
**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): October 10, 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.

(a) Amendments to Prudential Financial, Inc. Executive Change of Control Severance Program. At the 2006 Annual Meeting of Shareholders of Prudential Financial, Inc. (the "Company"), a shareholder proposed resolution recommending that the Board of Directors of the Company seek shareholder approval of severance or change in control payments to senior executives that exceed a threshold amount of 2.99 times base salary plus bonus was approved by a majority of the votes cast. Subsequent to the Annual Meeting of Shareholders, the Compensation Committee of the Board of Directors conducted a review of the Company's change of control program for senior executives. At meetings held on October 10, 2006, the Compensation Committee and the Corporate Governance and Business Ethics Committee of the Board of Directors recommended, and the Board of Directors approved, the amendment and restatement of the Prudential Financial, Inc. Executive Change of Control Severance Program to:

- (1) Reduce the severance multiple for Tier 1 executives (currently 12 senior executives, including the Chairman and Chief Executive Officer) from three to two times annual salary and bonus.
- (2) Subject the entire amount of the payment for Tier 1 executives to the execution of a non-competition agreement by the executive. Currently, the execution of a non-competition agreement is required to increase the payment from two times salary and bonus to three times salary and bonus.
- (3) Revise the definition of bonus from the higher of the last bonus or the average of the three prior years' bonuses to the average of the three prior years' bonuses.
- (4) Delete the excise tax gross-up provision for all participants.

These changes will generally reduce program benefits for affected participants. Under the terms of the Prudential Financial, Inc. Executive Change of Control Severance Program, these changes will become effective one year from the date participants are given written notice thereof. The Company intends to notify participants of these changes promptly.

A copy of the amended and restated Prudential Financial, Inc. Executive Change of Control Severance Program is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

(b) Adoption of Prudential Financial Executive Officer Severance Policy. At meetings held on October 10, 2006, the Compensation Committee and the Corporate Governance and Business Ethics Committee of the Board of Directors recommended, and the Board of Directors approved, a Prudential Financial Executive Officer Severance Policy, which generally provides that the Company will not enter into any severance or change in control agreements with any of its executive officers that provide for benefits that exceed 2.99 times the sum of the officer's base salary and most recently earned cash bonus without shareholder approval or ratification. For purposes of this policy, benefits do not include (a) the value or accelerated vesting of previously-granted equity-based awards in accordance with the terms of a shareholder approved plan; (b) previously-earned retirement benefits; or (c) other amounts previously earned or accrued under any of the Company's compensation or benefit plans. This policy will not apply to payments under the Prudential Financial, Inc. Executive Change of Control Severance Program until the changes to that Program described above become effective.

A copy of the Prudential Financial Executive Officer Severance Policy is attached hereto as Exhibit 10.2 and is incorporated herein by reference.

(c) Amendments to Prudential Financial, Inc. Omnibus Incentive Plan. At meetings held on October 10, 2006, the Compensation Committee of the Board of Directors recommended, and the Board of Directors approved, the amendment and restatement of the Prudential Financial, Inc. Omnibus Incentive Plan (the “Omnibus Incentive Plan”) to, among other things, amend the defined term “Approved Retirement” in Section 2.1 of the Omnibus Incentive Plan and amend the Omnibus Incentive Plan for purposes of complying with section 409A of the Internal Revenue Code of 1986, as amended. In addition, the Compensation Committee of the Board of Directors recommended, and the Board of Directors approved, the ratification of the use of the amended definition of “Approved Retirement” in prior stock option grants and other awards under the Omnibus Incentive Plan.

A copy of the amended and restated Prudential Financial, Inc. Omnibus Incentive Plan is attached hereto as Exhibit 10.3 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits.

- 10.1 Prudential Financial, Inc. Executive Change of Control Severance Program (amended and restated effective October 10, 2006).
- 10.2 Prudential Financial Executive Officer Severance Policy (adopted October 10, 2006).
- 10.3 Prudential Financial, Inc. Omnibus Incentive Plan (amended and restated effective October 10, 2006).

