for 60% in each place it appears in this subsection(i).

(ii) Determination Date means the last day of the preceding Plan Year (or, in the case of the first plan year of a plan, the last day of such Plan Year). When plan aggregation is required, calculation of accrued benefits as of the Determination Date which fall within the same calendar year will be used.

- (iii) Valuation Date means the same date as the Determination Date.
- (iv) Key Employee means each Employee or former Employee who is, at any time during the Plan Year ending on the Determination Date, or was, during any one of the four Plan Years preceding the Plan Year ending on the Determination Date, any one or more of the following:
- (1) An officer of the Company or an Affiliated Company having an annual compensation greater than 50% of the dollar limitation in effect under Code Section 415(b)(1)(A) for any Plan Year;
 - (2) One of 10 Employees having annual compensation from the Company or an Affiliated Company of more than the dollar limitation in effect under Code Section 415(c)(1)(A) and owning (or considered as owning within the meaning of Code Section 318) both the largest interests in the Company or an Affiliated Company and a 1/2% ownership interest;
 - (3) Any person owning (or considered as owning within the meaning of Code Section 318) more than 5% of the outstanding stock of the Company (or stock having more than 5% of the total combined voting power of all stock of the Company); or
 - (4) Any person who has annual compensation of more than \$150,000 and would be described in subsection (3) above, if "1%" was substituted for "5%"

For purposes of determining whether a person is an officer in subsection (1) above, in no event will more than 50 Employees be considered Key Employees solely by reason of officer status. In addition, persons who are merely nominal officers will not be treated as Key Employees solely by reason of their titles as officers. For purposes hereof, compensation is as defined in Section 1.415-2(d) of the Income Tax Regulations.

- (v) Non-Key Employee means any Participant in the Plan (including a beneficiary of such Participant) who is not a Key Employee.
 - (vi) Aggregation Group means all plans that are subject to Required Aggregation (in accordance with subsection 14.02(b)). The Aggregation Group may also include plans subject to Permissive Aggregation (in accordance with subsection 14.02(c)), if such aggregation would eliminate the status of plans in the Aggregation Group as Top-Heavy Plans.
- (b) Required Aggregation. This Plan and all other qualified plans, including any terminated plans, maintained by the Company or an Affiliated Company which include a Key Employee must be aggregated to determine if the group as a whole is top-heavy. In addition, each other qualified plan maintained by the Company or an Affiliated Company which enables any plan in which a Key Employee is a Participant to meet the requirements of Sections 410(a)(4) and 410 of the Code must be aggregated.
- (c) Permissive Aggregation. The Company may include other plans maintained by the Company or an Affiliated Company which when considered as a group with the required aggregation group, would continue to satisfy the requirements of Sections 401(a)(4) and 410 of the Code, to determine if the group as a whole is top-heavy, provided such plans are comparable in benefits or contributions.
- (d) Top-Heavy Ratio.
- (i) The top-heavy ratio is a fraction, the numerator of which is the sum of account balances under the defined contribution plans in the Aggregation Group for all Key Employees and the present value of accrued benefits under the defined benefit plans for all Key Employees, and the denominator of which is the sum of the account balances under the defined contribution plans in the Aggregation Group for all Participants and the present value of accrued benefits under the defined benefit plans in the Aggregation Group for all Participants. Both the numerator and denominator are adjusted to include any distributions made in the five-year period ending on the "Determination Date" and any contributions due but unpaid as of the Determination Date.

- (ii) The value of account balances and the present value of accrued benefits will be determined as of the most recent Valuation Date. The account balances and accrued benefits of a Participant who is not a Key Employee but who was a Key Employee in a prior year will be disregarded. The calculation of the top-heavy ratio, and the extent to which distributions, rollovers and transfers are taken into account will be made in accordance with Section 416 of the Code and the regulations thereunder.
- (iii) If any Participant has not performed an Hour of Service for the Company at any time during the five-year period ending on the Determination Date, the account of such Participant shall not be taken into account.
- (e) Minimum Vesting. For any Plan Year in which the Plan is a top-heavy plan as determined pursuant to Section 416 of the Code, a Participant will have a nonforfeitable right to a percentage of the Participant's Accounts derived from Company Contributions as set forth below if such schedule is more favorable to the Participant than the vesting schedule under Section 7.02.

Years of Service Completed For Vesting Purposes -----	Vested Interest -----
Less than two	0%
Two but less than three	20%
Three but less than four	40%
Four but less than five	60%
Five or more	100%

The above vesting schedule applies to all benefits the meaning of Section 411(a)(7) of the Code, including benefits accrued before the effective date of Section 416 of the Code and benefits accrued before the Plan became top-heavy. However, any Participants who have completed at least three (3) years of service for vesting purposes as of the last day of the last Plan Year (a) before the Plan became top-heavy or (b) in which the Plan is top-heavy, shall have the right to elect to continue to have the vesting schedule in effect on the last day of such Plan Year applied to all of his benefits under the Plan. Further, no reduction in vested benefits may occur in the event the Plan's status as top-heavy changes for any Plan Year.

- (f) Minimum Required Contribution. It is intended that the Company or an Affiliated Company will meet the minimum contribution requirements of Section 416(c) of the Code by providing a minimum contribution (which may include forfeitures otherwise allocable) without regard to any Social Security contributions for such Plan Year for each Participant who is a non-key employee in an amount equal to at least 3% of such Participant's compensation (as defined in Section 1.415-2(d) of the Income Tax Regulations) for such Plan Year. Such 3% minimum contribution requirement shall be increased to 4% for any year in which the Company or an Affiliated Company also maintains a defined benefit pension plan if necessary to avoid the application of Section 416(h)(1) of the Code, relating to the special adjustments to Section 415 limits of the Code for top-heavy plans, if the adjusted limitations of Section 416(h)(1) would otherwise be exceeded if such minimum contribution were not so increased. The minimum contribution required shall be made to any non-key employee who is still employed on the last day of the plan year regardless as to the number of hours of Service performed during the year and regardless of the employee's level of compensation.

A Non-Key Employee who is also covered under a defined benefit plan that is part of the same Aggregation Group shall receive his minimum benefit under the defined benefit plan, offset by the actuarially determined value of the minimum contribution made under this Plan.

If for the Plan Year the Plan becomes a super top-heavy plan, then the denominator of both the defined contribution plan fraction and the defined benefit plan fraction shall be calculated as set forth in Section 14.01 (b) for the limitation year ending in such Plan Year by substituting "1.0" for "1.25" in each place such figure appears.

The percentage minimum contribution required hereunder shall in no event exceed the percentage contribution made for the Key Employee for whom such percentage is the highest for the Plan Year after taking into account contributions or benefits under other qualified plans in this Plan's aggregation group providing no other defined benefit plan uses the defined contribution plan to satisfy Code Section 401 (a) as provided in Section 416(c)(2)(B)(ii) of the Code.

ARTICLE XV

SPECIAL PROVISIONS PERTAINING TO TRANSFERS
FROM THE RJR NABISCO CAPITAL INVESTMENT PLAN

Amounts transferred from accounts of the RJR Plan shall be accounted for in accordance with the following rules:

- 15.01 Amounts transferred from the RJR Plan to this Plan consisting of Participant's "Basic Contribution Account" (as such term was defined in the RJR Plan) attributable to elective deferrals made pursuant to Section 401 (k) of the Code and any earnings attributable to such elective deferrals, shall be credited to such Participant's Basic Contribution Account under this Plan.
- 15.02 Amounts transferred from the RJR Plan to this Plan consisting of Participant's "Supplemental Pre-Tax Contribution Account" (as such term was defined in the RJR Plan) attributable to elective deferrals made pursuant to Section 401 (k) of the Code and any earnings attributable to such elective deferrals, shall be credited to such Participant's Supplemental Pre-Tax Contribution Account under this Plan.
- 15.03 Amounts transferred from the RJR Plan to this Plan consisting of a Participant's "Supplemental After-Tax Contribution Account" (as such term was defined in the RJR Plan), shall be credited to such Participant's Supplemental After-Tax Contribution Account under this Plan.
- 15.04 Amounts transferred from the RJR Plan consisting of a Participant's "Company Contribution Account" as such term was defined in the RJR Plan) attributable to "matching contributions" (as defined under Code Section 401(m)(4)(A)) and any earnings attributable to such matching contributions, shall be credited to such Participant's Company Contribution Account under this Plan.
- 15.05 Amounts transferred from the RJR Plan consisting of a Participant's "Rollover Account" (as such term was defined in the RJR Plan), shall be credited to such Participant's Rollover Account under this Plan.
- 15.06 Amounts transferred from the RJR Plan consisting of a Participant's "After-Tax Basic Contribution Account" (as such term was defined in the RJR Plan), shall be credited to such Participant's After-Tax Basic Contribution Account under this Plan.

- 15.07 All applicable "benefit options" (within the meaning of Section 411(d)(6)(B)(ii) of the Code and the Treasury Regulations thereunder) that are attributable to any amounts transferred from the RJR Plan shall continue to apply with respect to such transferred amounts held under this Plan.
- 15.08 Any outstanding loan transferred to the Plan from the RJR Plan will continue to be held on the same terms as those contained in the loan agreement between the Participant and the RJR Plan, except that the Plan will be substituted as the obligee of the loan.
- 15.09 Any unused forfeiture amounts that are attributable to the account of any individual who terminated employment with the Company prior to June 14, 1999 shall be transferred to this Plan and held as unused forfeitures under this Plan.
- 15.10 The provisions of Section 6.05, relating to the restoration of forfeitures, shall apply to any individual who: (i) was a participant in the RJR Plan, (ii) terminated employment with the Company prior to June 14, 1999, (iii) received a distribution of his vested interest under the RJR Plan, (iv) was re-employed by the Company or any Affiliated Company on or after June 14, 1999 prior to completing five (5) consecutive Breaks in Service (including, for this purpose, any breaks in service that might have occurred under the RJR Plan), and (v) repays the full amount previously distributed to him within five (5) years of the date he is re-employed by the Company or any Affiliated Company.
- 15.11 All applicable "benefit options" (within the meaning of Section 411(d)(6)(B)(ii) of the Code and the Treasury Regulations thereunder) that are attributable to amounts transferred from the Stella D'Oro Biscuit Co., Inc. 401 (k) Profit Sharing Plan, the Stella D'Oro Biscuit Co., Inc. Profit Sharing Plan, the Cornnuts, Inc. Profit Sharing and Retirement Plan or any other qualified plan from which amounts were transferred to the RJR Plan and subsequently transferred to this Plan pursuant to this ARTICLE XV, shall continue to apply with respect to such transferred amounts held under this Plan.

CIP -- COMPENSATION

SCHEDULE A - COMPENSATION

- I. The following payments are included as Compensation for all Participants:
- Basic Salary
 - Overtime
 - Shift Premium Pay
 - Commissions
 - Sales incentive payments paid in cash
 - Vacation Pay (except as noted in II)
 - Management Incentive Plan bonus or any similar management bonus if (i) payment is made on a non-deferred basis and (ii), the total aggregate amount of such bonuses do not exceed the regular AIAP award for the plan year and/or the maximum award payable under the AIAP.
 - Compensation deferred pursuant to salary reduction arrangement under Code Sections 401 (k), 125 or, effective as of December 31, 2001, 132(f)(4) to which the Company makes contributions.
 - Lump Sum payments in lieu of an increase in basic salary.
 - Payments under the Kraft Incentive Plan
 - Amounts paid under the Field Operation Incentive Plan
 - Cash denominated awards under the LTIP which are granted in lieu of regular AIAP awards or on a contractually required annual basis.
 - Salary continuation payments paid in semi-monthly installments
 - All U.S. based payroll amounts whether or not the employee is U.S. based.

II. The following payments are not included as Compensation for Participants:

Any form of compensation not listed in Part I, and specifically excluding the following:

- Vacation Pay taken in lieu of vacation
- Moving expenses
- Housing differential
- Bonus or other award payment which have been previously deferred
- Change of control bonus
- Stay-on/completion bonus
- Special incentive or bonus payments paid on an irregular or one-time basis unless designated for inclusion by the CEO
- Commendation Awards, Contest Awards or any other bonus paid on an irregular or one time basis (Nabisco, Inc.)
- Company contributions under any employee benefit plan (except contributions on account of employee elections to defer salary under Code Sections 401(k), 125 or, effective as of December 31, 2001, 132(f)(4)).
- Amounts deferred pursuant to the Nabisco Scholastic Savings Plan.

NABISCO, INC.
EMPLOYEE SAVINGS PLAN

(Restated Effective December 31, 2000)

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ARTICLE I

DEFINITIONS

- 1.01 Account means with respect to any Participant, his Basic and Supplemental Contribution Accounts and his Company Contribution Account, and any subaccounts thereunder, including, but not limited to, subaccounts containing that portion of his Basic and/or Supplemental Contributions which a Participant has designated as pre-tax contributions made by the Company on his behalf pursuant to a salary reduction agreement and any investment earnings and gains or losses thereon. Some Participants may also have Rollover Contribution Accounts.
- 1.02 Administrative Committee means the Administrative Committee appointed by the Committee pursuant to Section 10.02 to carry out the day to day responsibilities of the Plan Administrator.
- 1.03 Affiliated Company means the Company and any corporation which is a member of a controlled group of corporations (as defined in Section 414(b) of the Code) which includes the Company; any trade or business (whether or not incorporated) which is under common control (as defined in Section 414(c) of the Code) with the Company; any organization (whether or not incorporated) which is a member of an affiliated service group (as defined in Section 414(m) of the Code) which includes the Company; and any other entity required to be aggregated with the Company pursuant to regulations under Section 414(o) of the Code. For purposes of Article XIV, the definition of Affiliated Company shall be modified in accordance with Code Section 415(h).
- 1.04 Affiliated Plan means a defined contribution plan sponsored by an Affiliated Company if such plan has been designated by the Committee as an Affiliated Plan.
- 1.05 After-Tax Contribution means that portion of the Basic and/or Supplemental Contributions which are made by a Participant on an after-tax basis, i.e. those contributions not designated as Pre-Tax Contributions.
- 1.06 Automatic Enrollment Date means, for each Eligible Employee, a date determined by the Committee, which date is no earlier than three weeks following the date the Eligible Employee first becomes eligible to participate in the Plan in accordance with Section 2.01(a).
- 1.07 Base Pay means, with respect to any Plan Year, wages, overtime, shift differential pay, vacation pay (excluding pay taken in lieu of a vacation), sick pay, holiday pay, salary continuation paid in installments, and other forms of cash compensation that are included on the Participant's Federal income tax form W-2 for the calendar year beginning in such Plan Year with respect to the Participant's periods of active participation in the Plan, except such compensation as may be specifically excluded by the Committee. Base Pay includes pay deferred pursuant to salary reduction

arrangements under Code Sections 401(k), 125 and, effective as of December 31, 2001, 132(f)(4). Base Pay does not include severance pay (or salary continuation paid in a lump sum), any form of bonus pay or contributions by the Company to any other employee benefit plan on behalf of an Employee. Base Pay in excess of (a) \$200,000 in any Plan Year beginning on or after January 1, 1989 and ending prior to January 1, 1994, or (b) \$150,000 in any Plan Year thereafter (subject to adjustment as provided in Code Section 401(a)(17)), shall not count for purposes of this Plan.

