
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): February 14, 2006

PRUDENTIAL FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

New Jersey
(State or other jurisdiction
of incorporation)

001-16707
(Commission File Number)

22-3703799
(I.R.S. Employer
Identification No.)

**751 Broad Street
Newark, New Jersey 07102**
(Address of principal executive offices and zip code)

(973) 802-6000
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry Into a Material Definitive Agreement.**Stock Options**

Prudential Financial, Inc. (the “Company”) is filing as Exhibit 10.1 to this Form 8-K the form of Grant Acceptance Agreement relating to stock option grants to executive officers in 2006 under the Prudential Financial, Inc. Omnibus Incentive Plan.

Performance Shares

The Company is filing as Exhibit 10.2 to this Form 8-K the form of Grant Acceptance Agreement relating to performance share awards to executive officers in 2006 in respect of the performance period 2006 through 2008 under the Prudential Financial, Inc. Omnibus Incentive Plan

Item 9.01 Financial Statements and Exhibits.**(c) Exhibits.**

- 10.1 Form of Grant Acceptance Agreement relating to 2006 stock option grants under the Prudential Financial, Inc. Omnibus Incentive Plan.
- 10.2 Form of Grant Acceptance Agreement relating to 2006 Common Stock performance share awards under the Prudential Financial, Inc. Omnibus Incentive Plan.
- 10.3 Form of Grant Acceptance Agreement relating to 2003 Common Stock performance share awards under the Prudential Financial, Inc. Omnibus Incentive Plan.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: February 16, 2006

PRUDENTIAL FINANCIAL, INC.

By: /s/ Brian J. Morris

Name: Brian J. Morris

Title: Assistant Secretary

Exhibit Index

Exhibit No.	Description
10.1	Form of Grant Acceptance Agreement relating to 2006 stock option grants under the Prudential Financial, Inc. Omnibus Incentive Plan
10.2	Form of Grant Acceptance relating to 2006 Common Stock performance share awards under the Prudential Financial, Inc. Omnibus Incentive Plan.
10.3	Form of Grant Acceptance Agreement relating to 2003 Common Stock performance share awards under the Prudential Financial, Inc. Omnibus Incentive Plan.

Prudential Financial, Inc.
Executive Stock Option Program
Grant Acceptance Agreement

(for executives subject to the reporting requirements under Section 16(a) of the U.S. Securities Exchange Act of 1934, as amended)

You have been granted **XXX** options (the “Options”) to purchase **XXX** shares of Prudential Financial, Inc. common stock, par value \$0.01 per share (“Common Stock”), on **February 14, 2006** (the “Grant Date”). The Options shall not be treated as “incentive stock options,” as defined in Section 422 of the Internal Revenue Code of 1986, as amended.

Vesting Dates: Subject to the terms, conditions and restrictions set forth herein and in the Prudential Financial, Inc. Omnibus Incentive Plan (the “Plan”), the Options may be exercised on or after the dates indicated below as to that number of Options set forth below, and each Option represents a right to purchase only one share of Common Stock.

Xx Options on **February 14, 2007**

Xx Options on **February 14, 2008**

Xx Options on **February 14, 2009**

Grant Price: **\$XX.XX** per share of Common Stock (the “Grant Price”).

Expiration Date: The Options shall expire on **February 14, 2016** (the “Expiration Date”).

See the brochure entitled 2006 Long-Term Incentive Program (the “Brochure”) for more information about this grant. This **Grant Acceptance Agreement** (this “Agreement”) and the Brochure are subject to the terms, conditions and restrictions contained in the Plan (capitalized terms used but not defined herein have the meanings given such terms in the Plan). Except as specified otherwise, this Agreement and the Brochure are not a substitute for the official Plan document, which governs the operation of the Plan. Also, this is not a stock certificate or negotiable instrument.

Your eligibility for the 2006 Long-Term Incentive Program (the “Program”), the benefits provided by the Program, and all other terms and conditions of the Program and any long-term grant of stock options will be determined pursuant to, and are governed by, the provisions of the Plan document and this Agreement, including any decisions of the committee designated under the Plan by the Prudential Financial, Inc. (“Prudential”) Board of Directors (the “Compensation Committee” or the “Committee”). Except as specifically stated otherwise in this Agreement, if there is any discrepancy between the information in this Agreement or in the Brochure and the Plan document, or if there is a conflict between information discussed by anyone acting on behalf of Prudential and the actual Plan document, the Plan document, as interpreted by the Committee (or its delegate), in its sole discretion, will always govern.

1. Exercise Methods

Cash Exercise – lets you exercise the Options and receive Common Stock, after paying in cash the Grant Price, applicable taxes and fees.

Sell to Cover – lets you exercise the Options and receive Common Stock after paying the Grant Price, applicable taxes and fees, without paying cash out of your pocket.

One or more of these Exercise Methods outlined above may not be available to you should Prudential determine that its availability will or could violate the terms of any relevant law or regulation. You may not exercise the Options at a time when the market price of the Common Stock does not exceed the Grant Price.

2. Taxes

Prudential or any of its direct or indirect subsidiaries (collectively, the “Company Group”), as applicable, shall have the right to deduct and report taxes (federal, state, local or foreign taxes, including social insurance taxes) or other obligations required to be withheld by law on Options from any Common Stock or cash payments or distributions made to you. Prudential (or, if appropriate, any other member of the Company Group) also shall have the right to require you to remit to Prudential (or, if appropriate, any other member of the Company Group) an amount necessary to satisfy any such taxes or other obligations. Prudential may defer issuance of Common Stock upon the exercise of any Options until such withholding is satisfied.

3. Option Term

Once the Options vest, you will have until the Expiration Date to exercise the Options, unless your employment ends prior to the Expiration Date. See the Brochure for a brief summary of the Plan terms regarding the effect a termination of employment will have on the Options.

4. Value of Options

Prudential makes no representation as to the value of the Options or whether you will be able to realize any profit based on any award of Options to you.