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: October 11, 2006

PRUDENTIAL FINANCIAL, INC.

By: /s/ Brian J. Morris

Name: Brian J. Morris

Title: Assistant Secretary

Exhibit Index

Exhibit No.	Description
10.1	Prudential Financial, Inc. Executive Change of Control Severance Program (amended and restated effective October 10, 2006).
10.2	Prudential Financial Executive Officer Severance Policy (adopted October 10, 2006).
10.3	Prudential Financial, Inc. Omnibus Incentive Plan (amended and restated effective October 10, 2006).

**PRUDENTIAL FINANCIAL, INC.
EXECUTIVE CHANGE OF CONTROL SEVERANCE PROGRAM**

(Amended and Restated Effective as of October 10, 2006)

Prudential Financial, Inc. Executive Change of Control Severance Program

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Prudential Financial, Inc. Executive Change of Control Severance Program

PRUDENTIAL FINANCIAL, INC.
EXECUTIVE CHANGE OF CONTROL SEVERANCE PROGRAM

(Amended and Restated Effective as of October 10, 2006)

ARTICLE I
PURPOSE AND OBJECTIVES

WHEREAS, Prudential Financial, Inc. (the “Company”) believes that, in the event it is confronted with a situation that could result in a change in ownership or control of the Company, continuity of management will be essential to its ability to evaluate and respond to such a situation in the best interests of shareholders;

WHEREAS, the Company also understands that any such situation will present significant concerns for certain key management personnel at the Company and designated senior officers of its subsidiaries or other affiliates with respect to financial and job security;

WHEREAS, the Company wants to be proactive in assuring itself and its subsidiaries and affiliates of the services of these critical individuals during the period in which it is confronting such a situation, and in providing such individuals with certain financial assurances to enable them to (i) perform their responsibilities without undue distraction and (ii) exercise their judgment without bias due to their personal circumstances;

WHEREAS, the Company wishes to provide these financial assurances in a uniform and equitable manner without engaging in negotiations with individual executives.

NOW, THEREFORE, this Prudential Financial, Inc. Executive Change of Control Severance Program (the “Program”) has been amended and restated effective as of October __, 2006, to provide such assurances for those senior officers of the Company or designated senior officers of its subsidiaries or affiliates

ARTICLE II
DEFINITIONS

Accrued Obligations. “Accrued Obligations” has the meaning set forth in Section 3.3(a)(iv).

Aggregate Parachute Payments. “Aggregate Parachute Payments” has the meaning set forth in Section 4.2.

Annual Compensation. “Annual Compensation” shall mean the sum of (i) a Participant’s annual Base Pay, and (ii) the average of the annual incentive

Prudential Financial, Inc. Executive Change of Control Severance Program

compensation payments to the Participant for the three most recent calendar years (or, if less, the number of calendar years during which the Participant was employed by the Company or any Subsidiary) prior to the Participant's Year of Termination, or, for Participants first hired by the Company or any Subsidiary in the same year as such Participant's Year of Termination, the target annual incentive compensation payment for such year; provided, however, that in the case of a Participant whose annual compensation for services consists in any material fashion of commissions and/or other forms of compensation other than Base Pay and annual incentive pay, the Program Committee shall determine the amount of such Participant's Annual Compensation

Base Pay. "Base Pay" means Base Pay as defined in Section 2704(b) of the Prudential Retirement Plan, as of the Participant's Date of Termination.

Beneficial Owner. "Beneficial Owner" means any "person," as such term is used in Section 13(d) of the Exchange Act, who, directly or indirectly, has or shares the right to vote, dispose of, or otherwise has "beneficial ownership" of such securities (within the meaning of Rule 13d-3 and Rule 13d-5 under the Exchange Act), including pursuant to any agreement, arrangement or understanding (whether or not in writing).

Board. "Board" shall mean the Board of Directors of the Company.