- 1.08 Basic Contributions means the contributions of a Participant which are credited to his Basic Contribution Account in accordance with Section 3.01.
- 1.09 Basic Contribution Account means that portion of the Trust Fund which, with respect to any Participant, is attributable to his own Basic Contributions and any investment earnings and gains or losses thereon.
- 1.10 Beneficiary means the beneficiary designated by the Participant under the Company's group term life insurance plan, unless the Participant has designated any other person or persons, other than the Participant's Surviving Spouse, (who may be designated contingently or successively and which may be an entity other than a natural person) on a form supplied by the Administrative Committee to receive benefits payable in the event of the death of the Participant; provided, however that if the Participant is married at the date of his death, the Beneficiary shall be the Participant's Surviving Spouse, and any Beneficiary designation that does not name the Participant's Surviving Spouse as the Beneficiary shall be void unless it has been consented thereto on a form supplied by the Administrative Committee in writing by the Participant's Surviving Spouse and such consent (i) designates the alternative Beneficiary and/or form of benefit (which may not be changed without spousal consent), (ii) acknowledges the effect of such election, and (iii) is witnessed by a notary public. In the event of the Participant's death without an effective Beneficiary designation, any Plan benefits payable shall be paid in equal parts to the Participant's surviving children or, if the Participant has no surviving children, to the Participant's surviving parents or, if the Participant has no surviving parents, to the Participant's surviving siblings or, if the Participant has no surviving siblings, to the Participant's estate. Section 9.01(d) should be referred to in the event of the death of a Participant with an outstanding loan balance, Section 12.05 should be referred to in the event of a Qualified Domestic Relations Order and Section 12.12 should be referred to for payment in the event of incompetency of a Beneficiary.
- 1.11 Board of Directors means, prior to August 2001, the Board of Directors of Nabisco, Inc. and after July 2001, the Board of Directors of Kraft Foods North America, Inc., and any committee of directors authorized by such Board to act in its behalf with reference to the Plan.
- 1.12 Code means the Internal Revenue Code of 1986 as amended from time to time. Reference to any Section or subsection of the Code includes reference to any

comparable or succeeding provisions of any legislation which amends, supplements or replaces such Section or Subsection.

- 1.13 Committee means the Nabisco Employee Benefits Committee which shall act as the Plan Administrator for the Plan. The Committee shall have the duties and powers described in Article X.
- 1.14 Company means, prior to August 2001, Nabisco, Inc. Subsequent to July 2001, Company means the Nabisco Biscuit & Snacks Group of Kraft Foods North America, Inc. With respect to any corporate act after July 2001, Company means Kraft Foods North America, Inc.
- 1.15 Company Contribution means the contributions made by the Company which are credited to a Participant's Company Contribution Account in accordance with Section 3.06.
- 1.16 Company Contribution Account means that portion of the Trust Fund which, with respect to any Participant, is attributable to any contributions made in his behalf by the Company, and any investment earnings and gains or losses thereon.
- 1.17 Disability means being disabled as determined by the Federal Social Security Administration.
- 1.18 Effective Date of this restatement means December 31, 2000. The original effective date is February 1, 1987.
- 1.19 Eligible Employee means any Employee who is paid on an hourly basis, who is paid from a United States dollar payroll maintained in the United States, and who has met the eligibility requirements of Section 2.01; provided, that except as the Committee may otherwise provide on a basis uniformly applicable to all persons similarly situated, no person shall be an "Eligible Employee" for purposes of the Plan:
- (a) who is excepted by the Committee,
 - (b) whose terms and conditions of employment are determined by a collective bargaining agreement with the Company which does not make this Plan applicable to him, provided that employee retirement benefits were negotiated in good faith thereunder, or
 - (c) who is a "leased employee" as defined in Section 414(n) of the Code and who is required by such Section to be considered an employee of the Company or an Affiliated Company. Notwithstanding the foregoing, if a "leased employee" is reclassified as an Employee, years of service as a "leased employee" of the Company or an Affiliated Company shall be considered in computing Vesting Service.

Notwithstanding any provision of the Plan to the contrary, Eligible Employee shall not include any person who becomes an Employee pursuant to the Asset Purchase.

Agreement entered into on November 19, 1999 among Favorite Brands International Holding Corp., Favorite Brands International, Inc., Sather Trucking Corporation, Trolli, pInc., Nabisco, Inc., Nabisco Brands Company, and Nabisco Technology Company and who works at a facility in the following locations:

Favorite Brands International, Inc. and Trolli, Inc. Locations

- | | |
|---------------------------|-------------------------------|
| 1. Bannockburn, Illinois | 8. Pittston, Pennsylvania |
| 2. Chicago, Illinois | 9. Round Lake, Minnesota |
| 3. DesPlanes, Nevada | 10. New Orleans, Louisiana |
| 4. Henderson, Nevada | 11. Oklahoma City, Oklahoma |
| 5. Kendallville, Indiana | 12. San Bernadino, California |
| 6. Ligonier, Indiana | 13. Creston, Iowa |
| 7. Chattanooga, Tennessee | 14. Plantation, Florida |

The exclusion from participation of those Employees who became Employees pursuant to the Asset Purchase Agreement of November 19, 1999, shall not apply beginning as of the date of the Nabisco Retirement Savings Plan and the Nabisco Retirement Plan are merged with the Plan.

- 1.20 Employee means any person employed by (or, after July 2001, working at) the Employer.
- 1.21 Employer means, prior to August 2001, Nabisco, Inc. and any member of the Nabisco Controlled Group that participates in the Plan. Subsequent to July 2001, Employer means the Nabisco Biscuit & Snacks Group of Kraft Foods North America, Inc.
- 1.22 Enrollment Date means the business day on which an Eligible Employee's application for participation is processed.
- 1.23 ERISA means the Employee Retirement Income Security Act of 1974, and as is amended from time to time.
- 1.24 Holland Participant means a Participant who is employed at the Company's plant in Holland, Michigan and who is a member of BCT Local 697.
- 1.25 Hour of Service means any hour, regardless of whether or not duties have been performed, for which an Employee is paid, or entitled to payment, by the Company or any Affiliated Company. The determination of Hours of Service shall be consistent with the minimum requirements of Department of Labor Regulation Section 2530.200b-2.
- 1.26 Investment Fund or Funds means the separate funds in which Participant and Company Contributions to the Plan are invested in accordance with Article IV.

- 1.27 Job Elimination means the elimination of an existing position at the sole discretion of the Company when, because of changing needs or circumstances, (i) the job is no longer performed, or (ii) the job is still performed, but fewer employees are needed to perform it.
- 1.28 Nabisco Controlled Group means Nabisco, Inc. and any other corporation that was a member of the controlled group of corporations (as defined in Section 1563(a) of the Code) that included Nabisco, Inc. as of December 10, 2000.
- 1.29 Participant means any person participating in the Plan as provided in Article II. Except for purposes of Sections 2.01, 2.02 and 6.02(ii) and Article 3, an Eligible Employee who has made a rollover or transfer to the Plan which meets the requirements of Section 12.13 or 12.15 and for whom a Rollover Contribution Account is maintained shall be treated as a Participant and such Eligible Employee shall become a Participant for all purposes after meeting the requirements of Sections 2.01 and 2.02. In addition, in any Plan Year in which the Plan is top-heavy (as defined in Section 14.02) and for purposes of Section 14.02(f), "Participant" shall include an Eligible Employee not otherwise described in the preceding two sentences who shall, pursuant to Treasury Regulation Section 1.416-1, Q&A M-10, receive the contribution described in Section 14.02(f), and such Eligible Employee shall become a Participant for all purposes after meeting the requirements of Sections 2.01 and 2.02.
- 1.30 Period of Severance means all periods of time commencing on the Severance Date of an Employee and ending on the date of his reemployment by the Company or an Affiliated Company.
- 1.31 Plan means the Nabisco, Inc. Employees Savings Plan, as described herein or as hereafter amended.
- 1.32 Plan Year means the period from each December 31 through the next December 30. The Limitation Year shall be the calendar year.
- 1.33 Pre-Tax Contribution means that portion of the Basic and/or Supplemental Contributions which a Participant has designated as pre-tax contributions made by the Company on his behalf pursuant to a salary reduction agreement.
- 1.34 Prior Plan means any U.S. qualified plan (or an individual retirement account, annuity or bond in which a qualified plan distribution was separately invested pursuant to Code Sections 408(d)(3)(A)(ii) and (D)(i)), other than an Affiliated Plan or the Nabisco Plan for Pensions, which the Committee has approved so that an Eligible Employee may make a rollover contribution to this Plan, pursuant to Section 12.13.
- 1.35 Rollover Contributions means the amount contributed to the Plan as a rollover contribution from a Prior Plan in accordance with Section 12.13(b).

1.36 Rollover Contribution Account means that portion of the Trust Fund which, with respect to any Eligible Employee, is attributable to his Rollover Contributions and any investment earnings or losses thereon.

1.37 Service means all periods of time, both before, on and after February 1, 1987, during which an Employee is employed by the Company (or, after July 2001, working at the Company) or any Affiliated Company commencing with the first day of employment or the first day of reemployment and ending with his Severance Date which next follows the first day of employment or the first day of reemployment, as the case may be. The first day of employment or the first day of reemployment shall be deemed to be the first day in which he performs an Hour of Service. Periods of Service commencing on the first day of employment and ending on the next following Severance Date shall be aggregated on a day by day basis and 365 days of aggregated Service shall constitute one year of Service. Service shall include any period of authorized part-time employment, periods of authorized leave of absence up to a maximum of one year, periods of absence due to service in the Armed Forces of the United States, as required pursuant to Code Section 414(u), periods of absence due to unpaid leave taken pursuant to the Family and Medical Leave Act of 1993 or similar state laws (to the extent required by such laws, but only to the extent such leave is not otherwise credited under this Section 1.37), and periods of absence up to a maximum of 12 consecutive months due to illness or disability. For purposes of determining Service, an Employee shall be credited with any period of employment with the Company (or, after July 2001, at the Company) or an Affiliated Company during which he may be otherwise ineligible for participation in the Plan. Service will include any period of time beginning on an Employee's Severance Date and ending on the date on which he performs an Hour of Service, provided that such Hour of Service is performed within 12 months of the date his employment was terminated or he was otherwise first absent from work, whichever is applicable.

Notwithstanding the preceding paragraph and unless otherwise determined by the Committee, Service with an Affiliated Company that was not a member of the Nabisco Controlled Group as of December 10, 2000 shall only be taken into account subsequent to the time that such corporation became an Affiliated Company.

1.38 Severance Date shall mean the earlier of the following:

- (a) the date on which an Employee quits, retires, dies, or is discharged; or
- (b) the first anniversary of the first date of a period in which an Employee remains absent from Service (with or without pay) with the Company or any Affiliated Company for any reason other than quit, retirement, death or termination; provided, however, the absence from Service of an Employee receiving benefits under one or more long-term disability plans of the Company or an Affiliated Company is not a severance until the earliest of normal retirement age, the cessation of such disability payments

or the expiration of the initial 24 months of long-term disability payments; provided further that if such an Employee in active employment after his normal retirement age becomes disabled, his Severance Date is the date such long-term disability plan benefits commence or would commence.

In the case of an Employee who is absent from work by virtue of (i) the Employee's pregnancy, (ii) birth of the Employee's child, (iii) placement of a child with the Employee by adoption, or (iv) caring for any such child for a period of up to a year immediately following such birth or placement, the Severance Date is the second anniversary of the first day of absence from Service provided that the period between the first and second anniversary of such first day of absence if neither counted as Service nor a Break in Service.

- 1.39 Supplemental Contributions means the contributions which a Participant elects to make to the Plan in accordance with Section 3.02.
- 1.40 Supplemental Contribution Account means that portion of the Trust Fund which, with respect to any Participant, is attributable to his own Supplemental Contributions and any investment earnings and gains or losses thereon.
- 1.41 Surviving Spouse means the person to whom the Participant is married, under applicable state law, at the time of the Participant's death and to whom the benefits under the Plan shall be payable in the event of the Participant's death unless a valid Beneficiary designation and consent thereto by the Participant's spouse has been made and received by the Committee, or unless such benefits are subject to a qualified domestic relations order as defined in Section 414(p) of the Code.
- 1.42 Termination of Employment means separation from the employment of the Company and all Affiliated Companies for any reason, including, but not limited to, retirement, death, disability, resignation or dismissal by the Company; provided, however, that transfer in employment between the Company and an Affiliated Company shall not be deemed to be a "Termination of Employment" and provided further, that if an Employee is rehired by the Company or an Affiliated Company within 30 days of his or her separation from the employment of the Company or an Affiliated Company, such separation shall not be considered to be a "Termination of Employment."
- 1.43 Trustee means a trustee or trustees at any time acting as such under a trust agreement or agreements established for purposes of this Plan.
- 1.44 Trust Fund means the cash and other properties arising from (i) contributions made by Participants and by the Company in accordance with the provisions of this Plan, (ii) funds transferred from a Prior Plan, and (iii) any investment earnings and gains or losses thereon. The Trust Fund is held and administered by the Trustee pursuant to Article IV.

1.45 Valuation Date means each business day and any other date the Committee deems desirable or necessary to value the Trust Fund in accordance with Article V.

When used herein, the masculine shall include the feminine, and the singular shall include the plural, unless the context clearly indicates otherwise.

ARTICLE II
PARTICIPATION

2.01 Eligibility.

- (a) Any Eligible Employee shall be eligible to become a Participant in the Plan as of the first Enrollment Date coincident with or next following his completion of six months of Service or, if earlier, the date negotiated under a collective bargaining agreement. Notwithstanding the foregoing sentence, an Eligible Employee employed by Planters LifeSavers shall be eligible to become a Participant in the Plan as of the first Enrollment Date coincident with or next following his date of hire.
- (b) All Eligible Employees who participate in this Plan shall participate under the terms and conditions herein stated.
- (c) An Employee who was a participant in the Nabisco Retirement Savings Plan, Nabisco Retirement Plan, Stella D'Oro Biscuit Co., Inc. Profit Sharing Plan, Stella D'Oro Biscuit Co. Midwest, Inc. Retirement Plan or Stella D'Oro Biscuit Co., Inc. Salary Reduction Plan (for Employees of Local 50) on the date that any such plan merged with the Plan shall become a Participant as of the Enrollment Date coinciding with or next following the merger date. All service under any such plan shall be taken into account for determining participation under the Plan.

2.02 Participation.

- (a) An Eligible Employee may become a Participant on any Enrollment Date by making application in a manner prescribed by the Committee in which he:
 - (i) designates the percentage of his Base Pay to be contributed as Basic Pre-Tax and/or After-Tax Contributions in accordance with Section 3.01;
 - (ii) designates any percentage of his Base Pay to be contributed as Supplemental Pre-Tax and/or After-Tax Contributions in accordance with Section 3.02;
 - (iii) authorizes applicable payroll deductions from his Base Pay for Basic and Supplemental Contributions; and
 - (iv) chooses one or more Investment Fund(s) for his Accounts.

- (b) An Employee, other than an Employee in the Bakery, Confectionery, Tobacco Workers and Grain Millers Union, who becomes an Eligible Employee on or after August 1, 1998 may become a Participant pursuant to this Section 2.02(b). If the Eligible Employee does not make the application contemplated in Section 2.02(a) prior to his Automatic Enrollment Date, such Eligible Employee shall become a Participant effective as of his Automatic Enrollment Date and shall be deemed to have (i) authorized payroll deductions for Basic Contributions in accordance with Section 3.01, equal to 2% of his Compensation and (ii) elected to invest such contributions in the Fidelity Asset Manager: Income. If Section 3.03 is applicable to the Eligible Employee, the Basic Contributions shall be Pre-Tax Contributions. Notwithstanding the foregoing, the Eligible Employee may at any time elect a different contribution percentage (including 0%) in accordance with Section 3.04 and/or different Investment Funds in accordance with Section 4.06.

- 2.03 Participant Status. An Eligible Employee who has once become a Participant shall remain a Participant so long as he remains in the Service of the Company or an Affiliated Company, and shall cease to be a Participant upon his Termination of Employment, except that if he has met the conditions for entitlement to a benefit, he shall remain as an inactive Participant so long as he has an Account balance. Active participation, however, including contributions to the Plan by or for a Participant, shall automatically be suspended effective as of the Participant's Severance Date. Participation in the Plan shall cease as of the date Accounts are transferred to an Affiliated Plan pursuant to Section 12.13.

ARTICLE III
CONTRIBUTIONS

3.01 Basic Contributions. Each Participant may contribute a percentage of his gross Base Pay as Basic Contributions which are eligible to receive a matching Company Contribution; such percentage shall be 1% to 6% of Base Pay in 1% increments. Basic Contributions are matched with Company Contributions in accordance with Section 3.06. The Basic Contributions shall be made through payroll deductions and are credited to Participants' Accounts as soon as reasonably possible following the date of payment of the Compensation from which the contribution is taken. Basic Contributions can be made either as After-Tax Basic Contributions or, if and when Section 3.03 becomes applicable to the Participant, as Pre-Tax Basic Contributions. If no such designation is made, Basic Contributions shall be After-Tax Contributions.