5. Exercise Upon Death, Disability and Other Termination of Employment

(a) Notwithstanding any provisions of the Plan to the contrary, you agree that all the Options, whether vested or unvested, shall automatically be forfeited and cancelled upon the termination, for any reason, of your employment with any member of the Company Group, and no shares of Common Stock may thereafter be purchased under the Options, except as follows:

- (1) **Death.** In the event your employment with any member of the Company Group terminates by reason of death, the Options that are then not yet exercised shall become immediately exercisable in full and may be exercised by your estate at any time prior to the earlier of the (i) Expiration Date or (ii) third (3rd) anniversary (or such earlier date as the Committee shall determine) of your death; provided, however, that the Options shall be exercisable for not less than one (1) year after your death even if such period exceeds the Expiration Date.

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- (2) **Disability.** In the event your employment with any member of the Company Group terminates by reason of Disability, the Options that are then not yet exercised shall become immediately exercisable in full and may be exercised by you (or, in the event of your death after termination of your employment when the Option is exercisable pursuant to its terms, by your estate), at any time prior to the earlier of the (i) Expiration Date or (ii) three (3) years (or such shorter period as the Committee shall determine) following your termination of employment.
- (3) **Approved Retirement.** In the event (i) your employment with any member of the Company Group terminates, (ii) you qualify for an Approved Retirement, and (iii) you execute and submit by the date specified by Prudential, and do not later revoke, a separation agreement and/or release in a form and with terms and conditions satisfactory to Prudential (hereafter referred to as the "Release"), the following provisions will apply:
- (A) Subject to Subparagraph (B), below, unvested Options will become exercisable on the Vesting Dates shown above, and vested and unexercised Options may continue to be exercised, until the earlier of (i) the Expiration Date or (ii) five (5) years following your termination of employment that qualifies as an Approved Retirement.
- (B) If your employment terminates during 2006, and you have been an active employee of the Company Group for less than three full calendar months during 2006, all the Options will be forfeited and cancelled.
- (4) **Resignation.** In the event you (i) resign from your employment with any member of the Company Group, (ii) do not qualify for an Approved Retirement, and (iii) execute and submit by the date specified by Prudential, and do not later revoke, a Release, the Options that are vested and unexercised as of the date of your termination of employment will be exercisable at any time following the effective date of your Release, until the earlier of the (A) Expiration Date or (B) ninetieth (90th) day following your termination of employment. Any Options that were not vested as of the date your employment terminated shall automatically be forfeited and cancelled on such date.
- (5) **Any Other Reason.** In the event (i) your employment with any member of the Company Group terminates for any reason other than one described in Subsections 5(a)(1) through (4) above, or Subsection 5(b) below, and (ii) you execute and submit by the date specified by Prudential, and do not later revoke, a Release, the Options that are vested and unexercised as of the date of your termination of employment will be exercisable at any time following the effective date of the Release, until the earlier of the (A) Expiration Date or (B) ninetieth (90th) day following your termination of employment. Any Options that were not vested as of the date your employment terminated shall automatically be forfeited and cancelled on such date.
- (b) In the event your employment is terminated by any member of the Company Group for Cause, any Options that are then not yet exercised shall be immediately forfeited and cancelled upon such termination and shall not be exercisable thereafter, and the Committee may require that you disgorge any profit, gain or

other benefit (including, but not limited to, and dividends and Dividend Equivalents) received in respect of the exercise of any Options for a period of up to twelve (12) months prior to your termination of employment for Cause. For purposes of this Subsection 5(b), in the event your employment is terminated by any member of the Company Group for Cause, the provisions of this Subsection 5(b) will apply notwithstanding any assertion (by you or otherwise) of a termination of employment for any other reason enumerated under this Section 5.

6. Covenant Not to Solicit; Other Terms and Restrictions

- (a) **Restrictions During Employment.** You agree that during your employment with any member of the Company Group, you shall not, other than on behalf of any member of the Company Group, or as may otherwise be required in connection with the performance of your duties on behalf of any member of the Company Group, solicit or induce, either directly or indirectly, or take any action to assist any entity, either directly or indirectly, in soliciting or inducing any employee of the Company Group (other than your administrative assistant) to leave the employ of the Company Group (“Induce Departures”).
- (b) **Post-Employment Restrictive Covenants.** You agree that you shall comply with the following restrictive covenants following the termination of your employment with any member of the Company Group:
- (1) *Non-solicitation.* Until the latest Vesting Date shown above or, if ending later, for a period of one year after the termination of your employment with any member of the Company Group for any reason, you shall not Induce Departures or hire or employ, or assist in the hire or employment of, either directly or indirectly, any individual (other than your administrative assistant) whose employment by the Company Group ended within sixty (60) days preceding that individual’s hire or employment by you or your successor employer;
 - (2) *Additional Restrictive Covenants.* In the event of your Approved Retirement due to your voluntary termination of employment, you shall not compete with the Company Group in any business in which the Company Group is engaged as of your last date of employment that operates in any geographic area in which the Company Group operates as of your last date of employment, for a period of one year following your termination of employment or until the latest Vesting Date shown above, whichever is the shorter period.
- (c) **Restrictions Separable and Divisible.** You hereby acknowledge that you understand the restrictions imposed upon you by Subsections 6(a) and (b) of this Agreement. You and Prudential understand and intend that each such restriction agreed to by you will be construed as separable and divisible from every other restriction, and that the unenforceability, in whole or in part, of any restriction will not affect the enforceability of the remaining restrictions and that one or more or all of such restrictions may be enforced in whole or in part as the circumstances warrant. Prudential may waive any of these restrictions or any breach in circumstances that it determines, in its sole discretion, do not adversely affect its interests, but only in a writing signed by its Senior Vice President, Corporate Human Resources (or the successor to his or her human resource responsibilities), or his or her delegate. No waiver of any one breach of the restrictions contained herein will be deemed a waiver of any other breach.