Cause. "Cause" means (i) an act or acts of dishonesty, fraud or gross misconduct on a Participant's part which result or are intended to result in material damage to the Company's business or reputation; (ii) the Participant's having been convicted of, or entered a plea of nolo contendere to, a crime that constitutes a felony; (iii) the breach by the Participant of any written covenant or agreement with the Company or any Subsidiary not to disclose or misuse any information pertaining to, or misuse any property of, the Company or any Subsidiary or not to compete or interfere with the Company or any Subsidiary or (iv) the violation by the Participant of any material policy or rule of the Company or any Subsidiary.

Change of Control. A "Change of Control" shall be deemed to have occurred if any of the following events shall occur:

(i) any Person is or becomes the Beneficial Owner, either directly or indirectly, of securities of the Company representing twenty-five percent (25%) or more of the combined Voting Power of the Company's securities; or

(ii) within any 24-month period the members of the Board (the "Incumbent Company Directors") shall cease to constitute at least a

Prudential Financial, Inc. Executive Change of Control Severance Program

majority of the Board or the board of directors of any successor to the Company; provided, however, that any director elected to the Board, or nominated for election to the Board, by a majority of the Incumbent Company Directors then still in office shall be deemed to be an Incumbent Company Director for purposes of this subclause (ii); or

(iii) upon the consummation of a Corporate Event, immediately following the consummation of which the stockholders of the Company, immediately prior to such Corporate Event do not hold, directly or indirectly, a majority of the Voting Power of

- (x) in the case of a merger or consolidation, the surviving or resulting corporation;
- (y) in the case of a share exchange, the acquiring corporation, or
- (z) in the case of a division or a sale or other disposition of assets, each surviving, resulting or acquiring corporation which, immediately following the relevant Corporate Event, holds more than twenty-five percent (25%) of the consolidated assets of the Company immediately prior to such Corporate Event, provided that no Change of Control shall be deemed to have occurred with respect to any Participant who is employed, immediately following such Corporate Event, by any entity in which the stockholders of the Company, as the case may be, immediately prior to such Corporate Event hold, directly or indirectly, a majority of the Voting Power; or

(iv) any other event occurs which the Board declares to be a Change of Control.

Notwithstanding the foregoing, a Change of Control shall not be deemed to have occurred merely as a result of an underwritten offering of the equity securities of the Company where no Person (including any "group" (within the meaning of Rule 13d-5(b) under the Exchange Act)) acquires more than twenty-five percent (25%) of the beneficial ownership interests in such securities.

Code. "Code" means the Internal Revenue Code of 1986, as amended.

Company. "Company" means Prudential Financial, Inc., a New Jersey corporation.

Prudential Financial, Inc. Executive Change of Control Severance Program

Company Omnibus Incentive Plan. “Company Omnibus Incentive Plan” means the Prudential Financial, Inc. Omnibus Incentive Plan.

Corporate Event. “Corporate Event” means a merger, consolidation, recapitalization or reorganization, share exchange, division, sale, plan of complete liquidation or dissolution, or other disposition of all or substantially all of the assets of the Company, which has been approved by the shareholders of the Company.

Date of Termination. “Date of Termination” means the date of receipt of a Notice of Termination or, if later, the date of termination of a Participant’s employment specified therein.

Employee. “Employee” means any individual who is compensated by the Company or a Subsidiary for services actually rendered as a regular full-time or regular part-time (but not a temporary) employee and who, at the time of the designation by the Program Committee as a Participant, has attained the job grades of 1 through 5 under the Prudential Financial, Inc. Compensation Plan, or its equivalent, as determined by the Program Committee from time to time.

ERISA. “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

Exchange Act. “Exchange Act” means the Securities Exchange Act of 1934, as amended.

Excise Tax. “Excise Tax” has the meaning set forth in Section 4.1.

Enhanced Severance Amount. “Enhanced Severance Amount” has the meaning set forth in Section 3.3(a)(v).