Participating units, all of which may elect Basic and Supplemental After-Tax Contributions under Sections 3.01 and 3.02, are set forth in Schedule A, which is maintained by the Committee and may be revised from time to time without further amendment to reflect changes under the applicable collective bargaining agreement or under an agreement for the acquisition or sale of a business.

3.02 Supplemental Contributions. A Participant who has authorized the maximum Basic Contribution rate of 6% may also make additional contributions under the Plan which are not subject to matching Company Contributions by authorizing additional payroll deductions of 1% to 10% of his Base Pay in 1% increments, which are credited to Participants' Accounts as soon as reasonably possible following the date of payment of the Compensation from which the contribution is taken. Supplemental Contributions can be made either as After-Tax Supplemental Contributions or, if and when Section 3.03 becomes applicable to the Participant, as Pre-Tax Supplemental Contributions. If no such designation has been made, Supplemental Contributions shall be After-Tax Contributions.

3.03 Pre-Tax Contributions.

- (a) This Section 3.03 is applicable only to all non-union hourly employees and those bargaining units who have collectively bargained for the right to make Pre-Tax Contributions.

Participating units, all of which may elect Basic and Supplemental Pre-Tax Contributions under Sections 3.01 and 3.02, are set forth in Schedule A, which is maintained by the Committee and may be revised from time to time without further amendment to reflect changes under the applicable collective bargaining agreement or under an agreement for the acquisition or sale of a business.

- (b) Subject to Section 3.08, any Participant eligible under 3.03(a) to do so may elect that up to 16% of his gross Base Pay that he has elected to contribute to the Plan pursuant to Sections 3.01 and 3.02, be further designated in 1% increments as Pre-Tax Contributions. Pre-Tax Contributions shall be contributed by the Company to the Plan on behalf of the Participant in lieu of an equal amount being paid to him as Base Pay. A Participant may not designate more than the dollar amount specified by the Internal Revenue Service as Pre-Tax Contributions in any calendar year. Such Pre-Tax Contributions are credited to Participants Accounts as soon as reasonably practicable following the date of payment of the Compensation from which the contribution is taken. Basic and Supplemental contributions not designated as Pre-Tax Contributions shall be After-Tax Contributions.
- (c) The Committee shall have the right to establish rules with respect to the making of elections pursuant to this Section, including, without limitation, the right to require that any such election be made at such time prior to its becoming effective as the Committee shall determine and the right to restrict the Participant's right to change such election. Such Pre-Tax Contributions are intended to be treated for federal income tax purposes as contributions made by the Company under a qualified cash or deferred arrangement (as defined in Code Section 401(k)), but shall be treated as if they were contributions by a Participant for the purpose of the Plan except where the Plan expressly indicates otherwise.

3.04 Change in Participant Contributions. Subject to the provisions of Sections 3.01, 3.02, 3.03 and 3.07, a Participant may elect to change the percentage of his authorized payroll deduction by giving notice to the Committee in such manner as the Committee may prescribe. If the Committee makes a mistake-of-fact with regard to any contribution, it shall, depending on the mistake-of-fact, either (i) cause said contribution to be returned to the Participant without restriction, or (ii) accept additional contributions for the affected period. Examples of a "mistake-of-fact" would be the continuation of payroll deductions after a Participant has requested the suspension of such deductions or failure to act on written instructions to take deductions.

3.05 Suspension of Participant Contributions.

- (a) A Participant may elect to suspend his Basic or Supplemental Contributions by notifying the Committee in advance in the manner prescribed by the Committee. The suspension shall become effective with the next practicable payroll period commencing on or after processing such request. No Company Contributions shall be made on behalf of a Participant during a period of suspension of Basic Contributions.

- (b) A Participant who has suspended his Basic or Supplemental Contributions may elect to apply to the Committee to resume his contributions in the manner prescribed by the Committee. The resumption shall become effective as of the first payroll period practicable commencing on or after processing his request.
- (c) No contributions may be made by a Participant for any period of unpaid absence from Service. A Participant who has ceased to make contributions under the Plan in accordance with this subsection (c) shall again be eligible to resume making contributions on the date he returns to Service as an Eligible Employee and gives notice to the Committee in the prescribed manner.
- (d) A Participant who has ceased to make contributions under the Plan because he has ceased to be an Eligible Employee but, nevertheless, continues to be an Employee shall again be eligible to resume making contributions on the date he again becomes an Eligible Employee and gives notice to the Committee in the prescribed manner.

3.06 Company Contributions.

- (a) Prior to August 2001, Company contributions are made by Nabisco, Inc. After July 2001, Company contributions are made with respect to the Nabisco Biscuit & Snacks Group of Kraft Foods North America, Inc.
- (b) With respect to each payroll period, the Company shall contribute on behalf of each Participant an amount equal to 25% of such Participant's Basic Contributions to the Plan for such payroll period unless a bargaining unit negotiated for this Plan without a match. Company Contributions under this paragraph will be paid to the Trustee as soon as practicable and at least on a monthly basis. Effective February 1, 1987, with respect to participants at the Pennsauken, New Jersey plant, continuing until the closure of such plant in March 1993, the Company Contribution shall be an amount equal to 30% of each such Participant's Basic Contributions. Effective July 1, 1996, the Company Contributions for Holland Participants only shall be an amount equal to 50% of each such Holland Participant's Basic Contributions for each payroll period. Participating units for which no Company Contributions have been negotiated are set forth in Schedule A which is maintained by the Committee and may be revised from time to time without further amendment to reflect changes under an applicable collective bargaining agreement or under an agreement for the acquisition or sale of a business.

With respect to a former participant in (or an Eligible Employee who works at a location covered by) the Nabisco Retirement Savings Plan who becomes a Participant in the Plan on or after the merger date of the

Nabisco Retirement Savings Plan with the Plan, the Company Contributions shall be an amount equal to 50% of such Participant's Basic Contributions for each payroll period. With respect to a former participant in (or an Eligible Employee who works at a location covered by) the Nabisco Retirement Plan who becomes a Participant in the Plan on or after the merger date of the Nabisco Retirement Plan with the Plan, the Company Contributions shall be an amount equal to 50% of such Participant's Basic Contributions not exceeding 4% of Base Pay for each payroll period.

With respect to those hourly locations that, pursuant to collective bargaining agreements or negotiations, have become covered under the salaried welfare plans of the Company and are described in Schedule C, the Company shall contribute on behalf of each affected Participant an amount equal to 50% of such Participant's Basic Contributions to the Plan for each payroll period.

With respect to a former participant in (or an Eligible Employee who works at a location covered by) the Stella D'Oro Biscuit Co., Inc. Profit Sharing Plan, the Company shall make an annual profit sharing contribution on a discretionary basis in the amount required under the operative collective bargaining agreement covering such former participants.

- (c) Each Affiliated Company participating in the Plan shall for any Plan Year contribute a portion of the total Company Contributions, made pursuant to subsection (b) above, equal to the aggregate amounts which are credited for such Plan Year to the accounts of Participants for periods while they are Employees of each such Affiliated Company.
- (d) In satisfaction of its obligation under this Section 3.06, the Company shall pay its contribution in cash.
- (e) In any Plan Year in which the Plan is top-heavy (as defined in Section 14.02) the Company shall make additional Company Contributions to the extent necessary to comply with the minimum top-heavy contribution requirement as set forth in Section 14.02(f).
- (f) Each Company Contribution to the Plan is conditioned on its deductibility.

In the event that the Commissioner of the Internal Revenue Service determines that the Plan does not qualify for tax-exempt status under Section 401 of the Code and issues an adverse determination with respect to its initial qualification, the Company Contributions made on or after the date on which such determination is applicable shall be returned to the Company without interest within one year after such determination, but

only if the application for determination is made by the time prescribed by law for filing the Company's return for the taxable year in which the Plan was adopted, or such later date as the Secretary of the Treasury may prescribe.

In the event that a Company Contribution to the Plan is made by a mistake of fact or all or part of the Company's deductions under Section 404 of the Code for contributions to the Plan are disallowed by the Internal Revenue Service, the portion of the contributions attributable to such mistake of fact or to which such disallowance applies shall be returned to the Company without interest. Any such return shall be made within one year after the making of such contribution by mistake of fact or disallowance of deductions, as the case may be.

3.07 Code Section 401(k) and 401(m) Nondiscrimination Tests. The Plan is subject to the following nondiscrimination tests.

- (a) Definitions. For purposes of this Section, the following additional definitions shall be used for Plan Years beginning after 1996:
 - (i) Highly Compensated Employee means an individual who performs service during the determination year and is an Employee who is a 5-percent owner (as defined in Code Section 416(i)(1)) at any time during the Plan Year or the preceding Plan Year, or an Employee who received compensation in excess of \$80,000 (adjusted for changes in the cost of living) and is a member of the "Top-Paid Group" for the preceding Plan Year.
 - (ii) "Top-Paid Group" means those Employees who are in the top 20-percent of all Employees based on compensation paid by the Company.
- (b) Average Actual Deferral Percentage Test ("ADP"). For each Plan Year, Participants' Pre-Tax Contributions shall satisfy the requirements described under Section 401(k)(3)(A)(ii) of the Code. The Committee shall have the right to limit Pre-Tax Contributions of Highly Compensated Employees as it deems necessary to satisfy such requirements.
- (c) Average Actual Contribution Percentage Test ("ACP"). For each Plan Year, matching Company Contributions and Participant After-Tax Contributions shall satisfy the requirements under Section 401(m)(2) of the Code. The Committee shall have the right to limit matching Company Contributions and Participant After-Tax Contributions of Highly Compensated Employees as it deems necessary to satisfy such requirements.

Restrictions on Pre-Tax Contributions.

- (a) In no event may the Pre-Tax Basic and Pre-Tax Supplemental Contributions made by the Company on behalf of any Participant exceed \$9,240 (as adjusted in accordance with Code Section 402(g)(5)). In the event the dollar limit for pre-tax contributions is reached with respect to a Participant during a calendar year, all additional contributions made on behalf of the Participant for that calendar year will be made on an after-tax basis, including, if necessary, a portion of the contributions that the Participant had designated as Basic Contributions.
- (b) The Committee shall have the right to establish rules with respect to the making of elections of pre-tax contributions, including, without limitation, the right to require that any such election be made at such time prior to its becoming effective as the Committee shall determine and the right to restrict the Participant's right to change such election. Such contributions are intended to be treated for federal income tax purposes as contributions made by the Company under a qualified cash or deferred arrangement (as defined in Section 401(k) of the Code) but shall be treated as if they were contributions by a Participant for the purpose of the Plan except where the Plan expressly indicates otherwise.
- (c) Notwithstanding any other provision of the Plan, Allocable Excess Pre-Tax Contributions and income allocable thereto shall be distributed no later than April 15 to Participants who claim Allocable Excess Pre-Tax Contributions for the preceding calendar year. "Allocable Excess Pre-Tax Contributions" shall mean the amount of Pre-Tax Contributions for a calendar year that the Participant allocates to this Plan that exceed the limits of Code Section 402(g).
- (d) The Participant's claim shall be in writing, shall be submitted to the Committee no later than March 1; shall specify the Participant's Allocable Excess Pre-Tax Contributions for the preceding calendar year; and shall be accompanied by the Participant's written statement that if such amounts are not distributed, such Allocable Excess Pre-Tax Contributions, when added to amounts deferred under other plans or arrangements described in Sections 401(k), 402(h), 408(k) or 403(b) of the Code, exceed the limit imposed on the Participant by Section 402(g) of the Code for the year in which the deferral occurred. A Participant is deemed to notify the Committee of any Allocable Excess Pre-Tax Contributions that arise by taking into account only those amounts deferred pursuant to this Plan and any other Plans of a Participating Company.
- (e) The Allocable Excess Pre-Tax Contributions distributed to a Participant with respect to a calendar year shall be adjusted for income and, if there is a loss allocable to the Allocable Excess Pre-Tax Contributions, shall in no

event be less than the lesser of the Participant's Pre-Tax Account under the Plan or the Participant's Pre-Tax Contributions for the Plan Year.

- 3.09 Qualified Military Service. Any Participant who resumes participation in the Plan following a period of qualified military service shall have the right to make-up Basic Contributions and Supplemental Contributions that were not made on account of qualified military service as provided under Code Section 414(u). Such contributions shall be After-Tax Contributions except to the extent that Section 3.03 applied to such Participant during the period of qualified military service. The Company will make contributions as described in Section 3.06 with respect to any Basic Contributions and Supplemental Contributions made by a Participant under this Section 3.09 in the same manner and in the same amount as if the contributions were made by the Participant during qualified military service.

ARTICLE IV

TRUST FUND AND INVESTMENT FUNDS

- 4.01 The Trust Agreement. The Company shall enter into a trust agreement which shall contain such provisions as shall render it impossible for any part of the corpus of the Trust or income therefrom to be at any time used for, or diverted to, purposes other than for the exclusive benefit of Participants. Any or all rights or benefits accruing to any person under the Plan with respect to any Company contributions deposited under the Trust Agreement shall be subject to all the terms and provisions of the Trust which shall specifically incorporate and be subject to the provisions of the Plan.
- 4.02 The Trustee. The Trustee will be a corporate trustee appointed by the Corporate Employee Plans Investment Committee of Philip Morris Companies Inc. (the "Philip Morris Committee"), unless such authority is transferred to the Compensation and Governance Committee of Kraft Foods Inc. (the "Kraft Committee").
- 4.03 Separate Funds. Subject to Section 4.04, the Trustee shall maintain separate Investment Funds within the Fund as are designated by the Company.
- 4.04 Investment Funds. The Philip Morris Committee, unless such authority is transferred to the Kraft Committee, shall select the Investment Funds offered under the Plan and reserves the right to eliminate or add Funds from time to time, including Funds that invest in the common stock of an Affiliated Company.
- 4.05 Temporary Investment. Pending permanent investment of the assets of any Investment Fund, the Trustee temporarily may hold cash or make short-term investments in obligations of the United States Government, commercial paper, an interim investment fund for tax qualified employee benefit plans established by the Trustee unless otherwise provided by applicable law, or other investments of a short-term nature.
- 4.06 Investment of Participant Contributions.
- (a) Election. All Basic Contributions, Supplemental Pre-Tax Contributions, Supplemental After-Tax Contributions and Company Contributions will be invested at the election of the Participant in multiples of 1% in any one or combination of the Investment Funds under the Plan, subject to any restrictions imposed on investing in any stock fund. A Participant may make or change an election on any day by giving notice to the Committee in the prescribed manner. Any such election or change of election shall be effective as of the first payroll period after it is processed.
 - (b) Reallocation of Investments. A Participant may elect on any day to reallocate the investment of his Accounts to any one or combination of the Investment Funds, in multiples of 1% by giving notice to the Committee

in such manner as the Committee may prescribe. The amounts reallocated will be based upon values as of the Valuation Date applicable to the processing of the request.

4.07 Voting by Participants.

- (a) Voting of Stock Generally. Each Participant shall have the right and shall be afforded the opportunity to instruct the Trustee how to vote that proportionate number of the total number of shares of stock held in any Fund that consists of the common stock of the Company or an Affiliated Company which is the same proportion that the value of his interest bears to the total value of such Fund. Instructions by Participants to the Trustee shall be in such form and pursuant to such regulations as the Committee may prescribe. Any such instructions shall remain in the strict confidence of the Trustee.
- (b) Tender or Exchange Offers. In the event of a tender or exchange offer for any or all shares of Stock, the Committee shall notify each Participant or Beneficiary and utilize its best efforts to timely distribute or cause to be distributed to him such information as will be distributed to other shareholders of such Stock in connection with any such tender or exchange offer. Each Participant or his Beneficiary shall have the right to instruct the Trustee in writing not to tender or exchange shares of Stock credited to his Account under the Trust Fund. Unless the Trustee determines that ERISA requires it to act otherwise, the Trustee shall not tender or exchange any shares of Stock credited to a Participant's Account under the Trust Fund unless specific instructions to tender or exchange such shares have been received. For purposes of this Section 4.07(b), "Stock" shall mean the stock held in any Fund that consists of the common stock of the Company or an Affiliated Company.