(d) **Remedies.** You agree that the restrictions in Subsections 6(a) and (b) of this Agreement are fair, reasonable and necessary, and are reasonably required for the protection of Prudential and any other member of the Company Group. You also agree and acknowledge that the amount of damages that would derive from the breach of these restrictions is not readily ascertainable and that the restrictions contained herein are a significant portion of the consideration that you are conveying or have conveyed to Prudential in consideration of the grant of the Option evidenced by this Agreement. Accordingly, you agree that, in the event that you fail to execute and submit or you revoke a Release described in Section 5 of this Agreement, or you breach any of the restrictive covenants set forth in Subsections 6(a) and 6(b) of this Agreement, all unexercised Options shall be cancelled immediately as of the date of such failure, as determined in the sole discretion of the Committee or its delegate. You also agree that if you breach any of the restrictive covenants set forth in Subsections 6(a) and 6(b) of this Agreement, in addition to such equitable relief as may be available to Prudential as outlined below, you shall disgorge to Prudential Common Stock (rounded to the nearest whole share) equal in value (using the current Fair Market Value of Common Stock on the date the letter of notification of the breach is dated) to the profit that you realized from the exercise of any portion of the Options occurring (x) in the case of any breach occurring while you are an employee of the Company Group, within twelve (12) months before the date of such breach or at any time after the date of such breach or (y) in the case of a breach occurring after the termination of your employment, within six (6) months before the date on which your employment with the Company Group terminates or at any time after the date of such termination of employment. For the avoidance of doubt, the term “profit” referred to in the preceding sentence shall be equal to the sums (determined separately for each exercise of any portion of the Options occurring within the applicable period established pursuant to such sentence) of (i) (A) the Fair Market Value of a share of Common Stock on the date of exercise, in the case of a cash exercise, or the price at which shares of Common Stock are sold, in the case of a cashless exercise, minus (B) the per share exercise price (*i.e.*, the Grant Price) of the Option, times (ii) the number of shares of Common Stock acquired upon such exercise of the Option(s). You shall pay any such amount (in the form of Common Stock) to Prudential within five (5) business days of the date Prudential notifies you that a breach of the provisions of this Section 6 has occurred. If payment is not made within such period, any subsequent payment shall be made with interest at a rate equal to the prime rate as reported in The Wall Street Journal (Eastern Edition) on the date on which notice of your breach is sent to you by Prudential, plus two (2) percent. Interest payments shall be made in the form of cash only. You also acknowledge that, in the event you breach any part of this Section 6, the damages to Prudential would be irreparable. Therefore, in addition to monetary damages and/or reasonable attorney’s fees, Prudential shall have the right to seek injunctive and/or other equitable relief in any court of competent jurisdiction to enforce this covenant. Further, you consent to the issuance of a temporary restraining order to maintain the status quo pending the outcome of any proceeding.

7. Compliance with Laws and Regulations

The Options and the obligation of Prudential to sell and deliver shares of Common Stock hereunder shall be subject in all respects to (a) all applicable federal, state, local and foreign laws, rules and regulations, and (b) any registration, qualification, approvals or other requirements imposed by any government or regulatory agency or body which the Committee shall, in its sole discretion, determine to be necessary or applicable. Moreover, the Options may not be exercised if its exercise, or the receipt of shares of Common Stock pursuant thereto, would be contrary to applicable law or the rules of any stock exchange.

8. Investment Representation

If at the time of exercise of all or part of the Options, the Common Stock is not registered under the Securities Act of 1933, as amended (the “Securities Act”), or there is no current prospectus in effect under the Securities Act with respect to the Common Stock, you shall, if requested by the Committee, execute, prior to the delivery of any shares of Common Stock to you by Prudential, an agreement (in such form as the Committee may specify) in which you represent and warrant that you are purchasing or acquiring the shares acquired under this Agreement for your own account, for investment only and not with a view to the resale or distribution thereof, and represent and agree that any subsequent offer for sale or distribution of any kind of such shares shall be made only pursuant to either (a) a registration statement on an appropriate form under the Securities Act, which registration statement has become effective and is current with regard to the shares being offered or sold, or (b) a specific exemption from the registration requirements of the Securities Act, but in claiming such exemption you shall, prior to any offer for sale of such shares, obtain a prior favorable written opinion, in form and substance satisfactory to the Committee, from counsel for or approved by the Committee, as to the applicability of such exemption thereto.

9. Agreement to Retain Shares

You agree to retain ownership of 50% of the net shares (after payment of the applicable exercise price, if any, applicable fees and applicable taxes) of Common Stock acquired upon exercise of any of your options. You also agree to hold all Common Stock retained pursuant to the preceding sentence until the later of (i) one year following the date of acquisition of such Common Stock, or (ii) the date that you have satisfied the Share Ownership Guidelines set forth in a letter from Arthur Ryan dated April 4, 2002 (the “Guidelines”). Once you have satisfied the holding period set forth in the preceding sentence, you may dispose of any Common Stock held in excess of the Guidelines, subject only to the Personal Securities Trading Policy, including the “Reporting Responsibilities and Procedures for Section 16 Officers and Directors and Control Persons of Prudential.” This agreement to retain Common Stock is applicable to this grant and for as long as you are an insider for the purpose of Section 16(a) of the U.S. Securities Exchange Act of 1934, as amended.

10. Governing Law

The validity, construction and effect of this Agreement and the Plan shall be determined in accordance with the laws of the State of New Jersey without regard to principles of conflict of laws.

11. Other Terms

The award of the Options does not entitle you to any benefit other than that granted under the Plan. Any benefits granted under the Plan are not deemed compensation under any Prudential pension plan, welfare plan or any compensation plan or program and shall not be considered as part of such compensation for purposes of calculating pension, bonuses, service awards, or in the event of severance, redundancy or resignation.

Prudential and its affiliates will not be responsible if you do not exercise the Options.

You understand and accept that the benefits granted under the Plan are entirely at the sole discretion of Prudential, and that Prudential may modify, amend, suspend or terminate this Agreement, the Plan or any and all of the policies, programs and plans described in this Agreement in whole or in part, at any time, without notice to you or your consent. Further, this grant of Options does not give you the right to be granted any further options or other forms of compensation or benefits at any time in the future.