Good Reason. “Good Reason” means the occurrence of any of the following, without the express written consent of the Participant, after the occurrence of a Change of Control:

(i) the assignment to the Participant of any duties inconsistent in any material adverse respect with the Participant’s position, authority or responsibilities as in effect immediately prior to a Change of Control, or any other material adverse change in such position, including titles, authority or responsibilities;

(ii) any failure by the Company to continue to provide the Participant with Base Pay, annual and long-term incentive compensation opportunities and other material benefits (including, but not limited to,

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savings plans, defined benefit plans, welfare benefit plans and perquisites) at a level which is, in the aggregate, at least equal to that in effect immediately prior to a Change of Control, but shall not include any reduction in Base Pay, annual or long-term incentive compensation opportunities that are part of an across-the-board reduction of the base salaries or incentive compensation of employees who are similarly situated with respect to the Participant;

(iii) the Company's requiring a Participant to be based at any office or location more than 49 miles from that location at which he performed his services immediately prior to the Change of Control, except for travel reasonably required in the performance of a Participant's responsibilities; or

(iv) any failure by the Company or a Subsidiary to obtain the commitment of any successor in interest or failure on the part of such successor in interest to perform (A) the obligations to the Participant under this Program or (B) any employee-related obligations assumed by the successor in interest in connection with its acquisition of the Company or a Subsidiary.

The occurrence of the events or conditions in clauses (i)-(iv) shall not constitute Good Reason unless (x) the Participant provides written notice of the action(s) or omission(s) deemed to constitute Good Reason in accordance with the provisions hereof and (y) the Company or, if applicable, a Subsidiary fails to remedy such action(s) or omission(s) within 30 days after the receipt of such written notice. In no event shall the mere occurrence of a Change of Control, absent any further impact on a Participant, be deemed to constitute Good Reason.

Group Welfare Benefit Plans. "Group Welfare Benefit Plans" has the meaning set forth in Section 3.3(b).

Indemnification Documents. The "Indemnification Documents" shall mean the indemnification provisions of the Articles of Incorporation and By-Laws of the Company and/or such Subsidiary to which the Participant provided services, as in effect immediately prior to the Change of Control or, if more favorable to the Participant, immediately prior to any Potential Change of Control related to such Change of Control.

Long-Term Incentives. "Long-Term Incentives" has the meaning set forth in Section 3.3(a)(iii).

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Noncompetition Agreement. The “Noncompetition Agreement” shall be an agreement limiting the Participant’s ability to compete, individually or as part of another organization, substantially in the form attached as Exhibit A and satisfactory to, and approved by, the Program Committee.

Notice of Termination. Any termination by the Company (and/or, where applicable, a Subsidiary), whether with or without Cause, or by the Participant for Good Reason shall be communicated by Notice of Termination to the Participant or the Company (or the applicable Subsidiary), as the case may be (except that such notice may be waived by the party intended to receive such notice). A “Notice of Termination” means a written notice given, in the case of a termination for Cause, within thirty (30) business days of the Company’s (or the applicable Subsidiary’s) having actual knowledge of the events giving rise to such termination, and in the case of a termination for Good Reason, within thirty (30) days of the Participant’s having actual knowledge of the events giving rise to such termination, and which (i) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Participant’s employment, and (ii) if the termination date is other than the date of receipt of such notice, specifies the Date of Termination (which date, in the case of any termination for other than Good Reason, shall be not more than 15 days after the giving of such notice). Notwithstanding any other provision hereunder, in the case of a termination for Good Reason, the Date of Termination shall be 30 days after the Notice of Termination, provided that a Participant may not terminate his or her employment for Good Reason if the Company (or the applicable Subsidiary) cures the cause for such termination within 30 days of receiving the Notice of Termination. The failure by the Participant to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason shall not waive any right of the Participant hereunder or preclude the Participant from asserting such fact or circumstance in enforcing his rights hereunder. A Notice of Termination shall be given in writing and delivered by first class mail, return receipt requested (or other form of delivery which requires signature for delivery), addressed to the Company’s headquarters, if the notice is to the Company (or the applicable Subsidiary), or to the address of the Participant on the Company’s (or the applicable Subsidiary’s) records, if addressed to the Participant.

Participant. “Participant” means any Employee who (x) at or after the date of a Potential Change of Control, is employed by the Company or any Subsidiary and (y) has been designated in writing by the Program Committee, in its discretion, as eligible to participate in the Program as a Tier I Participant, Tier II Participant or Tier III Participant.