4.08 Investment Managers. The Philip Morris Committee may enter into a written agreement with or direct the Trustee to enter into an agreement with one or more investment managers to manage the investments of one or more of the Investment Funds. Such investment managers may include legal reserve life insurance companies which enter into group annuity contracts with the Trustee. The Philip Morris Committee may remove any such investment manager or any successor investment manager, or direct the Trustee to do so, and any such investment manager may resign. In addition, the Philip Morris Committee may, upon removal or resignation of an investment manager, provide for the appointment of a successor investment manager. The Kraft Committee shall discharge the duties described in this Section 4.08 if such authority is transferred from the Philip Morris Committee to the Kraft Committee.

4.09 Participant Responsibility For Selection of Funds. Each Participant is solely responsible for the selection of his Investment Funds. Neither the Trustee, the

Committee, any Administrative Committee, the Company nor any of the directors, officers or employees of the Company or any Affiliated Company is required to advise a Participant as to the manner in which his Accounts should be invested. The fact that a security is available to Participants for investment under the Plan shall not be construed as a recommendation for the purchase of that security, nor shall the designation of any Investment Fund impose any liability on the Company, any Affiliated Company, their directors, officers or employees, the Trustee, the Committee, or any Administrative Committee.

ARTICLE V

ACCOUNTS

- 5.01 Valuation of Accounts. As of each Valuation Date, the Accounts of each Participant shall be adjusted to reflect any appreciation or depreciation in the fair market value and any income earned by each Investment Fund in which the Participant's Accounts are invested since the prior Valuation Date. Such fair market value shall be the aggregate fair market value of all securities or other property held for each Investment Fund, plus cash and accrued earnings, less accrued expenses and proper charges against each Investment Fund.

When determining the value of Participant Accounts, any deposits due which have not been deposited in the Trust Fund on behalf of the Participant shall be added to his Accounts. Similarly, adjustments of accounts for appreciation or depreciation of an Investment Fund shall be deemed to have been made as of the Valuation Date to which the adjustment relates, even though they are actually made as of a later date.

- 5.02 Valuation Upon Transfer, Withdrawal or Distribution. The valuation of accounts for purposes of an in-service withdrawal, a transfer of accounts to another Investment Fund, or a cash distribution shall be the same as described in Section 5.01.

- 5.03 Statement of Accounts. Each Participant shall be furnished at least annually a statement setting forth the value of his Accounts.

ARTICLE VI

VESTING AND FORFEITURES

- 6.01 Vesting of Participant's Contributions. Each Participant's Basic Contribution Account, Supplemental Contribution Account and Rollover Account shall at all times be fully vested.
- 6.02 Vesting of Company Contributions. A Participant shall become fully vested in his Company Contribution Account upon the earliest of (i) completion of 60 months of Service, (ii) 24 months of employment after his initial Enrollment Date, or (iii) the occurrence of any one of the following:
- (a) attainment of age 65;
 - (b) retirement at age 65;
 - (c) disability (as defined by the Social Security Administration);
 - (d) death;
 - (e) termination of employment as a result of Job Elimination;
 - (f) termination of the Plan, or
 - (g) complete discontinuance of Company Contributions.

The foregoing notwithstanding, if negotiated with a collective bargaining unit when negotiating Plan coverage for the unit, an Eligible Employee who is a member of such unit shall be immediately and fully vested in his Account if he enrolls in the Plan as of the first possible date for members of his unit.

With respect to an Employee who becomes a Participant following the merger of the Nabisco Retirement Savings Plan (the "Savings Plan"), the Nabisco Retirement Plan (the "Retirement Plan"), the Stella D'Oro Biscuit Co., Inc. Profit Sharing Plan (the "Profit Sharing Plan"), the Stella D'Oro Biscuit Co. Midwest, Inc. Retirement Plan (the "Midwest Plan"), or the Stella D'Oro Biscuit Co., Inc. Salary Reduction Plan (for Employees of Local 50) (the "Local 50 Plan") with the Plan, the following additional conditions shall apply regarding any amount credited to his Company Contribution Account:

- (a) The vested percentage shall not be less than the vested percentage, determined as of the merger date, of the Employee's (i) matching contribution account and supplemental contribution account under the Savings Plan or (ii) the amount attributable to employer contributions under the Retirement Plan.
- (b) A "Year of Service" under the Savings Plan shall be equivalent to 12 months of Service under the Plan.

- (c) With respect to a former participant in the Savings Plan or the Retirement Plan, the Employee's Enrollment Date shall be the later of November 19, 1999 or the date of hire by the Company.
- (d) The Employee shall be credited with 12 months of Service for the period beginning July 1, 2000 and ending June 30, 2001 if he would have been credited with a "Year of Service" under the Savings Plan for such period. A "Year of Service" shall have the meaning described in Section 8.2 of the Savings Plan.
- (e) All service under the Savings Plan, Retirement Plan, Profit Sharing Plan, Midwest Plan and Local 50 Plan as of the merger date will be taken into account under the Plan.
- (f) As of the merger date, all participants in the Profit Sharing Plan, Midwest Plan and Local 50 Plan will have a 100% vested interest in their Company Contribution Account.
- (g) With respect to a former participant in the Retirement Plan, any such Employee will have a 100% vested interest upon attaining age 55 while employed by the Company.

6.03 Forfeiture on Termination of Employment. If a Participant's employment is terminated prior to attainment of age 65 for reasons other than Retirement, Disability, death, or Job Elimination the portion, if any, of his Company Contribution Account in which he is not vested shall be forfeited upon the earlier of (i) the accrual of five (5) consecutive Break in Service years, or (ii) the receipt of a cash-out and, under circumstances where all Participant Contributions were distributed prior to Termination of Employment or there are no Participant Contributions, a cash-out will be deemed to have been made on the date the Termination of Employment occurred. All forfeitures pursuant to (ii) above are subject to the provisions of Section 6.05. A "Break in Service" is any 12-consecutive month period beginning on a Severance Date during which an Employee does not complete an Hour of Service.

6.04 Disposition of Forfeitures. All forfeitures shall be used to reduce Company Contributions otherwise payable to the Plan.

6.05 Restoration of Forfeitures. Any amount forfeited pursuant to the provisions of clause (ii) of Section 6.03 shall be restored to the Account of a Participant if the Participant is re-employed before he accrues five consecutive Break in Service years. The restoration will occur without the requirement that the Participant repay to the Plan any amounts previously distributed to him.

ARTICLE VII
DISTRIBUTIONS

7.01 Distribution of Benefits.

- (a) Termination of Employment. A Participant who has a Termination of Employment for reasons other than retirement, disability or death shall receive a lump sum distribution of the value of his vested Accounts, subject to the provisions of Section 7.01 (e). Distribution shall be made as soon as administratively feasible following the valuation of the Participant's Accounts. If the Committee has not received an application for distribution by the time specified in subsection (d) below, a distribution shall automatically be made at such time.
- (b) Retirement or Disability. A Participant who has a Termination of Employment due to retirement or disability shall receive a lump sum distribution of the value of his Accounts. Distribution shall be made as soon as administratively feasible following the valuation of the Participant's Accounts. However and notwithstanding anything in this Plan to the contrary, a Participant may not postpone payment beyond April 1 of the calendar year following the calendar year in which he attains age 70 1/2. Participants who are not 5% owners (as defined in Code Section 416(i)(1)(B)) and who attained age 70 1/2 prior to January 1, 1988, are not required to have their distribution commence prior to April 1 of the calendar year following the calendar year in which they retire, regardless of their age.
- (c) Death. The Accounts of a Participant who has died shall be distributed to his Beneficiary in a single lump sum payment. Payment will be made after notification and verification of the Participant's death; provided, however, that if the Beneficiary is the Participant's Surviving Spouse, a distribution shall not be made until after a written application for distribution from the Surviving Spouse has been received by the Committee. The Accounts shall be valued as soon as administratively feasible after receipt of the written application for distribution, and distribution shall be made as soon as administratively feasible following the valuation of the Participants Accounts. If the Committee has not received an application for distribution by the time the Participant would have attained age 65, the distribution shall automatically be made at such time.
- (d) Latest Date for Distribution. Distributions to a Participant shall commence no later than the April 1 following the calendar year in which the Participant attains age 70 1/2.

- (e) Small Lump Sum Cash-Outs. The foregoing notwithstanding, if the value of the Participant's Account does not exceed \$5,000, a distribution shall be made to the Participant as soon as administratively feasible after a written application for distribution has been received by the Committee, valued as soon as administratively feasible after receipt of such application; provided, however, that if the Committee does not receive a written application for distribution within 90 days after the Participant's Termination of Employment, the Account shall be valued and distribution shall be made as soon as administratively feasible after the expiration of such 90-day period. In no event shall the Account of a Participant which is in excess of the amount of \$5,000 be distributed to him or on his behalf prior to the time specified in (d) above without the written consent of the Participant or, if applicable, his Surviving Spouse.
- (f) QDRO. Notwithstanding subsections (a)-(e) above and Section 8.05, if a qualified domestic relations order, as described in Section 12.05, requires the distribution of all or part of a Participant's benefits under the Plan, the establishment or acknowledgment of the alternate payee's rights to benefits under the Plan in accordance with the qualified domestic relations order shall in all events be applied in a manner consistent with the terms of the Plan. Notwithstanding the foregoing, (i) the Committee is authorized, pursuant to such uniform and nondiscriminatory rules as it shall establish which shall be consistent with applicable law and the terms of the applicable qualified domestic relations order, to cash out benefits to which alternate payees may be entitled prior to the date such benefits would otherwise become payable in accordance with the applicable provisions of the Plan, and (ii) in no event shall the recognition of an alternate payee's rights in accordance with this Section 7.01(f) be deemed to include the right to make a withdrawal pursuant to the provisions of Article VI, make a loan application pursuant to the provisions of Article IX or to receive any benefits in the form of a partial payment.
- (g) Company/Affiliated Company Stock Fund Distributions. With respect to any Investment Fund that consists of the common stock of the Company or an Affiliated Company, the Participant or his Beneficiary may elect that the distribution from any such Investment Fund be made in the form of cash or shares of stock, except that any fractional portion of a share shall be paid in cash. If a Participant does not make an election in connection with the distribution, all amounts shall be paid in cash.
- (h) Installment Distributions. Notwithstanding any provision of the Plan to the contrary, a Participant or Beneficiary may elect to receive the value of his Accounts in monthly or annual installment payments; provided, however, such Participant may elect at any time to receive the remaining amount credited to his Accounts in a lump-sum distribution.

- 7.02 Proof of Death and Right of Beneficiary. The Committee may require and rely upon such proof of death and such evidence of the right of any Beneficiary to receive the undistributed value of the Account of a deceased Participant as the Committee may deem proper, and its determination of death and of the right of such Beneficiary or other person to receive payments shall be conclusive.
- 7.03 Completion of Appropriate Forms. The Committee has prescribed forms/procedures providing notice to it in order for a distribution to be made under the Plan. In the event a Participant or Beneficiary does not comply with such procedures before the date a distribution becomes payable under the terms of the Plan, distribution from such Participant's or Beneficiary's Account may, at the option of the Committee (taking into account Section 12.12), be mailed to the Address of Record as provided in Section 12.09.
- 7.04 Investment Pending Distribution.
- (a) The provisions of Section 4.06 shall continue to apply to the accounts of inactive Participants.
 - (b) A Participant is not entitled to any interest, dividends or any other form of investment proceeds on his Account for the period between the Valuation Date and the date payment is made.
- 7.05 Direct Rollovers.

This Section applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the plan to the contrary that would otherwise limit a distributee's election under this Article, a distributee may elect, at the time and in the manner prescribed by the plan administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

- (a) Eligible Rollover Distribution. An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities); and any hardship distribution described in Code Section 401(k)(2)(B) made after 1998.

- (b) Eligible Retirement Plan. An eligible retirement plan is an individual retirement account described in section 408(a) of the Code, and individual retirement annuity described in section 408(b) of the Code, and annuity plan described in section 403(b) of the Code, or a qualified trust described in section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.
- (c) Distributee. A distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.
- (d) Direct Rollover. A direct rollover is a payment by the plan to the eligible retirement plan specified by the distributee.

ARTICLE VIII

WITHDRAWAL PRIOR TO TERMINATION OF EMPLOYMENT
AND SPECIAL PRE-TAX CONTRIBUTION RULES

- 8.01 Election to Withdraw from Accounts. As of any Valuation Date and subject to Sections 8.02, 8.03 and 8.04, a Participant may elect to withdraw, in cash only and in a stated amount, all or a portion of the value of vested amounts in his Accounts from which withdrawals are allowed.
- 8.02 Withdrawal of After-Tax and Company Contributions. Withdrawals as described in Section 8.01 and subject to the rules of Section 8.03 shall be applied by the Committee against a Participant's Accounts as follows:
- Tax-free Withdrawal: Any dollar amount up to 100% of his After-Tax Contributions contributed prior to January 1, 1987, or their value, if less.
- Regular Withdrawal: The amount available as a Tax-free Withdrawal, plus any dollar amount up to the remaining value of his After-Tax Contributions, his Rollover Account and vested Company Account. Participants with less than five years of Plan participation may not withdraw After-Tax Contributions that were matched by the Company and are in the Plan for less than 24 months or Company Contributions that are in the Plan for less than 24 months.
- Hardship Withdrawal: A Participant who qualifies for a financial hardship as defined in Section 8.04 may withdraw up to 100% of the amount available under a Regular Withdrawal, plus the remaining value, if any, of his After-Tax Contributions, the remaining vested value of his Company Contributions and an amount from his Pre-Tax Contributions Account that does not exceed his Pre-Tax Contributions plus earnings credited to such contributions as of December 31, 1988.
- Withdrawal Upon Attainment of Age 59 1/2 or Disability: A Participant who has attained age 59 1/2 or is totally disabled, as such term is defined by the Social Security Administration, may withdraw the amount available under a Regular Withdrawal, plus any dollar amount up to the remaining vested value of his After-Tax, Company and Pre-Tax Contributions.
- 8.03 Rules Applicable to Withdrawals Prior to Termination of Employment. The following rules shall, except as noted in Section 8.04, apply to withdrawals under this Article VIII:
- (a) Withdrawals may only be made by prior notice to the Committee in the manner prescribed by the Committee.
 - (b) Excluding Hardship withdrawals, no more than one withdrawal may be made in any six-month period.

- (c) Excluding Hardship withdrawals, in no event may a Participant make a withdrawal in an amount less than \$1,000, or the maximum amount available for withdrawal as a Tax-free Withdrawal or a Regular Withdrawal, if less.
- (d) In no event may a Participant elect an order of withdrawal other than set forth in Section 8.02, nor may a Participant select the classification or Investment Fund from which his stated amount of withdrawal will be withdrawn.
- (e) Payments of withdrawal amounts will be made as soon as practicable after a Participant's election to withdraw.
- (f) Amounts received from any Prior or Affiliated Plan in a trust-to-trust transfer which were subject to Code Section 401(k), under such Plan, shall be subject to Code Section 401(k) requirements under this Plan.

8.04 Hardship Withdrawals.

Financial hardship for purposes of Section 8.02 shall mean that a Participant requires a withdrawal of money for an immediate and heavy financial need. Such withdrawal cannot exceed the sum of (i) the amount required to meet such need and (ii) any amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated as a result of the distribution. No withdrawal shall be permitted unless the hardship cannot reasonably be relieved from other sources, including distributions (other than hardship withdrawals) and nontaxable loans available under this Plan or any other plan, through reimbursement or compensation by insurance or otherwise by liquidation of assets to the extent such liquidation would not itself cause an immediate and heavy financial need, by cessation of all Pre-Tax Contributions or After-Tax Contributions under the Plan, or by borrowing from commercial sources on reasonable commercial terms. Purchase by a Participant of a primary residence, the need to prevent eviction or foreclosure on the primary residence of a Participant, post-secondary education tuition, related fees, and room and board for a Participant or his dependents and any non-reimbursed medical expense of a Participant or his dependents may generally be considered situations of heavy financial need, unless otherwise governed by law or regulation. The Committee may, under rules established by it which are uniformly applicable to all similarly situated Participants, determine other circumstances where a Participant has a heavy financial need and the decision of the Committee as to whether a Participant satisfies the financial hardship rule shall be conclusive, unless otherwise governed by law or regulation.