You understand that you do not have any rights as a stockholder by virtue of the grant of the Options but only with respect to shares of Common Stock actually issued to you in accordance with the terms hereof.

You understand and accept that if the Options are exercised at a time or in a manner not specifically authorized by the Plan, this Agreement, or Plan administrative rules (i.e., in "Error"), Prudential will be entitled to correct the Error, including reversing the transaction and recouping any Common Stock or gain that you might receive following the exercise.

Nothing contained in this Agreement or the Brochure is intended to constitute or create a contract of employment nor shall it constitute or create the right to remain associated with or in the employ of any member of the Company Group for any particular period of time. Employment with any member of the Company Group is employment at will, which means that either you or any member of the Company Group may terminate the employment relationship at any time, with or without cause or notice.

I accept the terms of this Agreement, and acknowledge that I understand this Agreement and the terms of the Plan. I have received a copy of the Brochure as currently in effect.

Prudential Financial, Inc.**Performance Shares****Grant Acceptance Agreement****(for executives subject to the reporting requirements under Section 16(a) of the U.S. Securities Exchange Act of 1934, as amended)****February 14, 2006** (the “Grant Date”)

You have been granted a **target number of XXX** performance shares (the “Performance Shares”) on the Grant Date. The actual number of Performance Shares you may receive will be determined pursuant to this Grant Acceptance Agreement (this “Agreement”) and the Prudential Financial, Inc. Omnibus Incentive Plan (the “Plan”) (capitalized terms used but not defined herein have the meanings given such terms in the Plan). Each Performance Share represents a right to receive one share of Prudential Financial, Inc. common stock, par value \$0.01 per share (“Common Stock”), in accordance with the terms and subject to the conditions and restrictions set forth in this Agreement and the Plan.

Payment Date:

Following approval by the Compensation Committee of the Board of Directors of Prudential Financial, Inc. (“Prudential”), any shares of Common Stock to which you are entitled in respect of the Performance Shares will be delivered to you on February 2009 (the “Payment Date”) or as soon as administratively practicable thereafter, except as otherwise provided in this Agreement or the Plan.

Performance Cycle:

The Performance Cycle begins January 1, 2006 and expires on December 31, 2008 (the “Performance Cycle”).

See the brochure entitled 2006 Long-Term Incentive Program—Performance Shares and Stock Options (the “Brochure”) for more information about this grant. This Agreement and the Brochure are subject to the terms, conditions and restrictions contained in the Plan. Except as specified otherwise, this Agreement and the Brochure are not a substitute for the official Plan document, which governs the operation of the Plan. Also, this is not a stock certificate or negotiable instrument.

Your eligibility for the 2006 Long-Term Incentive Program (the “Program”), the benefits provided by the Program and all other terms and conditions of the Program and any long-term grant of Performance Shares will be determined pursuant to, and are governed by, the provisions of the Plan document and this Agreement, including any decisions of the Committee designated under the Plan by the Prudential’s Board of Directors (the “Compensation Committee” or the “Committee”). Except as specifically stated otherwise in this Agreement, if there is any discrepancy between the information in this Agreement or in the Brochure and the Plan document, or if there is a conflict between information discussed by anyone acting on behalf of Prudential and the actual Plan document, the Plan document, as interpreted by the Committee (or its delegate), in its sole discretion, will always govern.

1. Earnout: Performance Goals

Provided that you are actively employed with Prudential or any of its direct or indirect subsidiaries (collectively, the “Company Group”) as of the Payment Date, you will receive a number of shares of Common Stock equal to the target number of Performance Shares set forth above as adjusted based on achievement of the performance goals set forth below. One-half (1/2) of the target award is conditioned on achievement of average ROE goals over the Performance Cycle, and the other one-half (1/2) of the target award is conditioned on achievement of EPS growth goals over the Performance Cycle, in each case, as set forth below.

ROE achievement means the average ROE for 2006, 2007 and 2008. ROE achievement is evaluated as follows:

TABLE 1

ROE Achievement	Payout as % of Target Number of Shares
11.00% or less	50% (minimum)
11.75%	75%
12.50%	100% (target)
13.00%	125%
13.50% or more	150% (maximum)

EPS achievement means growth in EPS calculated based on the compounded annual growth rate (“CAGR”) for the period from January 1, 2006, through December 31, 2008, against Prudential’s 2005 EPS (using the same definition). EPS achievement is evaluated as follows:

TABLE 2

EPS Growth (CAGR 2006-2008)	Payout as % of Target Number of Shares
10% or less	50% (minimum)
11%	75%
12%	100% (target)
13%	125%
14% or more	150% (maximum)

Subject to the terms, conditions and restrictions set forth herein and in the Plan, the number of shares of Common Stock you may receive will equal the target number of Performance Shares set forth above multiplied by the average of the percentages opposite the actual “ROE Achievement” (in Table 1) and “EPS Growth” (in Table 2) attained for the Performance Cycle, provided that if the actual ROE Achievement or EPS Growth is between any two data points set forth in the applicable table, the corresponding percentage will bear a linear relationship with the actual achievement between such data points. Such resulting number of shares shall be rounded to the nearest whole number (the “Payout Amount”).

In the event of a significant acquisition (as determined by the Committee in its sole discretion) involving Common Stock or a divestiture or other transaction involving Prudential or any other member of the Company Group during the Performance Cycle, the Committee may, in its sole discretion, assess the impact of any such event on the average ROE and EPS growth goals set forth above and adjust such goals and related payout scales as the Committee, in its sole discretion, deems appropriate.

Notwithstanding the foregoing, the Committee, in its sole discretion, may (i) under normal circumstances, adjust the Payout Amount, within the 50% to 150% of the target number of Performance Shares, to take into account critical performance factors and other events, as the Committee deems desirable, and (ii) in the event of circumstances deemed to be extraordinary by the Committee, make additional adjustments to the Payout Amount.

If you are one of the five most highly compensated executives of Prudential on the Payment Date, the shares of Common Stock delivered hereunder will be reduced, to the extent necessary (but not below zero), so that the Fair Market Value of such shares on the date of delivery plus any annual incentive compensation otherwise payable in respect of calendar year 2008 will not exceed six-tenths of one percent (0.6%) of Adjusted Operating Income for the year ending December 31, 2008.