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Payment Cap. “Payment Cap” has the meaning set forth in Section 4.3(a).

Person. A “Person” means any person (within the meaning of Section 3(a)(9) of the Exchange Act, including any group (within the meaning of Rule 13d-5(b) under the Exchange Act)), but excluding any of the Company, any Subsidiary or any employee benefit plan sponsored or maintained by the Company or any Subsidiary.

Potential Change of Control. A “Potential Change of Control” shall be deemed to have occurred if any of the following events shall have occurred:

- (i) a Person commences a tender offer (with adequate financing) for securities representing at least 10% of the Voting Power of the Company’s securities;
- (ii) the Company enters into an agreement the consummation of which would constitute a Change of Control;
- (iii) at a time at which the Company is subject to the proxy disclosure rules of Section 14 of the Exchange Act, proxies for the election of directors of the Company are solicited by anyone other than the Company; or
- (iv) any other event occurs which is deemed to be a Potential Change of Control by the Board.

Program. “Program” means the Prudential Financial, Inc. Executive Change of Control Severance Program.

Program Committee. The “Program Committee” means a committee comprised of the persons who, prior to or at the time of a Potential Change of Control or an actual Change of Control, are serving as the members of the Compensation Committee of the Company’s Board. Following the occurrence of a Potential Change of Control or Change of Control, the Company shall not have the right to change the individuals who serve on the committee acting as the Program Committee. Any vacancies on such Committee following the occurrence of a Change of Control shall be filled, if at all, by a vote of at least 75% of the individuals then still serving as members of the Program Committee.

Pro-Rated Annual Incentives. “Pro-Rated Annual Incentives” has the meaning set forth in Section 3.3(a)(ii).

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Prudential Deferred Compensation Plans. “Prudential Deferred Compensation Plans” means: (a) the Prudential Consolidated Deferred Compensation Plan; (b) the Prudential Deferred Compensation Plan; and (c) any other deferred compensation plan sponsored by the Company or any Subsidiary that is unfunded and is maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees.

Prudential Retirement Plan. “Prudential Retirement Plan” means: (a) The Prudential Retirement Plan Document; and (b) The Prudential Cash Balance Pension Plan Document, each a component of The Prudential Merged Retirement Plan, as amended, (and, if appropriate for a particular Participant, the Prudential Securities Incorporated Cash Balance Pension Plan Document, a component of The Prudential Merged Retirement Plan).

Prudential Supplemental Retirement Plan. For purposes of this Program, the term “Prudential Supplemental Retirement Plan” includes: (a) The Prudential Supplemental Retirement Plan; (b) the Prudential Insurance Supplemental Executive Retirement Plan; and (c) the PFI Supplemental Executive Retirement Plan.

Section 280G Safe Harbor Amount. “Section 280G Safe Harbor Amount” has the meaning set forth in Section 4.2.

Separation Agreement and General Release. “Separation Agreement and General Release” means a written document that includes, but is not limited to, a release of rights and claims from a Participant and agreement not to solicit employees of the Company and its Subsidiaries, in a form substantially similar to Exhibit B, as the same may be amended by the Program Committee from time to time.

Severance Amount. “Severance Amount” has the meaning set forth in Section 3.3(a)(v).

Subsidiary. “Subsidiary” means any corporation, partnership, limited liability company, business trust or other entity in which the Company owns, directly or indirectly, more than 50% of the Voting Power in such entity.

Voting Power. A specified percentage of “Voting Power” of a company means such number of the Voting Securities as shall enable the holders thereof to cast such percentage of all the votes which could be cast in an annual election of directors.

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Voting Securities. “Voting Securities” means all securities of a company entitling the holders thereof to vote in an annual election of directors.

Year of Termination. “Year of Termination” means the calendar year during which the Participant’s employment with the Company or any Subsidiary is terminated.