8.05 Restrictions on Pre-Tax Contribution Distributions. Notwithstanding any other provision in this Plan to the contrary, a Participant's Pre-Tax Contribution Accounts may not be distributed earlier than upon one of the following events:

- (a) The Participant's retirement, death, disability or Termination of Employment;
- (b) The termination of the Plan without the establishment of a successor plan;
- (c) A Participant's attainment of age 59 1/2;
- (d) A Participant's hardship, restricted as set forth in Section 8.04.
- (e) The sale or disposition of the Company or any Affiliated Company to an unrelated corporation, which does not maintain the Plan, of substantially all of the assets used in a trade or business, but only with respect to Employees who continue with the acquiring corporation; or
- (f) The sale or disposition by the Company or any Affiliated Company of its interest in a subsidiary to an unrelated entity which does not maintain the Plan, but only with respect to Employees who continue employment with the subsidiary.

This Section is intended to comply with the earliest distribution requirements of Treasury Reg. 1.401(k)-1(d) and is not intended to add any forms of distribution not otherwise allowed under the Plan.

ARTICLE IX

LOANS

- 9.01 Loan Provisions. An active Participant may make application to the Committee to borrow from the Trust Fund and the Committee may in its sole discretion permit such a loan upon the conditions hereinafter specified and any other rules promulgated by the Committee.
- (a) Loans shall be made available to all Participants on a reasonably equivalent basis and (i) shall not be made available to highly compensated employees (as defined in Section 414(q) of the Code) in an amount greater than the amount made available to other Participants, and (ii) shall not be permitted for purchasing securities or in any way financing a securities investment.
 - (b) The maximum amount of a loan to a Participant shall not exceed the lesser of: (i) 50% of the Participant's vested interest in his Account; or (ii) \$50,000, reduced by the highest outstanding loan balance during the preceding twelve months. The minimum loan amount is \$1,000. Notwithstanding the foregoing, no amount of a Participant's Account shall be considered available for a loan if it is subject to a qualified domestic relations order as such term is defined under Section 414(p)(1)(A) of the Code.
 - (c) The Committee shall have complete discretion in determining lien priorities among the various investments in the Account. The Committee shall determine the interest rate for each loan, consistent with the rate being charged by other lending institutions for a similar loan to an unrelated borrower on the same date. A loan shall be deemed to be an investment of a Participant's individual Account and all interest payments and repayments of principal shall be credited to the Account of the Participant.
 - (d) The Participant shall be required to authorize payroll deductions from his compensation in an amount sufficient to repay the loan over its term. Loan repayment amounts shall be credited to a Participant's Account as of the date of payment of the Compensation from which the repayment is taken. In the event of default of the Participant before the loan is repaid in full, the unpaid balance thereof shall become due and payable and, to the extent that the outstanding amount is not repaid within 60 days after demand for payment is sent, such amount shall be deemed to have been distributed and the Trustee shall first satisfy the indebtedness from the amount payable to the Participant before making any payment to the Participant. In the event of a Participant's death before the loan is repaid in full, the Participant's estate shall be the Beneficiary with respect to the outstanding

loan notwithstanding any other deemed or actual Beneficiary designation and the unpaid loan balance shall be deemed to have been distributed to the Participant's estate.

Upon a Participant's Termination of Employment, the Participant can repay any outstanding loan balance in full or continue to repay the outstanding balance in the same amount and at the same rate as prior to the Termination of Employment. Repayments after a Participant's Termination of Employment shall be effected as determined by the Committee.

- (e) During the repayment period for the loan, the Participant shall be permitted to fully participate in the Plan.
- (f) The Participant shall execute such other documents as the Committee shall request.
- (g) Only one loan for each Participant may be outstanding at one time.
- (h) The Committee may make additional rules for loans under the Plan, provided that such rules are administered in a nondiscriminatory manner.

ARTICLE X

ADMINISTRATION OF PLAN

10.01 Nabisco Employee Benefits Committee.

- (a) The general administration of the Plan and the responsibility for carrying out the provisions of the Plan shall be placed in the Committee, consisting of not less than three persons.
- (b) Any member of the Committee may resign by delivering his written resignation to the Secretary of the Committee and such resignation shall become effective upon the date specified therein. A member shall be deemed to have resigned if he leaves the active employment of the Company and all Affiliated Companies.
- (c) The Committee shall elect from its members a Chairman, and shall also elect a Secretary who may, but need not, be one of the members of the Committee. The Committee may appoint from its members such committees with such powers as it shall determine, and may authorize one or more of its members, or any agent, to execute or deliver any instrument or make any payment in its behalf.
- (d) The Committee shall hold meetings upon such notice, at such place or places, and at such time or times as it may from time to time determine.
- (e) A majority of the members of the Committee shall constitute a quorum for the transaction of business. All resolutions or other action taken by the Committee shall be by the vote of a majority of the members of the Committee present at any meeting or without a meeting by an instrument in writing signed by a majority of the members of the Committee.
- (f) No member of the Committee shall receive any compensation for his service as such, and, except as may be required by applicable law, no bond or other security is required of him in such capacity in any jurisdiction.

10.02 Administrative Committee.

- (a) The Committee, in its discretion, may delegate its administrative duties and responsibilities to one or more Administrative Committees each consisting of three or more persons, who shall be appointed by and serve at the pleasure of the Committee and one or more of whom may also be members of such Committee. Vacancies in the Administrative Committee shall be filled by the Committee but the Administrative Committee may act, notwithstanding any vacancies, so long as there are at least two members of such Committee. The members of an Administrative

Committee shall serve without compensation for their services as such, but shall be reimbursed by the Company for all necessary expenses incurred in the discharge of their duties.

- (b) Subject to restrictions imposed by the Committee, an Administrative Committee's powers shall include the following powers:
- (i) to interpret Plan provisions with respect to eligibility, service, vesting and determination of benefits,
 - (ii) to calculate benefits and authorize the payment of benefits by the Plan trustees through disbursement accounts as directed by the Administrative Committee,
 - (iii) to authorize the payment of routine Plan expenses exclusive of trustee, investment manager, or actuary fees,
 - (iv) to prepare and/or approve the filing of required governmental reports,
 - (v) to maintain Plan and Account records,
 - (vi) to prepare employee announcements, forms and procedures, and
 - (vii) to review denials of benefit claims made by Participants or Beneficiaries.

The Administrative Committee, at its discretion, may delegate to assistants, including employees in the Company's Employee Benefits Department, ministerial and clerical duties.

10.03 Authority and Duties of Various Fiduciaries.

- (a) The Committee (or the Administrative Committee acting on behalf of the Committee) shall have the exclusive right to interpret the Plan and to decide any and all matters arising under the Plan or in connection with its administration, including determination of and eligibility for the amount of distributions and withdrawals. The Company shall have no power to direct or modify any interpretations, determinations, or decisions of the Committee. The Committee may amend the Plan, subject to the provisions of Section 11.01. Further, the Committee may adopt rules for the administration of the Plan and the conduct of its business and such rules shall be consistent with the provisions of the Plan.
- (b) The Committee and any other named fiduciary may each employ counsel, agents, and such clerical and accounting services as it may require in

carrying out its responsibilities under the Plan. All fiduciaries shall be entitled to rely upon tables, valuations, certificates, opinions, and reports furnished by any actuary, accountant, or legal counsel appointed under the provisions of the Plan.

- (c) The Committee shall keep in convenient form such personnel data as may be necessary for the Plan. The Committee shall prepare, distribute, and file such reports and notices as may be required by applicable law or regulation.
- (d) The members of the Committee shall use that degree of care, skill, prudence and diligence that a prudent man acting in a like capacity and familiar with such matters would use in his conduct of a similar situation. A member of the Committee shall not be liable for the breach of fiduciary responsibility of another fiduciary unless (i) he participates knowingly in, or knowingly undertakes to conceal, an act or omission of such other fiduciary, knowing such act or omission is a breach; or (ii) by his failure to discharge his duties solely in the interest of the Participants, Surviving Spouses and Beneficiaries for the exclusive purpose of providing their benefits and defraying reasonable expenses of administering the Plan not met by the Company, he has enabled such other fiduciary to commit a breach; or (iii) he has knowledge of a breach by such other fiduciary and does not make reasonable efforts to remedy the breach; or (iv) the Committee improperly allocates duties among its members or delegates duties to others and fails to properly review such allocation or delegation of fiduciary responsibilities.
- (e) The Company will indemnify and hold harmless the members of the Committee and any person to whom fiduciary responsibilities are delegated under this Plan against any cost or expense (including attorney's fees) or liability (including any sum paid in settlement of a claim with the approval of the Company) arising out of any act or omission to act, except in the case of willful misconduct.
- (f) Whenever, in the administration of the Plan, any discretionary action is required, the authorized party shall exercise his authority in a nondiscriminatory manner so that all persons similarly situated will receive substantially the same treatment.

10.04 Named Fiduciaries.

- (a) The Committee and any Administrative Committee shall each constitute named fiduciaries as such term is defined in ERISA.
- (b) Any fiduciary appointed as a named fiduciary by the Company by resolution or appointed by an appropriate instrument executed by an

officer of the Company thereunto authorized shall also constitute a named fiduciary in respect of the duties delegated to him or it in such resolution or instrument.

- 10.05 Delegation. Any named fiduciary designated herein or appointed as provided herein, unless precluded from doing so by the terms of such appointment, may by appropriate instrument designate any person (including any firm or corporation) to carry out part or all of such fiduciary's responsibilities and upon such designation the named fiduciary shall have no liability, except as imposed by applicable law, for any act or omission of such person. The foregoing does not preclude any other fiduciary to the extent allowed by ERISA and the terms of his appointment from delegating part or all of such fiduciary's responsibilities with respect to the Plan.
- 10.06 Multiple Capacities. Any fiduciary may serve in more than one fiduciary capacity with respect to the Plan.

ARTICLE XI

AMENDMENTS, TERMINATION, PERMANENT DISCONTINUANCE
OF CONTRIBUTIONS, MERGER OR CONSOLIDATION

- 11.01 Amendments. Subject to the provisions hereinafter set forth, the Company reserves the right at any time and from time to time by action of the Committee in writing, both retroactively and prospectively, to modify or amend, in whole or in part, any or all of the provisions of the Plan; provided, however, that (a) no such modification or amendment shall make it possible for any part of the funds of the Plan to be used for, or diverted to, purposes other than for the exclusive benefit of Participants, Surviving Spouses or Beneficiaries under the Plan; and (b) no modification or amendment shall be made which has the effect of decreasing retroactively the Accounts of any Participant or of reducing the nonforfeitable percentage of the Company Contribution Account of a Participant below the nonforfeitable percentage thereof computed under the Plan as in effect on the later of the date on which the amendment is adopted or becomes effective; and provided further, that any amendment of the Plan that involves a material increase in benefits for officers of the Company, a material increase in cost or a material change in design, other than technical amendment required by law or regulations, must be approved by the Board of Directors. No amendment shall eliminate or reduce an early retirement benefit or eliminate an optional form of benefit except as permitted by law.
- 11.02 Termination or Permanent Discontinuance of Contributions. The Company may by action of the Committee terminate the Plan with respect to all participating locations or any of them or direct complete discontinuance of contributions hereunder by all or any of the locations for any reason at any time. In case of such termination or complete discontinuance of contributions hereunder, there shall automatically vest in the appropriate Participants nonforfeitable rights to the Company contributions credited to their Accounts, and the total amount in each Participant's Accounts shall be distributed, as the Committee shall direct, to him or for his benefit.
- 11.03 Partial Termination. In the event of a partial termination of the Plan, the provisions of Section 11.02 shall be applicable only to the Participants affected by such partial termination.
- 11.04 Benefits in Case of Merger or Consolidation. The Plan may not be merged or consolidated with, nor may its assets or liabilities be transferred to, any other plan unless each Participant, spouse or Surviving Spouse, former Participant, retired Participant or Beneficiary under the Plan would, if the resulting plan were then terminated, receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation, or transfer if the Plan had then terminated.

ARTICLE XII

MISCELLANEOUS

- 12.01 Benefits Payable from Trust Fund. All persons with an interest in the Trust Fund shall look solely to the Trust Fund for any payments with respect to such interest.
- 12.02 Elections. Elections for benefits or Beneficiaries hereunder shall be made by a Participant in the manner prescribed by the Committee for such purposes, within the prescribed time limits.
- 12.03 No Right to Continued Employment. Neither the establishment of the Plan nor the payment of any benefits thereunder nor any action of the Company, the Board of Directors, the Committee, or the Trustee shall be held or construed to confer upon any person any legal right to be continued in the employ of the Company.
- 12.04 Inalienability of Benefits and Interests. No benefit payable under the Plan or interest in the Trust Fund shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any such attempted action shall be void and no such benefit or interest shall be in any manner liable for or subject to debts, contracts, liabilities, engagements or torts of any Participant, Surviving Spouse or Beneficiary.
- 12.05 Qualified Domestic Relations Orders.
- (a) The provisions in Section 12.04 shall also apply to the creation, assignment, or recognition of a right to any benefit payable with respect to a Participant pursuant to a domestic relations order, unless such order: (i) is determined to be a qualified domestic relations order, as defined in Section 414(p) of the Code, or (ii) was entered before January 1, 1985.
- (b) If the Committee is in receipt of a domestic relations order, or the Committee is otherwise aware that a qualified domestic relations order affecting a Participant's account is being sought, the Committee may take such action as necessary (including, without limitation, restricting the participant's ability to withdraw or borrow funds in his or her Accounts) in order to administer the Plan consistently with the terms of any such qualified domestic relations order.
- 12.06 Payments for Exclusive Benefit of Participants. Payments of benefits in respect of the interest of a Participant under the Plan to any person other than such Participant in accordance with the provisions of the Plan shall be deemed to be for the exclusive benefit of such Participant.
- 12.07 New Jersey Law to Govern. All questions pertaining to the construction, regulation, validity and effect of the provisions of the Plan shall be determined in accordance

with the laws of the State of New Jersey, except to the extent such laws are pre-empted by ERISA.

- 12.08 No Guarantee. Neither the Company nor the Trustee guarantee the Trust Fund in any manner against loss or depreciation.
- 12.09 Address of Record. Each individual or entity with an actual or potential interest in the Plan shall file and maintain a current record address with the Plan. Communications mailed by the Company, Trustee, or Committee to such record address fulfills all obligations to provide required information to Participants, including former employees, Surviving Spouses and Beneficiaries, in regard to the Plan. If no record address is filed, it may be presumed that the address used by the Company in forwarding statements of a Participant's Account is the record address.
- 12.10 Unlocated Spouse. Notwithstanding the consent requirement in Section 1.10, if the Participant establishes to the satisfaction of the Committee that such written consent cannot be obtained because there is no spouse or the spouse cannot be located, a waiver shall be deemed to be valid. Any consent necessary under Section 1.10 will be valid only with respect to the spouse who signs the consent, or in the event of a deemed election, the designated spouse.
- 12.11 Agent for Process. The Secretary of Kraft Foods North America, Inc. shall be the designated agent for the service of legal process.
- 12.12 Payments in the Event of Incompetency. If the Committee finds that a Participant or other person entitled to a benefit is unable to care for his affairs because of illness or accident or is a minor, the Committee may direct that any benefit payment due the Participant, unless claim shall have been made therefor by a duly appointed legal representative, be paid to his spouse, a child or a parent for the benefit of such Participant, and any such payment so made shall be a complete discharge of the liabilities of the Plan therefor.
- 12.13 Transfer of Accounts to This Plan.
- (a) Affiliated Plans. If a participant of a U.S. qualified Affiliated Plan becomes eligible to be a Participant of this Plan before receiving a distribution from the Affiliated Plan, this Account under the Affiliated Plan shall be transferred to this Plan by way of a trustee-to-trustee transfer. This Plan shall be considered as a successor plan with regard to such employee and all Affiliated Plan contributions transferred shall be treated as though they were made under this Plan for purposes of vesting, withdrawals and distributions. In the absence of an applicable Participant election, assets transferred from an Affiliated Plan shall be invested in equivalent investment funds under this Plan or, if an equivalent investment fund does not exist, in the Money Market Fund or, effective October 1, 1994, the Interest Income Fund; and the accounts of participants and

beneficiaries under the Affiliated Plan will become their Accounts as Participants and Beneficiaries under this Plan, effective as of the transfer date. Once a Participant has received a distribution from the Affiliated Plan, it shall be treated as a Prior Plan for purposes of this Section 12.13.