ROE is defined as “Prudential’s operating return on average equity (based on after-tax adjusted operating income)” as publicly disclosed in Prudential’s Quarterly Financial Supplement (“QFS”). ROE for each year in the Performance Cycle is defined as the average of the quarterly ROE figures for such year published in the QFS.

EPS is defined as the “Earnings Per Share of Common Stock (diluted): Financial Services Businesses after-tax adjusted operating income” as publicly disclosed in the QFS, normalized for significant one-time charges or benefits that do not accurately reflect the operating performance of Prudential’s businesses as and to the extent determined by the Compensation Committee.

The Compensation Committee determines, in its sole discretion, ROE, average ROE, EPS, CAGR and the Payout Amount.

2. No Rights as a Shareholder; Dividend Equivalents

You, as a Participant, shall not have any right to vote on any matter submitted to Prudential’s stockholders until such time as Common Stock (if any) attributable to the Performance Shares has been issued to you. You shall be eligible to receive Dividend Equivalents on the target number of Performance Shares based on any regular cash dividends declared on Common Stock from the Grant Date until the Payment Date (or until the date of forfeiture if sooner). Any such Dividend Equivalents shall be paid in cash as soon as administratively practicable after such cash dividends are paid to Common Stock holders, unless determined otherwise by the Committee in its sole discretion. There will be no adjustment or reconciliation of any such Dividend Equivalents paid on target Performance Shares based on the actual number of shares of Common Stock earned hereunder.

3. Taxes

Prudential (or, if appropriate, any other member of the Company Group) shall have the right to deduct and report taxes (federal, state, local or foreign taxes, including social insurance taxes) or other obligations required to be withheld by law prior to distributions made to you. Prudential (or, if appropriate, any other member of the Company Group) also shall have the right to require you to remit to Prudential (or, if appropriate, any other member of the Company Group) an amount necessary to satisfy any such taxes or other obligations.

4. Governing Law

The validity, construction and effect of this Agreement and the plan shall be determined in accordance with the laws of the State of New Jersey without regard to principles of conflict of laws.

5. Terms and Restrictions Upon Death, Disability and Other Termination of Employment

- (a) Notwithstanding any provisions of the Plan to the contrary, you agree that all the Performance Shares, whether vested or unvested, shall automatically be forfeited and cancelled upon the termination, for any reason, of your employment with any member of the Company Group, and no shares of Common Stock may thereafter be issued with respect to the Performance Shares, except as follows:
- (1) **Death.** In the event your employment with any member of the Company Group terminates by reason of death prior to the Payment Date, your estate will receive shares of Common Stock calculated as if the target number of Performance Shares set forth above had, in fact, been earned upon your death or as soon as administratively practicable thereafter.
 - (2) **Disability.** In the event your employment with any member of the Company Group terminates by reason of Disability prior to the Payment Date, you (or, if you subsequently die before delivery of shares of Common Stock, your estate will receive shares of Common Stock calculated as if the target number of Performance Shares set forth above had, in fact, been earned upon the date of such termination (or death) or as soon as administratively practicable thereafter.
 - (3) **Approved Retirement.** In the event (i) your employment with any member of the Company Group terminates, (ii) you qualify for an Approved Retirement, and (iii) you execute and submit by the date specified by Prudential, and do not later revoke, a separation agreement and/or release in a form and with terms and conditions satisfactory to Prudential (hereafter referred to as the "Release"), the following provisions will apply:
 - (A) If your employment terminates during 2006, and you have been an active employee of the Company Group for less than three full calendar months during 2006, the Performance Shares will be forfeited and cancelled.
 - (B) If your employment terminates during 2006, and you have been an active employee of the Company Group for at least three full calendar months during 2006, your target number of Performance Shares will be reduced by multiplying the target number of Performance Shares set forth above by a fraction, the numerator of which is the number of full calendar months of calendar year 2006 during which you have been an active employee of the Company Group, and the

denominator of which is 12. If this results in a fractional share, the number of Performance Shares will be rounded to the next higher integer. The remaining balance of the target number of Performance Shares, and any final number of Performance Shares that could have been awarded based on the target number, will be forfeited and cancelled.

- (C) Except as provided in Subsection 5(a)(3)(A) above, you will receive a number of shares of Common Stock equal to the target number of Performance Shares set forth above, as adjusted, if applicable, as described in Subsection 5(a)(3)(B) above, at the time specified in the second paragraph of this Agreement (entitled "Payment Date"). In the event of your death following such termination of employment and before delivery of shares of Common Stock, your estate will receive such shares of Common Stock at the time specified in the immediately preceding sentence.

- (4) **Any Other Reason.** In the event (i) your employment with any member of the Company Group terminates for any reason other than one described in Subsections 5(a)(1), (2) and (3) above, or Subsections 5(b) and (c) below, and (ii) you execute and submit by the date specified by Prudential, and do not later revoke, a Release, you (or, if you subsequently die before delivery of shares of Common Stock, your estate) will receive a number of shares of Common Stock equal to the target number of Performance Shares set forth above multiplied by a fraction, the numerator of which is the number of full months in the Performance Cycle during which you were an employee of the Company Group and the denominator of which is 36 (a partial month worked shall be counted as a full month if you were an active employee of the Company Group for 15 days or more in that month), upon the date of such termination or as soon as administratively practicable thereafter. If this results in a fractional share, the number of Performance Shares will be rounded to the next higher integer. The remaining balance of the target number of Performance Shares, and any final number of Performance Shares that could have been awarded based on the target number, will be forfeited and cancelled.