ARTICLE III

BENEFITS PAYABLE

3.1 Death, Disability or Retirement. If a Participant’s employment with the Company and/or any Subsidiary is terminated by reason of the Participant’s death, voluntary retirement or termination of employment as a result of the Participant’s inability to perform the basic requirements of his or her position due to physical or mental incapacity and after the Participant’s short-term disability benefits have expired under the terms of The Prudential Welfare Benefits Plan, no benefits will be payable under this Program.

3.2 Cause and Voluntary Termination. If a Participant’s employment with the Company and/or any Subsidiary is terminated for Cause or is voluntarily terminated by the Participant (other than on account of Good Reason), no benefits will be payable under this Program.

3.3 Termination by the Company other than for Cause. If, during the two-year period following a Change of Control, a Participant’s employment is terminated by the Company and/or any Subsidiary other than for Cause, the Company shall provide (or the Company shall cause a Subsidiary to provide) the Participant with the following compensation and benefits:

(a) Severance and Other Termination Payments. The Participant shall be entitled to receive the following upon the execution of a Separation Agreement and General Release (and the expiration of any applicable revocation period):

(i) the Participant’s full Base Pay through the Date of Termination;

(ii) an amount (the “Pro-Rated Annual Incentive”) equal to the target annual incentive compensation opportunity applicable to the Participant for the fiscal year in which the Date of Termination occurs (or, if there is no target opportunity stated for such year, an amount equal to the average of the annual incentive compensation payments made to the Participant for the three calendar years (or, if less, the number of calendar years during which the Participant was employed by the Company or any

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Subsidiary) ended immediately prior to the Participant's Year of Termination), multiplied by a fraction, the numerator of which is the number of completed months in such fiscal year which have elapsed on or before (and including) the Date of Termination and the denominator of which is 12;

(iii) except to the extent that all or a portion of such amounts are otherwise payable to the Participant pursuant to the terms and conditions of the governing plan documents or as may be specified in Section 3.3(c)(iii) below, an aggregate amount (the "Long Term Incentives") equal to the sum of the target long-term incentive opportunities (excluding stock options or any other equity-based award approved by the Board or a duly authorized Committee of the Board) applicable to the Participant in respect of each performance cycle then in progress (i.e., each performance cycle which includes as part of the performance period the Year of Termination. The Long Term Incentives will be payable in cash or, at the sole discretion of the Compensation Committee of the Board (as constituted immediately prior to the Change of Control) which shall be exercised on or prior to the Date of Termination, in shares of common stock issued by the Company, any successor in interest to the Company or any parent corporation of either of the foregoing that is readily tradable on an established securities market and which shall be valued based on the fair market value thereof on the Date of Termination;

(iv) any vested amounts or benefits owing to the Participant under any otherwise applicable employee benefit plans and programs, both qualified and nonqualified, and not yet paid and any accrued vacation pay not yet paid by the Company (the "Accrued Obligations");

(v) a severance payment (the "Severance Amount") equal to:

Tier I Participants: 2.0 times Annual Compensation;

Tier II Participants: 1.25 times Annual Compensation;

Tier III Participants: 1.0 times Annual Compensation;

provided that

- (1) in the case of a Tier I Participant, payment of the entire Severance Amount is expressly contingent upon such Participant executing a Noncompetition Agreement in the form attached hereto as Exhibit A and

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(2) in the case of a Tier II or Tier III Participant,

the Severance Amount shall be increased (the "Enhanced Severance Amount") to the greater applicable amount reflected in the following table if, within 10 business days of his Date of Termination, a Participant executes a Noncompetition Agreement in the form attached hereto as Exhibit A:

Tier II Participants: 2.0 times Annual Compensation;

Tier III Participants: 1.5 times Annual Compensation.