- (b) Prior Plans. This Plan does not accept trustee-to-trustee transfers from a Prior Plan. However, the Trustee is authorized to accept as a Rollover Contribution any contribution that meets the following criteria:
- (i) the contribution is made by, or on behalf of, an Eligible Employee;
 - (ii) the contributed amounts were distributed from the Prior Plan as an "eligible rollover distribution" (as defined in Section 7.05)
 - (iii) the contribution is made either (a) as a direct rollover from the Prior Plan to this Plan, or (b) by the Eligible Employee, within 60 days after the date such distribution is received by the Eligible Employee;
 - (iv) if applicable, the spousal consent requirements of Code Section 417(a)(2) were complied with; and
 - (v) such Rollover Contribution meets any other conditions as determined necessary by the Trustee or Committee to comply with Code Section 408(d)(3).

Rollover Contributions shall be held in the Eligible Employee's Rollover Contribution Account. The Eligible Employee is at all times fully vested with respect to his Rollover Contributions.

- (c) As of July 1, 1998, upon the spin-off and transfer of hourly participants' accounts from the Cornnuts, Inc. Profit Sharing and Retirement Plan (the "Cornnuts Plan") to this Plan, each hourly participant of the Cornnuts Plan shall have an Account in this Plan. The Cornnuts Plan shall be treated as an Affiliated Plan and this Plan shall provide, at a minimum, protection for any benefits under the Affiliated Plan that are required under Code Section 411(d)(6). In the absence of an applicable Participant election, assets transferred from such an Affiliated Plan shall be invested in equivalent investment funds under this Plan. Service with such Affiliated Plan shall be recognized for purposes of vesting in Company Contributions under Section 6.02.

- 12.14 Transfer of Plan Assets to an Affiliated Plan. If a Participant transfers employment from the Company to an Affiliated Company and thereafter becomes eligible to participate in an Affiliated Plan, the assets in his Accounts in the Plan shall be transferred to such Affiliated Plan in accordance with the terms thereof.

- 12.15 Headings. Headings of Articles and Sections of the Plan are inserted for convenience of reference. They constitute no part of the Plan.
- 12.16 Payment of Expenses.
- (a) Direct charges and expenses arising out of the purchase or sale of securities, and taxes levied on or measured by such transactions may be charged against the Account(s) or Investment Fund for which the transactions took place.
 - (b) Direct charges or expenses arising out of the establishment and maintenance of any funding account with an insurance Company or other financial institution may be charged against the Account(s) or Investment Fund for which the funding account is established.
 - (c) Investment Manager fees arising out of the establishment and maintenance of any Investment Fund may be charged against the Investment Fund for which the Investment Manager fees are incurred.
 - (d) Trustee fees attributable to the Trust, auditor fees for the plan, and IRS user fees may be paid directly from the Trust. The Committee shall determine the manner in which these fees shall be charged against the Account(s) or Investment Funds held in the Trust.
 - (e) Any other charges or expenses relating to the maintenance or administration of the Plan that are permitted under applicable law to be paid from the Trust including, but not limited to, recordkeeping fees, may be paid directly from the Trust. The Committee shall determine the manner in which these charges and expenses shall be charged against the Accounts or Investment Funds held in the Trust.
 - (f) Any of the expenses in (a)-(e) above may, at the option of the Company, be paid wholly or partly directly by the Company.
 - (g) The Company shall pay all other expenses reasonably incurred in administering the Plan.
 - (h) The Committee may authorize additional expenses to be charged directly from the Trust; provided that such fees are in compliance with applicable law, are reasonable, and that any change in fee policy is communicated to Participants in a timely manner.
- 12.17 Direct or Indirect Transfer. With respect to any Participant who is actively employed, the Plan shall accept any "eligible rollover distribution" (as defined in Section 7.05) from a defined benefit plan, money purchase pension plan (including a target benefit

plan), stock bonus plan, profit sharing plan, or a conduit individual retirement account.

ARTICLE XIII

CLAIM PROCEDURE

- 13.01 Initial Determination. The initial determination of a Participant's, Surviving Spouse's or Beneficiary's eligibility for, and the amount of, a benefit shall be made by the Administrative Committee, or in its absence, the Committee which shall mail or deliver to each covered individual who has filed an effective claim for a benefit a written statement of the amount of his benefit or a notice of denial of his claim on or before the 90th day following the Committee's receipt of such claim. If special circumstances require additional time for processing the claim, the Administrative Committee, or in its absence, the Committee may delay issuing its statement or notice for an additional 90 days provided that the Participant, Surviving Spouse or Beneficiary is notified of the circumstances necessitating the delay and the date the Committee expects to render its final opinion. A claim for benefits is not effective unless filed on forms prescribed by the Committee. Each notice of whole or partial denial of claimed benefits shall set forth the specific reasons for the denial, the time within which an appeal must be made by the Participant, Surviving Spouse or Beneficiary or his duly authorized representative, and shall contain such other information as may be required by applicable law. If a statement or notice is not issued within the prescribed period, the claim shall be deemed denied.
- 13.02 Review. Each Participant, Surviving Spouse or Beneficiary whose claim for benefits has been wholly or partially denied shall have such rights to review documents and submit comments as applicable law and regulations of the Committee may provide, and shall also have the right to request the Committee to review such denial; such request to be made on forms prescribed by the Committee. A request for review shall be filed by the Participant, Surviving Spouse or Beneficiary or his duly authorized representative on or before the 60th day following the, earlier of the Participant's, Surviving Spouse's or Beneficiary's receipt of notice of denial of his claim or the expiration of the prescribed period for issuing a statement of benefits or notice of denial. The Committee shall issue a written statement on or before the 60th day following its receipt of such request stating the Committee's decision on review and the reasons therefore, including specific references to pertinent Plan provisions on which the decision is based, and any other information required by applicable law. If special circumstances require additional time for processing such review, the Committee may delay issuing its decision for an additional 60 days provided that the Participant, Surviving Spouse or Beneficiary is notified of such circumstances and the date the Committee expects to render its final decision. If the decision is not issued within the prescribed period, the appeal shall be deemed denied.

ARTICLE XIV

LIMITATION ON BENEFITS

14.01 Code Section 415 Limits.

- (a) The following definitions shall be applied in construing this Section.
- (1) Defined Benefit Plan means any defined benefit plan (as defined in Section 415(k) of the Code) maintained by any Affiliated Company.
 - (2) Related Plan means any Defined Contribution Plan (as defined in Section 415(k) of the Code), other than the Plan, maintained by any Affiliated Company or any individual account maintained for voluntary contributions made by a Participant under a Defined Benefit Plan.
 - (3) Total Compensation means all remuneration paid to an Employee by any Affiliated Company, as determined pursuant to the provisions of Treasury Regulation Section 1.415-2(d)(11)(i).
 - (4) Annual Addition means the sum of the following amounts credited to a Participant's account for the limitation year:
 - (i) employer contributions;
 - (ii) employee contributions;
 - (iii) forfeitures; and
 - (iv) amounts allocated to an individual medical account, as defined in Section 415(l)(2) of the Code, which is part of a pension or annuity plan maintained by the employer and amounts derived from contributions paid or accrued after December 31, 1985, in taxable years ending after such date, which are attributable to post-retirement medical benefits allocated to the separate account of a key employee, as defined in Section 419A(d)(3) of the Code, under a welfare benefit fund, as defined in Section 419(e) of the Code, maintained by the employer.

- (b) **Limitations Applicable to Participants in Defined Contribution Plans Only.**
- (i) The Annual Addition credited to a Participant under the Plan or any Related Plan for any Limitation Year must not exceed the lesser of (1) \$30,000 (or, if greater, 25% of the defined benefit dollar limitation set forth in Section 415(b)(1) of the Code as in effect for the Plan Year) or (2) 25% of the Participant's Total Compensation for such Limitation Year.
- (ii) **Excess Annual Additions.** If as a result of the allocation of forfeitures, a reasonable error in estimating a Participant's annual compensation, or under other limited facts and circumstances which the Commissioner of Internal Revenue finds justified, the Annual Additions which cause the limitations of Code Section 415 for the limitation year to be exceeded shall not be deemed Annual Additions in that limitation year and shall be treated as follows:
- The excess amounts in the Participant's Account attributable to Supplemental After-Tax Contributions shall first be returned to the Participant. If necessary, Company Contributions shall be used to reduce Company Contributions for the next limitation year (and succeeding limitation years, as necessary) for that Participant if that Participant is covered by the Plan as of the end of the limitation year. However, if that Participant is not covered by the Plan as of the end of the limitation year, then the excess amounts shall be held unallocated in a suspense account for the limitation year and allocated and reallocated in the next limitation year to all of the remaining Participants in the Plan. Furthermore, the excess amounts must be used to reduce Company Contributions for the next limitation year (and succeeding limitation years, as necessary) for all of the remaining Participants in the Plan. If a suspense account is in existence at any time during the limitation year in accordance with this Section, investment gains and losses and other income shall be allocated to the suspense account. To the extent that investment losses are allocated to the suspense account, the entire amount allocated to Participants from the suspense account, including any such gains or other income or less any losses, is considered as the Annual Addition.
- (c) In addition to other limitations set forth in the Plan and notwithstanding any other provisions of the Plan, contributions (and contributions to all other Defined Contribution Plans required to be aggregated under this Plan under the provisions of Section 415 of the Code), shall not be made in an amount in excess of the amount permitted under Section 415 of the Code.

Code Section 416 Limits. This Section is intended to ensure the Plan's compliance with Section 416 of the Code. It shall be applicable to Participants for any Plan Year with respect to which the Plan is top-heavy.

- (a) Definitions. The following definitions shall be applied in construing this Section.
- (i) Top-Heavy Plan means any plan maintained by the Company or an Affiliated Company if, as of the Determination Date, the Top-Heavy Ratio for the plan and all other plans in the Aggregation Group exceeds 60%. The plan will be deemed a "super top-heavy plan" if, as of the Determination Date, the Plan would meet the test specified above for being a Top-Heavy Plan if 90% were substituted for 60% in each place it appears in this subsection (i).
 - (ii) Determination Date means the last day of the preceding Plan Year (or, in the case of the first plan year of a plan, the last day of such Plan Year). When plan aggregation is required, calculation of accrued benefits as of the determination dates which fall within the same calendar year will be used.
 - (iii) Valuation Date means the same date as the Determination Date.
 - (iv) Key Employee means each Employee or former Employee who is, at any time during the Plan Year ending on the "Determination Date", or was, during any one of the four Plan Years preceding the Plan Year ending on the Determination Date, any one or more of the following:
 - (1) An officer of the Company or an Affiliated Company having an annual compensation greater than 50% of the dollar limitation in effect under Code Section 415(b)(1)(A) for any Plan Year;
 - (2) One of 10 Employees having annual compensation from the Company or an Affiliated Company of more than the dollar limitation in effect under Code Section 415(c)(1)(A) and owning (or considered as owning within the meaning of Code Section 318) both the largest interests in the Company or an Affiliated Company and a 1/2% ownership interest;
 - (3) Any person owning (or considered as owning within the meaning of Code Section 318) more than 5% of the outstanding stock of the Company (or stock having more

than 5% of the total combined voting power of all stock of the Company); or

- (4) Any person who has annual compensation of more than \$150,000 and would be described in subsection (3) above, if "1%" was substituted for "5%".

For purposes of determining whether a person is an officer in subsection (1) above, in no event will more than 50 Employees be considered Key Employees solely by reason of officer status. In addition, persons who are merely nominal officers will not be treated as Key Employees solely by reason of their titles as officers. For purposes hereof, compensation is as defined in Section 1.415-2(d) of the Income Tax Regulations.

- (v) Non-Key Employee means any Participant in the Plan (including a beneficiary of such Participant) who is not a Key Employee.
- (vi) Aggregation Group means all plans that are subject to Required Aggregation (in accordance with subsection 14.02(b)). The Aggregation Group may also include plans subject to Permissive Aggregation (in accordance with subsection 14.02(c)), if such aggregation would eliminate the status of plans in the Aggregation Group as Top-Heavy Plans.
- (b) Required Aggregation. This Plan and all other qualified plans, including any terminated plans, maintained by the Company or an Affiliated Company which include a Key Employee must be aggregated to determine if the group as a whole is top-heavy. In addition, each other qualified plan maintained by the Company or an Affiliated Company which enables any plan in which a Key Employee is a Participant to meet the requirements of Sections 410(a)(4) and 410 of the Code must be aggregated.
- (c) Permissive Aggregation. The Company may include other plans maintained by the Company or an Affiliated Company which when considered as a group with the required aggregation group, would continue to satisfy the requirements of Sections 401(a)(4) and 410 of the Code, to determine if the group as a whole is top-heavy, provided such plans are comparable in benefits or contributions.
- (d) Top-Heavy Ratio.
- (i) The top-heavy ratio is a fraction, the numerator of which is the sum of account balances under the defined contribution plans in the Aggregation Group for all Key Employees and the present value of accrued benefits under the Defined Benefit Plans for all Key Employees, and the denominator of which is the sum of the

account balances under the defined contribution plans in the Aggregation Group for all Participants and the present value of accrued benefits under the defined benefit plans in the Aggregation Group for all Participants. Both the numerator and denominator are adjusted to include any distributions made in the five-year period ending on the "Determination Date" and any contributions due but unpaid as of the Determination Date.

- (ii) The value of account balances and the present value of accrued benefits will be determined as of the most recent Valuation Date. The account balances and accrued benefits of a Participant who is not a Key Employee but who was a Key Employee in a prior year will be disregarded. The calculation of the top-heavy ratio, and the extent to which distributions, rollovers and transfers are taken into account will be made in accordance with Section 416 of the Code and the regulations thereunder.
 - (iii) If any Participant has not performed an Hour of Service for the Company at any time during the five-year period ending on the Determination Date, the account of such Participant shall not be taken into account.
- (e) Minimum Vesting. For any Plan Year in which the Plan is a top-heavy plan as determined pursuant to Section 416 of the Code, a Participant will have a nonforfeitable right to a percentage of the Participant's Accounts derived from Company Contributions as set forth below if such schedule is more favorable to the Participant than the vesting schedule under Section 7.02.

Years of Service Completed For Vesting Purposes	Vested Interest
Less than two	0%
Two but less than three	20%
Three but less than four	40%
Four but less than five	60%
Five or more	100%

The above vesting schedule applies to all benefits within the meaning of Section 411 (a)(7) of the Code, including benefits accrued before the effective date of Section 416 of the Code and benefits accrued before the Plan became top-heavy. However, any Participants who has completed at least three (3) years of service for vesting purposes as of the last day of the last Plan Year (a) before the Plan became top-heavy or (b) in which the Plan is top-heavy, shall have the right to elect to continue to have the vesting schedule in effect on the last day of such Plan Year applied to all of his benefits under the Plan. Further, no reduction in vested benefits may

occur in the event the Plan's status as top-heavy changes for any Plan Year.

- (f) Minimum Required Contribution. It is intended that the Company or an Affiliated Company will meet the minimum contribution requirements of Section 416(c) of the Code by providing a minimum contribution (which may include forfeitures otherwise allocable) without regard to any Social Security contributions for such Plan Year for each Participant who is a non-key employee in an amount equal to at least 3% of such Participant's compensation (as defined in Section 1.415-2(d) of the Income Tax Regulations) for such Plan Year. Such 3% minimum contribution requirement shall be increased to 4% for any year in which the Company or an Affiliated Company also maintains a defined benefit pension plan if necessary to avoid the application of Section 416(h)(1) of the Code, relating to the special adjustments to Section 415 limits of the Code for top-heavy plans, if the adjusted limitations of Section 416(h)(1) would otherwise be exceeded if such minimum contribution were not so increased. The minimum contribution required shall be made to any non-key employee who is still employed on the last day of the plan year regardless as to the number of hours of Service performed during the year and regardless of the employee's level of compensation.