- (b) In the event your employment is terminated by any member of the Company Group for Cause, any outstanding Performance Shares shall be immediately forfeited and cancelled upon such termination, and the Committee may require that you disgorge any payment, profit, gain or other benefit (including, but not limited to, any dividends or Dividend Equivalents) in respect of the Performance Shares or any prior performance share or restricted unit awards received within a period of twelve (12) months prior to your termination of employment for Cause. For purposes of this Subsection 5(b), in the event your employment is terminated by any member of the Company Group for Cause, the provisions of this Subsection 5(b) will apply notwithstanding any assertion (by you or otherwise) of a termination of employment for any other reason enumerated under this Section 5.
- (c) Upon the termination of your employment with any member of the Company Group as a result of your resignation, any outstanding Performance Shares shall be immediately forfeited and cancelled.
- (d) Notwithstanding any other provisions of the Plan or this Agreement to the contrary, to the extent necessary to comply with the requirements of Code Section 409A, upon termination of your employment with any member of the Company Group, delivery of

shares of Common Stock hereunder may not be made before the date that is six (6) months after the date of such termination of employment (or, if earlier, the date of your death).

6. Covenant Not to Solicit; Other Terms and Restrictions

- (a) **Restrictions During Employment.** You agree that during your employment with any member of the Company Group, you shall not, other than on behalf of any member of the Company Group, or as may otherwise be required in connection with the performance of your duties on behalf of any member of the Company Group, solicit or induce, either directly or indirectly, or take any action to assist any entity, either directly or indirectly, in soliciting or inducing any employee of the Company Group (other than your administrative assistant) to leave the employ of the Company Group (“Induce Departures”).
- (b) **Post-Employment Restrictions.** You agree that you shall comply with the following restrictive covenants following the termination of your employment with any member of the Company Group:
 - (1) *Non-solicitation.* Until the Payment Date or, if later, the end of one year after the termination of your employment with any member of the Company Group for any reason, you shall not Induce Departures or hire or employ, or assist in the hire or employment of, either directly or indirectly, any individual (other than your administrative assistant) whose employment by the Company Group ended within sixty (60) days preceding that individual’s hire or employment by you or your successor employer;
 - (2) *Additional Restrictive Covenants.* In the event of your Approved Retirement due to your voluntary termination of employment, you shall not compete with the Company Group in any business in which the Company Group is engaged as of your last date of employment that operates in any geographic area in which the Company Group operates as of your last date of employment, for a period of one year following your termination of employment, or until the Payment Date, whichever is the shorter period.
- (c) **Restrictions Separable and Divisible.** You hereby acknowledge that you understand the restrictions imposed upon you by Subsections 6(a) and (b) of this Agreement. You and Prudential understand and intend that each such restriction agreed to by you will be construed as separable and divisible from every other restriction, and that the unenforceability, in whole or in part, of any restriction will not affect the enforceability of the remaining restrictions and that one or more of all of such restrictions may be enforced in whole or in part as the circumstances warrant. Prudential may waive any of these restrictions or any breach in circumstances that it determines, in its sole discretion, do not adversely affect its interests, but only in a writing signed by its Senior Vice President, Corporate Human Resources (or the successor to his or her human resource responsibilities), or his or her delegate. No waiver of any one breach of the restrictions contained herein will be deemed a waiver of any other breach.
- (d) **Remedies.** You agree that the restrictions of Subsections 6(a) and (b) of this Agreement are fair, reasonable and necessary, and are reasonably required for the protection of Prudential and any other member of the Company Group. You also agree and acknowledge that the amount of damages that would derive from the breach of these restrictions is not readily ascertainable and that the restrictions contained herein are a

significant portion of the consideration that you are conveying or have conveyed to Prudential in consideration of the grant of the Performance Shares evidenced by this Agreement. Accordingly, you agree that, in the event that you fail to execute and submit or you revoke a Release described in Section 5 of this Agreement, or you breach any of the restrictive covenants set forth in Subsections 6(a) and 6(b) of this Agreement, all grants of Performance Shares shall be cancelled immediately as of the date of such failure, as determined in the sole discretion of the Committee or its delegate. You also agree that if you breach any of the restrictive covenants set forth in Subsections 6(a) and 6(b) of this Agreement, in addition to such equitable relief as may be available to Prudential as outlined below, you shall disgorge to Prudential all shares of Common Stock (rounded to the nearest whole share) received under the grant, or cash equal to the value of the Performance Shares granted (using the current Fair Market Value of the Common Stock subject to the Performance Share when it was paid or payable). You shall disgorge such shares of Common Stock or make such payment within five (5) business days of the date Prudential notifies you that a breach of the provisions of this Section 6 has occurred. If payment is not paid within such period, any subsequent payment shall be made with interest at a rate equal to the prime rate as reported in *The Wall Street Journal* (Eastern Edition) on the date on which notice of your breach is sent to you by Prudential, plus two (2) percent. Interest payments shall be made in the form of cash only. You also acknowledge that, in the event you breach any part of this Section 6, the damages to Prudential would be irreparable. Therefore, in addition to monetary damages and/or reasonable attorney's fees, Prudential shall have the right to seek injunctive and/or other equitable relief in any court of competent jurisdiction to enforce this covenant. Further, you consent to the issuance of a temporary restraining order to maintain the status quo pending the outcome of any proceeding.

7. Compliance with Laws and Regulations

This award of Performance Shares and the obligation of Prudential to deliver shares of Common Stock hereunder shall be subject in all respects to (a) all applicable federal, state, local and foreign laws, rules and regulations, and (b) any registration, qualification, approvals or other requirements imposed by any government or regulatory agency or body which the Committee shall, in its sole discretion, determine to be necessary or applicable. Moreover, shares of Common Stock shall not be delivered hereunder if such delivery would be contrary to applicable law or the rules of any stock exchange.

8. Investment Representation

If at the time of any delivery of shares of Common Stock hereunder, the Common Stock is not registered under the Securities Act of 1933, as amended (the "Securities Act"), or there is no current prospectus in effect under the Securities Act with respect to the Common Stock, you shall, if requested by the Committee, execute, prior to the delivery of any shares of Common Stock to you by Prudential, an agreement (in such form as the Committee may specify) in which you represent and warrant that you are acquiring the shares acquired under this Agreement for your own account, for investment only and not with a view to the resale or distribution thereof, and represent and agree that any subsequent offer for sale or distribution of any kind of such shares shall be made only pursuant to either (a) a registration statement on an appropriate form under the Securities Act, which registration statement has

become effective and is current with regard to the shares being offered or sold, or (b) a specific exemption from the registration requirements of the Securities Act, but in claiming such exemption you shall, prior to any offer for sale of such shares, obtain a prior favorable written opinion, in form and substance satisfactory to the Committee, from counsel for or approved by the Committee, as to the applicability of such exemption thereto.