A non-key employee who is also covered under a defined benefit plan that is part of the same aggregation group shall receive his minimum benefit under the defined benefit plan, offset by the actuarially determined value of the minimum contribution made under this Plan.

If for the Plan Year the Plan becomes a super top-heavy plan, then the denominator of both the defined contribution plan fraction and the defined benefit plan fraction shall be calculated as set forth in Section 14.01(b) for the limitation year ending in such Plan Year by substituting "1.0" for "1.25" in each place such figure appears.

The percentage minimum contribution required hereunder shall in no event exceed the percentage contribution made for the Key Employee for whom such percentage is the highest for the Plan Year after taking into account contributions or benefits under other qualified plans in this Plan's aggregation group providing no other defined benefit plan uses the defined contribution plan to satisfy Code Section 401 (a) as provided in Section 416(c)(2)(B)(ii) of the Code.

SCHEDULE A

Co./Division	Participating Unit	Location	After-Tax	Pre-Tax	25% Match	Effective Date (if after 1/1/92)
Biscuit	NUH	Addison, IL	Yes	Yes	Yes	
Biscuit Sales	BCT #300	Addison, IL	Yes	Yes	Yes	
Biscuit Sales	NUH	Albuquerque, NM	Yes	Yes	Yes	
Biscuit	NUH	Altoona, PA	Yes	Yes	Yes	
Biscuit	NUH	Amherst, NY	Yes	Yes	Yes	
Biscuit Sales	BCT #16	Amherst, NY	Yes	Yes	Yes	
Biscuit Sales	IBT #952	Anaheim, CA	Yes	Yes	Yes	5/96
Biscuit	NUH	Asheville, NC	Yes	Yes	Yes	
Biscuit Production	IAM #2	Atlanta, GA	Yes	Yes	Yes	1/95
Biscuit Production	IBEW #613	Atlanta, GA	Yes	Yes	Yes	1/95
Biscuit Production	BCT #42	Atlanta, GA	Yes	Yes	Yes	
Biscuit	NUH	Atlanta, GA	Yes	Yes	Yes	
Biscuit	NUH	Aurora, CO	Yes	Yes	Yes	
Biscuit	BCT #26	Aurora, CO	Yes	Yes	Yes	
Biscuit Sales	IBT #570	Baltimore, MD	Yes	Yes	Yes	11/1/96
Biscuit Sales	NUH	Baltimore, MD	Yes	Yes	Yes	
Biscuit Sales	NUH	Bangor, ME	Yes	Yes	Yes	
Biscuit	IBT #734	Bedford Park, IL	No	No	No	
Biscuit Sales	RWDSU #441	Birmingham, AL	Yes	Yes	Yes	2/1/97
Biscuit Sales	NUH	Birmingham, AL	Yes	Yes	Yes	
Biscuit Sales	IBT #483	Boise, ID	Yes	Yes	No	11/1/96
Biscuit	NUH	Boise, ID	Yes	Yes	Yes	
Biscuit	NUH	Boston, MA	Yes	Yes	Yes	
Biscuit Sales	BCT #300	Broadview, IL	Yes	Yes	Yes	
Biscuit	NUH	Brockton, MA	Yes	Yes	Yes	
Biscuit	NUH	Buena Park, CA	No	No	No	
Biscuit Production	BCT #83	Buena Park, CA	Yes	Yes	Yes	

Co./Division	Participating Unit	Location	After-Tax	Pre-Tax	25% Match	Effective Date (if after 1/1/92)
Biscuit Production	IBT #952	Buena Park, CA	Yes	Yes	Yes	5/96
Foods Production	BCT #16	Buffalo, NY	Yes	Yes	Yes	
Foods Production	IUOE #71AB	Buffalo, NY	Yes	Yes	Yes	6/1/95
Foods Production	IAM #330	Buffalo, NY	Yes	Yes	Yes	1/1/95
Biscuit	NUH	Buffalo, NY	Yes	Yes	Yes	
Biscuit Sales	NUH	Burlington, VT	Yes	Yes	Yes	
Biscuit Sales	NUH	Cairo, IL	Yes	Yes	Yes	
Foods Production	NUH	Cambridge, MD	Yes	Yes	Yes	
Biscuit Sales	NUH	Casper, WY	Yes	Yes	Yes	
Biscuit	NUH	Cedar Rapids, IA	Yes	Yes	Yes	
Biscuit	IBT #238	Cedar Rapids, IA	Yes	Yes	Yes	
Biscuit Sales	NUH	Charleston, SC	Yes	Yes	Yes	
Biscuit Sales	NUH	Charlotte, NC	Yes	Yes	Yes	
Biscuit Sales	NUH	Chattanooga, TN	Yes	Yes	Yes	5/96
Biscuit	IBT #515	Chattanooga, TN	No	No	No	
Biscuit	NUH	Chesapeake, VA	Yes	Yes	Yes	
Biscuit Production	IUOE #399	Chicago, IL	Yes	Yes	Yes	
Biscuit Production	IAM #8	Chicago, IL	Yes	Yes	Yes	1/95
Biscuit Production	BCT #300	Chicago, IL	Yes	Yes	Yes	
Biscuit	NUH	Chicago, IL	Yes	Yes	Yes	
Biscuit	NUH	Cincinnati, OH	Yes	Yes	Yes	
Biscuit	NUH	Cleveland, OH	Yes	Yes	Yes	
Biscuit Sales	BCT #26	Colorado Springs, CO	Yes	Yes	Yes	
Biscuit	NUH	Colorado Springs, CO	Yes	Yes	Yes	
Biscuit Sales	NUH	Columbia, SC	Yes	Yes	Yes	
Biscuit Sales	NUH	Columbus, OH	Yes	Yes	Yes	
Biscuit Sales	IBT #163	Compton, OH	Yes	Yes	Yes	5/96
Biscuit Sales	NUH	Corpus Christi, TX	Yes	Yes	Yes	
Biscuit	BCT #11	Corpus Christi, TX	Yes	Yes	Yes	
Biscuit	BCT #163	Corpus Christi, TX	Yes	Yes	Yes	

Co./Division	Participating Unit	Location	After-Tax	Pre-Tax	25% Match	Effective Date (if after 1/1/92)
Biscuit	NUH	Culver City, CA	Yes	Yes	Yes	
Biscuit	IBT #63	Culver City, CA	Yes	Yes	Yes	
Biscuit	NUH	Dallas, TX	Yes	Yes	Yes	
Field	IBT #767	Dennison, TX	No	No	No	
Biscuit Sales	BCT #72	Denver, CO	Yes	Yes	Yes	
Biscuit	NUH	Denver, CO	Yes	Yes	Yes	
Biscuit	NUH	Des Moines, IA	Yes	Yes	Yes	
Biscuit	IBT #147	Des Moines, IA	No	No	No	
Biscuit	NUH	Des Moines, IA	Yes	Yes	Yes	
Biscuit	NUH	Detroit, MI	Yes	Yes	Yes	
Biscuit Sales	NUH	Dothan, AL	Yes	Yes	Yes	
Biscuit Sales	NUH	Duncan, SC	Yes	Yes	Yes	
Biscuit	NUH	Dunellen, NJ	Yes	Yes	Yes	
Biscuit	IBT #560	Dunellen, NJ	Yes	Yes	Yes	
Biscuit	NUH	Earth City, MO	Yes	Yes	Yes	
Biscuit	IBT #688	Earth City, MO	Yes	No	Yes	
Biscuit Sales	IBT #560	Edison, NJ	Yes	Yes	Yes	1/95
Biscuit Sales	NUH	El Paso, TX	Yes	Yes	Yes	
Biscuit Sales	NUH	Erie, PA	Ye	Yes	Yes	
Biscuit	NUH	Eugene, OR	Yes	Yes	Yes	
Biscuit	IBT#57	Eugene, OR	Yes	Yes	Yes	
Biscuit Sales	NUH	Evansville, IN	Yes	Yes	Yes	
Biscuit Sales	IBT #33	Fairfax, VA	No	No	No	5/96
Biscuit Production	IUOE #68-68A	Fairlawn, NJ	Yes	Yes	Yes	
Biscuit Production	BCT #719	Fairlawn, NJ	Yes	Yes	Yes	
Biscuit	IBT #807	Fairlawn, NJ	Yes	Yes	Yes	
Biscuit Sales	IBT #116	Fargo, ND	Yes	Yes	Yes	1/1/97
Biscuit	NUH	Fargo, ND	Yes	Yes	Yes	
Biscuit Sales	IBT #51	Farmington, MI	Yes	Yes	Yes	6/1/96
Biscuit	NUH	Farmington, MI	Yes	Yes	Yes	

Co./Division	Participating Unit	Location	After-Tax	Pre-Tax	25% Match	Effective Date (if after 1/1/92)
Biscuit	NUH	Flint, MI	Yes	Yes	Yes	
Biscuit	IBT #332	Flint, MI	No	No	No	
Biscuit Sales	NUH	Ft. Lauderdale, FL	Yes	Yes	Yes	
Biscuit	NUH	Ft. Wayne, IN	Yes	Yes	Yes	
Biscuit Sales	IBT #414	Ft. Wayne, IN	Yes	Yes	No	6/1/96
Biscuit Sales	IBT #559	Glastonbury, CT	Yes	Yes	Yes	1/1/96
Biscuit	NUH	Glastonbury, CT	Yes	Yes	Yes	
Biscuit	NUH	Glenview, IL	Yes	Yes	Yes	
Biscuit	BCTU #300	Glenview, IL	Yes	Yes	Yes	
Biscuit Sales	NUH	Goldsboro, NC	Yes	Yes	Yes	
Biscuit	NUH	Green Bay, WI	Yes	Yes	Yes	
Biscuit Sales	IBT #75	Green Bay, WI	Yes	Yes	Yes	8/1/96
Biscuit Sales	NUH	Greensboro, NC	Yes	Yes	Yes	
Biscuit	NUH	Greenville, SC	Yes	Yes	Yes	
Biscuit Sales	IBT #114	Hamilton, OH	Yes	Yes	Yes	
Biscuit	NUH	Hamilton, OH	Yes	Yes	Yes	
Biscuit	NUH	Hayword, CA	Yes	Yes	Yes	
Biscuit	IBT #70	Hayword, CA	No	No	No	
Biscuit	IBT #853	Hayword, CA	No	No	No	
Biscuit Sales	IBT #2	Helena, MT	Yes	No	Yes	
Biscuit	NUH	Helena, MT	Yes	Yes	Yes	
Biscuit	NUH	Henrietta, NY	Yes	Yes	Yes	
Biscuit	IBT #791	Henrietta, NY	Yes	Yes	Yes	
PLS	RWDSU #82	Holland, MI	Yes	Yes	Yes 50%	
LS	NUH	Holland, MI	Yes	Yes	Yes 50%	
Biscuit Sales	NUH	Honolulu, HI	Yes	Yes	Yes	
Biscuit Sales	IBT #463	Horsham, PA	Yes	Yes	No	6/1/95
Biscuit	NUH	Horsham, PA	Yes	Yes	Yes	
Biscuit Production	MILL #2232	Houston, TX	Yes	Yes	Yes	
Biscuit Production	IBEW #716	Houston, TX	Yes	Yes	Yes	

Co./Division	Participating Unit	Location	After-Tax	Pre-Tax	25% Match	Effective Date (if after 1/1/92)
Biscuit Production	BCT #163	Houston, TX	Yes	Yes	Yes	
Biscuit	IBT #988	Houston, TX	Yes	Yes	Yes	
Biscuit	NUH	Houston, TX	Yes	Yes	Yes	
Biscuit Sales	NUH	Huntington, WV	Yes	Yes	Yes	
Foods Production	UFCW #700	Indianapolis, IN	Yes	Yes	No	6/1/96
Biscuit Sales	IBT #135	Indianapolis, IN	Yes	Yes	Yes	2/1/97
Biscuit Sales	IBT #745	Irving, TX	Yes	Yes	Yes	4/95
Biscuit	NUH	Irving, TX	Yes	No	Yes	
Biscuit Sales	NUH	Jacksonville, FL	Yes	Yes	Yes	
Biscuit	NUH	Kansas City, MO	Yes	Yes	Yes	
FSD	NUH	Kent, WA	No	No	No	
Biscuit	NUH	Kent, WA	Yes	Yes	Yes	
Biscuit	IBT #117	Kent, WA	Yes	Yes	Yes	
Biscuit	IBT #174	Kent, WA	Yes	Yes	Yes	
Biscuit Sales	NUH	LaCrosse, WI	Yes	Yes	Yes	
Biscuit Sales	NUH	Lafayette, LA	Yes	Yes	Yes	
Biscuit Sales	NBC	Landover, MD	Yes	Yes	Yes	
Biscuit	NBC	Lansing, MI	Yes	Yes	Yes	
Biscuit Sales	IBT #14	Las Vegas, NV	Yes	Yes	Yes	5/96
Biscuit	NUH	Las Vegas, NV	Yes	Yes	Yes	
Biscuit Sales	IBT #669	Latham, NY	Yes	Yes	Yes	8/1/94
Biscuit	NUH	Latham, NY	Yes	Yes	Yes	
Biscuit Sales	IBT #878	Little Rock, AK	Yes	Yes	Yes	
Biscuit	NUH	Little Rock, AK	Yes	Yes	Yes	
Biscuit	NUH	Los Angeles, CA	Yes	Yes	Yes	
Biscuit Sales	IBT #89	Louisville, KY	Yes	Yes	Yes	
Biscuit Sales	NUH	Louisville, KY	Yes	Yes	Yes	
Biscuit Sales	NUH	Lubbock, TX	Yes	Yes	Yes	
Biscuit Sales	NUH	Macedonia, OH	Yes	Yes	Yes	
Biscuit Sales	IBT #52	Macedonia, OH	Yes	Yes	Yes	

Co./Division	Participating Unit	Location	After-Tax	Pre-Tax	25% Match	Effective Date (if after 1/1/92)
Biscuit	NUH	Macon, GA	Yes	Yes	Yes	
Biscuit	IBT #528	Macon, GA	No	No	No	
Biscuit	NUH	Mansfield,	Yes	Yes	Yes	
Biscuit	NUH	Marlton	Yes	Yes	Yes	
Biscuit Sales	BCT #719	Maspeth, NY (Garage)	Yes	Yes	Yes	
Biscuit	NUH	Maumelle	Yes	Yes	Yes	
Biscuit	IBT #878	Maumelle	Yes	Yes	Yes	
Biscuit	NUH	Medford, OR	Yes	Yes	Yes	
Biscuit	IBT #962	Medford, OR	Yes	Yes	Yes	
Biscuit	NUH	Melbourne, FL	Yes	Yes	Yes	
Biscuit	IBT #984	Memphis, TN	Yes	Yes	Yes	
Biscuit	NUH	Memphis, TN	Yes	Yes	Yes	
Biscuit	NUH	Meridian, MS	Yes	Yes	Yes	
Biscuit	NUH	Methuen, MA	Yes	Yes	Yes	
Biscuit	IBT #686	Methuen, MA	Yes	Yes	Yes	
Biscuit	NUH	Miami, FL	Yes	Yes	Yes	
Biscuit	NUH	Milpitas, CA	Yes	Yes	Yes	
Biscuit	IBT #078	Milpitas, CA	Yes	Yes	Yes	
Biscuit	IBT #296	Milpitas, CA	Yes	Yes	No	
Biscuit	NUH	Minneapolis, MN (East and West)	Yes	Yes	Yes	
Biscuit Sales	IBT #289	Minneapolis, MN (East and West)	Yes	Yes	Yes	1/1/96
Biscuit	NUH	Modesto, CA	Yes	Yes	Yes	
Biscuit Sales	NUH	Montgomery, AL	Yes	Yes	Yes	
Biscuit	NUH	Montgomery, NY	Yes	Yes	Yes	
Biscuit	IBT #338	Montgomery, NY	Yes	Yes	Yes	
Biscuit	IBT #64	Montgomery, NY	Yes	Yes	Yes	
Biscuit	IBT #26	Monticello, NY	Yes	Yes	Yes	
Biscuit	IUOE #399	Naperville, IL	Yes	No	Yes	
Biscuit	AFGM #343	Naperville, IL	Yes	No	Yes	
Biscuit	IAM #1202	Naperville, IL	Yes	No	Yes	