9. Agreement to Retain Shares

You agree to retain ownership of 50% of the net shares of Common Stock acquired upon vesting of your Performance Shares. You also agree to hold all Common Stock retained pursuant to the preceding sentence until the later of (i) one year following the date of acquisition of such Common Stock, or (ii) the date that you have satisfied the Share Ownership Guidelines set forth in a letter from Arthur Ryan dated April 4, 2002 (the "Guidelines"). Once you have satisfied the holding period set forth in the preceding sentence, you may dispose of any Common Stock held in excess of the Guidelines, subject only to the Personal Securities Trading Policy, including the "Reporting Responsibilities and Procedures for Section 16 Officers and Directors and Control Persons of Prudential." This agreement to retain Common Stock is applicable to this grant and for as long as you are an insider for purposes of Section 16 (a) of the U.S. Securities Exchange Act of 1934, as amended.

10. Other Terms

This award of Performance Shares does not entitle you to any benefit other than the benefits granted under the Plan. Any benefits granted under the Plan are not deemed compensation under any Prudential pension plan, welfare plan or any compensation plan or program and shall not be considered as part of such compensation for purposes of calculating pension, bonuses, service awards, or in the event of severance, redundancy or resignation.

You understand and accept that the benefits granted under the Plan are entirely at the sole discretion of Prudential, and that Prudential may modify, amend suspend or terminate the Plan or any and all of the policies, programs and plans described in this Agreement in whole or in part, at any time, without notice to you or your consent. Further, this grant of Performance Shares does not give you the right to be granted any further Performance Shares or other forms of compensation or benefits at any time in the future.

Notwithstanding any provision of the Plan or this Agreement to the contrary, no acceleration of the time or schedule of any delivery of shares or other payment related to this award of Performance Shares shall be permitted to the extent necessary to comply with Code Section 409A. The Committee may amend, modify, adjust or supplement any provision of this Agreement without your consent if the Committee, in its sole discretion, determines that such amendment, modification, adjustment or supplementation is required or advisable for this award of Performance Shares or Prudential to comply with, or not violate, any applicable law, regulation or rule, including, without limitation, Code Section 409A.

You understand and accept that if you gain access to unrestricted Common Stock related to the Performance Shares, or you transfer Performance Shares or Common Stock at a time or in a manner not specifically authorized by the Plan, this Agreement, or Plan administrative

rules (i.e., in “Error”), Prudential will be entitled to correct the Error, including reversing the transaction and recouping any Common Stock or gain that you might receive as a result of the Error.

Nothing contained in this Agreement or the Brochure is intended to constitute or create a contract of employment nor shall it constitute or create the right to remain associated with or in the employ of any member of the Company Group for any particular period of time. Employment with any member of the Company Group is employment at will, which means that either you or any member of the Company Group may terminate the employment relationship at any time, with or without cause or notice.

I accept the terms of this Agreement, and acknowledge that I understand this Agreement and the terms of the Plan. I have received a copy of the Brochure as currently in effect.

Grant Acceptance Agreement**Prudential Financial, Inc.****Performance Shares****(Insert Name of Employee)****(Account ID – something other than SSN)****June 3, 2003**

You have been granted a target number of XXX performance shares (“performance shares”). The number of shares you will receive on vesting may be adjusted under the circumstances described below.

Vesting Date:**February 11, 2006**

See the brochure entitled *2003 Performance Shares Program* (“brochure”) for more information about this grant. This Agreement and the brochure are subject to the terms, conditions and restrictions contained in the Prudential Financial, Inc. Omnibus Incentive Plan (“Plan”) document. This is not a substitute for the official Plan document, which governs the operation of the Plan. Also, this is not a stock certificate or negotiable instrument.

Your eligibility for the 2003 Performance Shares Program (“Program”), the benefits provided by this program and all other terms and conditions of the program and any long-term grant will be determined pursuant to and are governed by the provisions of the Plan document. If there is any discrepancy between the information in this grant or in the 2003 Performance Shares Program brochure or if there is a conflict between information discussed by Prudential Financial, Inc. (“Prudential”) associates and the actual Plan document, the Plan document, as interpreted by the Plan administrator in its sole discretion will always govern.

Nothing contained in this grant or the 2003 Performance Shares Program brochure is intended to constitute or create a contract of employment nor shall it constitute or create the right to remain associated with or in the employ of Prudential for any particular period of time. Employment with Prudential is employment at will, which means that either you or Prudential may terminate the employment relationship at any time, with or without cause or notice.

Prudential  **Financial**

1. Earnout; Performance Goals

On the vesting date of the shares, you will receive a number of shares of Prudential Financial, Inc. Common Stock ("Common Stock") equal to the target number set forth above as adjusted based on achievement of the performance goals set forth below. The number of shares of Common Stock that you will earn will vary, from 50% to 150% of the target number of performance shares, based on achievement of "Operating Return on Average Equity" as disclosed in Prudential's Quarterly Financial Supplement ("ROE") relative to the 12% ROE goal in 2005. For purposes of this calculation, "Average Equity" will be the average of Prudential's total equity, excluding unrealized gains and losses on investments, as of the following dates: December 31, 2004, March 31, 2005, June 30, 2005, September 30, 2005, and December 31, 2005. Subject to other provisions of the Plan and the Program, the number of shares of Common Stock that you will earn on vesting will equal the target number of performance shares multiplied by the percentage opposite the ROE achievement set forth below (rounded to the nearest whole share):

ROE Achievement	Earnout Percentage
8% or less	50%
9%	75%
10%	100%
11%	125%
12% or more	150%

Earnouts as a percentage of the target number of performance shares will be interpolated linearly for ROE achievement between 8% and 12%. Notwithstanding the foregoing, under normal circumstances, the Compensation Committee of Prudential's Board of Directors, in its sole discretion, may exclude or take into account certain items in determining ROE achievement and may further adjust the earnout percentage, within the 50% to 150% range, to take into account certain events and other critical performance factors, as more fully described in the brochure. In the event of circumstances deemed to be extraordinary by the Compensation Committee, the Committee reserves the right to make any additional adjustment to the final earnout percentage.

2. No Rights as a Shareholder; Dividend Equivalents

You will not have the rights of a shareholder with respect to the performance shares. You will, however, be paid dividend equivalents on the target number of performance shares from date of grant through 2005 (or to date of forfeiture if sooner). There will be no reconciliation of the dividend equivalents paid on the target shares versus the actual number of shares of Common Stock earned.

3. Taxes

Prudential/your employer shall have the right to deduct and report taxes (federal, state, local or social insurance taxes) or other obligations required to be withheld by law prior to distributions made to you. You will be responsible for satisfying your tax responsibility, if any.

4. Agreement to Retain Shares

You agree to retain ownership of 50% of the net shares of Common Stock of the company acquired upon vesting of your performance shares. You also agree to hold all shares of Common Stock retained pursuant to the preceding sentence until the later of (i) one year following the date of acquisition of such shares, or (ii) the date that you have satisfied the share ownership guidelines set forth in the letter from Art Ryan dated April 4, 2002 (the "Guidelines"). Once you have satisfied the holding period set forth in the preceding sentence, you may dispose of any shares of Common Stock held in excess of the Guidelines. This agreement to retain shares is applicable to this grant and for as long as you are an insider for purposes of Section 16(a) of the U.S. Securities Exchange Act of 1934.

5. Governing Law

The validity, construction and effect of this Agreement and the plan shall be determined in accordance with the laws of the State of New Jersey without regard to principles of conflict of laws.

6. Covenant Not to Solicit

(a) Restrictions During Employment. You agree that during your employment with Prudential or any of its direct or indirect subsidiaries (the "Company Group"), you shall not, other than on behalf of any member of the Company Group, or as may otherwise be required in connection with the performance of your duties on behalf of any member of the Company Group, solicit or induce, either directly or indirectly, or take any action to assist any entity, either directly or indirectly, in soliciting or inducing any employee of the Company Group (other than your administrative assistant) to leave the employ of the Company Group ("Induce Departures").

(b) Post-Employment Restrictions. You agree that for a period of one year after the termination of your employment with each member of the Company Group for any reason, you shall not Induce Departures or hire or employ, or assist in the hire or employment of, either directly or indirectly, any individual (other than your administrative assistant) whose employment by the Company Group ended within sixty (60) days preceding that individual's hire or employment by you or your successor employer.

(c) Restrictions Separable and Divisible. You hereby acknowledge that you understand the restrictions imposed upon you by Subsections 6(a) and 6(b) of this Agreement. You and Prudential understand and intend that each such restriction agreed to by you will be construed as separable and divisible from every other restriction, and that the unenforceability, in whole or in part, of any restriction will not affect the enforceability of the remaining restrictions and that one or more of all of such restrictions may be enforced in whole or in part as the circumstances warrant. No waiver of any one breach of the restrictions contained herein will be deemed a waiver of any other breach.

(d) Remedies. You agree that the covenants in Subsections 6(a) and 6(b) are fair, reasonable and necessary and are reasonably required for the protection of Prudential and any other member of the Company Group. You also agree and acknowledge that the amount of damages that would derive from the breach of these covenants is not readily ascertainable and that the covenant contained herein is a significant portion of the consideration that you are conveying or have conveyed to Prudential in consideration of the grant of the Restricted Stock evidenced by this Grant Acceptance Agreement ("Agreement"). Accordingly, you agree that, in the event that you breach any of the covenants set forth in Subsections 6(a) and 6(b), (i) all grants of performance shares shall be cancelled immediately, and (ii) you shall disgorge to Prudential Financial, Inc. all Common Stock (rounded to the nearest whole share) earned upon vesting of the performance shares, or cash equal to the value of the Common Stock earned (using the current Fair Market Value of the Common Stock when it was paid or payable). You shall disgorge such shares or make such payment within five (5) business days of the date Prudential notifies you that a breach of the provisions of this Section 6 has occurred. If payment is not paid within such period, any subsequent payment shall be made with interest at a rate equal to the prime rate as reported in *The Wall Street Journal* (Eastern Edition) on the date on which notice of your breach is sent to you by Prudential, plus 2 percent. Interest payments shall be made in the form of cash only. You also acknowledge that, in the event you breach any part of this Section, the damages to Prudential would be irreparable. Therefore, in addition to monetary damages and/or reasonable attorney's fees, Prudential shall have the right to seek injunctive and/or other equitable relief in any court of competent jurisdiction to enforce this covenant. Further, you consent to the issuance of a temporary restraining order to maintain the status quo pending the outcome of any proceeding.

7. Other Terms

Any benefits granted under the Plan are not deemed compensation under any Prudential pension plan, welfare plan or any compensation plan or program and shall not be considered as part of such compensation for purposes of calculating pension, bonuses, long-service awards, or in the event of severance, redundancy or resignation.

You understand and accept that the benefits granted under the Plan are entirely at the discretion of Prudential Financial, Inc., and that Prudential Financial, Inc. may modify, amend suspend or terminate the Plan or any and all of the policies, programs and plans described in this agreement in whole or in part, at any time, without notice to you or your consent.

I accept the terms of this Agreement, and acknowledge that I understand this Agreement and the terms of the Plan. I have received a copy of the Program brochure as currently in effect.

(Signature)

(Print Name)

(Social Security Number)

(Date)

Please return a signed copy of this Agreement by October 3, 2003 to Prudential, Attention: Compensation Admin. Team, P.O. Box 4450, The Woodlands, TX 77387-4450.

Code: GAA/perfshares/7-03
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