Co./Division	Participating Unit	Location	After-Tax	Pre-Tax	25% Match	Effective Date (if after 1/1/92)
Biscuit Sales	NUH	Nashville, TN	Yes	Yes	Yes	
Biscuit	NUH	New Bedford, MA	Yes	Yes	Yes	
Biscuit Production	IBT #344	New Berlin, WI	Yes	Yes	Yes	
Biscuit	NUH	New Berlin, WI	Yes	Yes	Yes	
Biscuit Sales	BCT #719	New Hyde Park, NY	Yes	Yes	Yes	
Biscuit	IBT #807	New Hyde Park, NY	No	No	No	
Biscuit Sales	IBT #270	New Orleans, LA	Yes	No	Yes	
Biscuit	NUH	New Orleans, LA	Yes	Yes	Yes	
Biscuit Production	BCT #357	Niagara Falls, NY	Yes	Yes	Yes	
Biscuit Production	F&O #90	Niagara Falls, NY	Yes	Yes	Yes 50%	
Biscuit Production	IBT #586	Niagara Falls, NY	Yes	Yes	No	1/?/95
Biscuit	BCT #1	Niles, IL	Yes	Yes	Yes	
Biscuit	IBT #734	Niles, IL	No	No	No	
Biscuit Sales	BCT #42	Norcross, GA	Yes	Yes	Yes	
Biscuit	NUH	Norcross, GA	Yes	Yes	Yes	
Biscuit Sales	IBT #64	North Smithfield, RI	Yes	Yes	Yes	1/1/96
Biscuit	NUH	North Smithfield, RI	Yes	Yes	Yes	
Biscuit	IBT #64	North Smithfield, RI	Yes	Yes	Yes	
Stella	BCT #50	NY/NJ	Yes	Yes	Yes	
Stella	IBT #550	NY/NJ	Yes	Yes	Yes	
Biscuit Sales	BCT #719	Oakdale, NY	Yes	Yes	Yes	
Biscuit	NUH	Oakdale, NY	Yes	Yes	Yes	
Biscuit	BCT #125	Oakdale, NY	Yes	Yes	Yes	
Biscuit Sales	NUH	Oklahoma City, OK	Yes	Yes	Yes	
Biscuit Sales	NUH	Olean, NY	Yes	Yes	Yes	
Biscuit	IBT #554	Omaha, NE	No	No	No	
Biscuit	NUH	Ontario, CA	Yes	Yes	Yes	
Biscuit	IBT #166	Ontario, CA	Yes	Yes	Yes	
Biscuit	IBT #952	Ontario, CA	Yes	Yes	Yes	
Biscuit Sales	NUH	Orlando, FL	Yes	Yes	Yes	

Co./Division	Participating Unit	Location	After-Tax	Pre-Tax	25% Match	Effective Date (if after 1/1/92)
Biscuit	IBT #186	Oxnard, CA	No	No	No	
Biscuit	IBT #627	Peoria, IL	No	No	No	
Biscuit Production	BCT #492	Philadelphia, PA	Yes	Yes	Yes	
Biscuit	NUH	Philadelphia, PA	Yes	Yes	Yes	
Biscuit	NUH	Phoenix, AZ	Yes	Yes	Yes	
Biscuit	IBT #104	Phoenix, AZ	Yes	Yes	No	
Biscuit Production	IUOE #95-95A	Pittsburgh, PA	Yes	Yes	Yes	
Biscuit Production	BCT #12-A	Pittsburgh, PA	Yes	Yes	Yes	
Biscuit	NUH	Pittsburgh, PA	Yes	Yes	Yes	
Biscuit	NUH	Pleasanton, CA	Yes	Yes	Yes	
Biscuit	BCT #719	Pleasantville, NY	Yes	Yes	Yes	
Biscuit Sales	NUH	Portland, OR/ME	Yes	Yes	Yes	
Biscuit Production	IAM #63	Portland, OR	Yes	Yes	Yes	1/95 ?
Biscuit Production	IUOE #87	Portland, OR	Yes	Yes	Yes	1/95 ?
Biscuit Production	BCT #364	Portland, OR	Yes	Yes	Yes	
Biscuit	IBT #206	Portland, OR	Yes	Yes	No	
Biscuit	IBT #305	Portland, OR	Yes	Yes	Yes	
Biscuit	IBT #962	Portland, OR	Yes	Yes	Yes	
Biscuit	NUH	Portland, OR	Yes	Yes	Yes	
Biscuit Sales	NUH	Portsmouth, VA	Yes	Yes	Yes	
Biscuit Sales	NUH	Quincy, IL	Yes	Yes	Yes	
Biscuit	IBT #891	Richland, MS	Yes	Yes	Yes	
Biscuit	NUH	Richland, MS	No	No	No	
Biscuit Sales	NUH	Richmond, VA	Yes	Yes	Yes	
Biscuit Production	BCT #358	Richmond, VA	Yes	Yes	Yes	
Biscuit Sales	BCT #719	Ridgewood, NY	Yes	Yes	Yes	
Biscuit	IBT #807	Ridgewood, NY	No	No	No	
Biscuit Sales	IBT #166	Riverside, Va	Yes	Yes	Yes	5/96
Biscuit Sales	NUH	Roanoke, VA	Yes	Yes	Yes	
Biscuit	NUH	Rock Island, IL	No	No	No	

Co./Division	Participating Unit	Location	After-Tax	Pre-Tax	25% Match	Effective Date (if after 1/1/92)
Biscuit	IBT #137	Sacramento, CA	No	No	No	
Biscuit	IBT #150	Sacramento, CA	No	No	No	
Biscuit	ILWU #17	Sacramento, CA	No	No	No	
Biscuit	NUH	Sacramento, CA	Yes	Yes	Yes	
Biscuit Sales	NUH	Salt Lake City, UT	Yes	Yes	Yes	
Biscuit Sales	NUH	San Antonio, TX	Yes	Yes	Yes	
Biscuit	BCT #111	San Antonio, TX	Yes	Yes	Yes	
Biscuit Sales	IBT #683	San Diego, CA	Yes	Yes	Yes	5/96
Biscuit	NUH	San Francisco, CA	Yes	Yes	Yes	
Biscuit	IBT #85	San Francisco, CA	Yes	Yes	No	
Biscuit	IBT #853	San Francisco, CA	No	No	No	
Biscuit	IBT #860	San Francisco, CA	No	No	No	
Biscuit	NUH	San Jose, CA	Yes	Yes	No	
Biscuit	IBT #296	San Jose, CA	No	No	No	
Biscuit Sales	NUH	Savannah, GA	Yes	Yes	Yes	
Biscuit	NUH	Scranton, PA	Yes	Yes	Yes	
Biscuit	NUH	Seattle	Yes	Yes	Yes	
Biscuit	IBT #962	Seattle	Yes	Yes	Yes	
Biscuit Sales	BCT #719	Secaucus, NJ	Yes	Yes	Yes	
Biscuit	NUH	Secaucus, NJ	Yes	Yes	Yes	
SPD	UFCW #880	Sevil Plt.	No	No	No	
Biscuit Sales	NUH	Sheffield, AL	Yes	Yes	Yes	
Biscuit Sales	IBT #568	Shreveport, LA	Yes	No	Yes	
Biscuit	NUH	Shreveport, LA	Yes	Yes	Yes	
Biscuit Sales	NUH	Sioux Falls, SD	Yes	Yes	Yes	
Biscuit	NUH	Smithfield, RI	Yes	Yes	Yes	
Biscuit	IBT #64	Smithfield, RI	Yes	Yes	Yes	
Biscuit Sales	IBT #690	Spokane, WA	Yes	Yes	Yes	7/1/94
Biscuit	NUH	Spokane, WA	Yes	Yes	Yes	
Biscuit	NUH	Springfield	Yes	Yes	Yes	

Co./Division	Participating Unit	Location	After-Tax	Pre-Tax	25% Match	Effective Date (if after 1/1/92)
Biscuit	IBT #823	Springfield	Yes	Yes	Yes	
Biscuit	IBT #688	St. Louis, MO	Yes	No	Yes	8/1/92
Biscuit Sales	NUH	St. Louis, MO	Yes	Yes	Yes	
Biscuit Sales	IBT #145	Stamford, CT	Yes	Yes	Yes	1/1/96
Biscuit	IBT #559	Stamford, CT	Yes	Yes	Yes	
Foods Production	IBT #695	Stoughton, WI	Yes	Yes	Yes	5/1/95 or 7/1/92 ?
PLS	Local #26	Suffolk, VA	Yes	Yes	Yes 50%	1/96
Biscuit	IBT #182	Syracuse, NY	Yes	Yes	Yes	
Biscuit	NUH	Tacoma, WA	Yes	Yes	Yes	
Biscuit Sales	IBT #79	Tampa, FL	Yes	Yes	Yes	4/1/95
Biscuit	IBT #79	Tampa, FL	Yes	Yes	Yes	
Biscuit Sales	IBT #560	Teterboro, NJ	Yes	Yes	Yes	1/1/95
Biscuit	NUH	Teterboro, NJ	Yes	Yes	Yes	
Biscuit Sales	NUH	Thomasville, GA	Yes	Yes	Yes	
Biscuit Production	AFGM #58	Toledo, OH	Yes	Yes	Yes	
Biscuit	NUH	Toledo, OH	Yes	Yes	Yes	
Biscuit	NUH	Tolleson	Yes	Yes	No	
Biscuit	IBT #104	Tolleson	Yes	Yes	No	
Biscuit	IBT #104	Tucson, AZ	Yes	Yes	No	
Biscuit	NUH	Tucson, AZ	Yes	Yes	Yes	
Biscuit Sales	NUH	Tulsa, OK	Yes	Yes	Yes	
Biscuit Sales	IBT #745	Tyler, TX	Yes	No	Yes	
Biscuit	NUH	Tyler, TX	Yes	Yes	Yes	
PL	NUH	Urbana, OH	Yes	Yes	Yes 50%	7/1/98
Biscuit Sales	IBT #186	Valencia, CA	Yes	Yes	Yes	5/96
Biscuit Sales	NUH	Waco, TX	Yes	Yes	Yes	
Biscuit Sales	IBT #697	Washington, PA	Yes	Yes	Yes	
Biscuit	NUH	Washington, PA	Yes	Yes	Yes	
Biscuit	NUH	Westbrook	Yes	Yes	Yes	
Biscuit	NUH	Westbury, NY	Yes	Yes	Yes	

Co./Division -----	Participating Unit -----	Location -----	After- Tax ---	Pre- Tax ---	25% Match -----	Effective Date (if after 1/1/92) -----
Biscuit	BCT #719	Westbury, NY	Yes	Yes	Yes	
Biscuit	IBT #807	Westbury, NY	No	No	No	
Biscuit	NUH	Williamsport, MD	Yes	Yes	Yes	
Biscuit	NUH	Wilmington, NC	Yes	Yes	Yes	
Biscuit Production	NUH	Wrightstown, WI	Yes	Yes	Yes	
Biscuit	NUH	Wyomissing, PA	Yes	Yes	Yes	50%

SCHEDULE C

Location -----		Effective Date -----
Fort Smith, AR	NUH	May 1, 1998
Suffolk, VA	UAW	August 1, 1998
Greenfield, CA	NUH	September 1, 1998
Minneapolis Plant	AFGM	October 1, 1998
Chattanooga, TN	NUH	January 1, 1999
Buena Park, CA	IUOE	March 1, 1999
Fairfax, VA	NUH	July 1, 1999
Grand Rapids, MI	NUH	July 1, 1999
Wyomissing, PA	NUH	October 1, 1999
Pensacola, FL	NUH	February 1, 2000
Fresno, CA	NUH	March 1, 2000
Endicott, NY	NUH	April 1, 2000
Harrisburg, PA	NUH	July 1, 2000
Wichita, KS	NUH	January 1, 2001
Omaha, NE	NUH	January 1, 2001
Landover, MD	NUH	January 1, 2001
Salisbury, MD	NUH	March 1, 2001
Endicott, NY	NUH	April 1, 2001
Knoxville, TN	NUH	July 1, 2001
Bethlehem, PA	NUH	August 1, 2001

[Letterhead of Hunton & Williams]

October 9, 2001

The Board of Directors
Kraft Foods Inc.
Three Lakes Drive
Northfield, Illinois

Kraft Foods Inc.
Registration of Shares for the Kraft Foods Thrift Plan,
the Kraft Foods TIP Plan, the Nabisco, Inc. Capital Investment Plan
and the Nabisco, Inc. Employee Savings Plan

Ladies and Gentlemen:

We have acted as counsel to Kraft Foods Inc., a Virginia corporation (the "Company"), in connection with the preparation and filing of a registration statement on Form S-8 under the Securities Act of 1933, as amended, with respect to 62,000,000 shares of the Company's Class A common stock (the "Shares"), together with an indeterminate amount of interests (the "Interests"), to be offered pursuant to the Kraft Foods Thrift Plan (the "Thrift Plan"), the Kraft Foods TIP Plan (the "TIP Plan" and together with the Thrift Plan, the "Kraft Plans"), the Nabisco, Inc. Capital Investment Plan (the "CIP Plan") and the Nabisco, Inc. Employee Savings Plan (the "ESP Plan" and together with the CIP Plan, the "Nabisco Plans").

In rendering this opinion, we have relied upon, among other things, our examination of the Kraft Plans and the Nabisco Plans and such records of the Company and its subsidiaries and certificates of its officers and of public officials as we have deemed necessary.

Based upon the foregoing and the further qualifications stated below, we are of the opinion that:

1. the Company is duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Virginia; and
2. the Interests, when issued in accordance with the terms of the Thrift Plan, the TIP Plan, the CIP Plan or the ESP Plan, as the case may be, will be legally issued, fully paid and non-assessable and will constitute the binding obligations of the Thrift Plan, the TIP Plan, the CIP Plan or the ESP Plan, as the case may be.

We hereby consent to the filing of this opinion with the Securities and Exchange Commission as an exhibit to such registration statement.

Very truly yours,

/s/ Hunton & Williams

CONSENT OF PRICEWATERHOUSECOOPERS LLP
INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in this Registration Statement on Form S-8 of our report dated January 29, 2001 relating to the combined financial statements and our report dated March 16, 2001 relating to the financial statement schedule of Kraft Foods Inc., which appear in the Current Report on Form 8-K of Kraft Foods Inc. dated August 10, 2001. We also consent to the incorporation by reference in this Registration Statement of our reports dated May 30, 2001 relating to the financial statements, which appear in the Annual Reports of the Kraft Foods Thrift Plan and the Kraft Foods Employee Thrift-Investment Plan (now known as the Kraft Foods TIP Plan) on Forms 11-K for the year ended December 31, 2000. We also consent to the incorporation by reference in this Registration Statement of our reports dated June 15, 2001 relating to the financial statements, which appear in the Annual Reports of the Nabisco, Inc. Capital Investment Plan and the Nabisco, Inc. Employee Savings Plan on Forms 11-K for the year ended December 30, 2000.

/S/ PRICEWATERHOUSECOOPERS LLP

PRICEWATERHOUSECOOPERS LLP

Chicago, Illinois
October 9, 2001

CONSENT OF DELOITTE & TOUCHE LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Registration Statement of Kraft Foods Inc. Form S-8 dated October 9, 2001 of our report dated February 2, 2000 on our audits of the consolidated financial statements of Nabisco Holdings Corp. as of December 31, 1998 and 1999 and for the three years ended December 31, 1999 appearing in the Prospectus dated June 12, 2001, furnished to the Securities and Exchange Commission on August 10, 2001 as an exhibit to Kraft Foods' Current Report on Form 8-K. We also consent to the incorporation by reference of our reports dated June 23, 2000 relating to the financial statements which appear in the Annual Reports of the Nabisco, Inc. Capital Investment Plan and the Nabisco, Inc. Employee Savings Plan on Forms 11-K for the year ended December 30, 2000.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP

Parsippany, New Jersey
October 9, 2001