The Base Pay, Pro-Rated Annual Incentive and Long-Term Incentives shall be paid in cash in a single lump sum as soon as practicable, but in no event more than 30 days (or at such earlier date required by law) following the later of (a) the Date of Termination and (b) the expiration of any revocation period after Participant's execution of a Separation Agreement and General Release. The Severance Amount or the Enhanced Severance Amount, whichever is applicable, shall be paid in a single lump sum 10 days following the Participant's Date of Termination, except that, if the Participant is a specified employee for purposes of Section 409A of the Code at the Date of Termination and such delay is necessary to avoid subjecting the Severance Amount or the Enhanced Severance Amount to the additional taxes applicable under Section 409A of the Code, such Amount shall be paid to the Participant six months and one day following the Participant's Date of Termination. The Pro-Rated Annual Incentive and Long Term Incentives shall each be paid in cash as soon as practicable after the amount of each such payment (or any portion thereof) can be determined. Accrued Obligations shall be paid in accordance with the terms of the applicable plan, program or arrangement.

(b) Continuation of Benefits. After the Date of Termination, the Participant (and, to the extent applicable, his or her dependents) shall be entitled to continue participation in all of the group health and group life employee benefit plans of the Company or any Subsidiary in which he or she participated (the "Group Welfare Benefit Plans") during the Participant's (or if applicable, his or her dependents') applicable coverage period under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, to the degree such participation is permitted under the terms of the applicable plan, program or policy and in accordance with the requirements of the Code, ERISA or otherwise applicable law; provided that, in no event shall the coverage hereunder in respect of any

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group health plans continue beyond December 31 of the second calendar year commencing after the Participant's Date of Termination. To the extent any such benefits cannot be provided under the terms of the applicable plan, policy or program and in accordance with the requirements of the Code, ERISA or otherwise applicable law, the Company or the appropriate Subsidiary shall provide a comparable benefit under another plan or from such entity's general assets. The Participant's participation in the Group Welfare Benefit Plans will be on the same terms and conditions (including, without limitation, any condition that the Participant make contributions toward the cost of such coverage on the same terms and conditions generally applicable to similarly situated employees) that would have applied had the Participant continued to be employed by the Company or a Subsidiary through the end of the period benefits are provided under this Section 3.3(b). Notwithstanding the foregoing sentence, the Company or the appropriate Subsidiary shall be required to pay the excess of the cost of the medical coverage and life insurance provided to the Participant (and to the extent applicable, the Participant's dependents) hereunder over the cost that the Participant (or his dependents) would have paid for such coverage if the Participant had remained employed. If any of the benefits provided hereunder to the Participant and/or his dependents are treated as taxable to the recipient under federal, state or local tax laws and would not have been so taxable if the Participant were then still an employee, the Participant shall be paid a cash amount equal to such taxes plus an additional amount equal to any taxes applicable to any such additional payments made hereunder, such that the net effect to the recipient is the same as would have resulted had the amounts paid or benefits provided been non-taxable.

(c) Awards under the Company Omnibus Incentive Plan. Awards under the Prudential Financial, Inc. Omnibus Incentive Plan (the "Omnibus Plan") shall be governed by the terms of the Omnibus Plan and the applicable grant acceptance agreements.

(d) Enhanced Retirement Benefits. The Participant shall also receive a cash lump sum payment, as additional severance, at the same time as the Severance Benefit is paid to the Participant, equal to the excess of:

(i) the hypothetical present value of the defined benefit retirement benefits that would have been accrued by the Participant under the Prudential Retirement Plan, the Prudential Supplemental Retirement Plan, and any other additional defined benefit retirement plan(s) sponsored or maintained by the Company or a Subsidiary in which the Participant is a participant, taking into account the following service, age and compensation factors:

Prudential Financial, Inc. Executive Change of Control Severance Program

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- (A) Service: The hypothetical benefit to be calculated will include the following additional amount of deemed service for the Participant:
- I) two additional years of service, in the case of a Tier I Participant,
 - II) two additional years of service, in the case of a Tier II Participant who receives an Enhanced Severance Amount,
 - III) one and one half additional years of service, in the case of a Tier III Participant who receives an Enhanced Severance Amount,
 - IV) one and one quarter additional years of service, in the case of a Tier II Participant who does not receive an Enhanced Severance Amount,
 - V) one additional year of service, in the case of a Tier III Participant who does not receive an Enhanced Severance Amount, and
- (B) Age: The Participant had attained the age he or she would have attained had he remained employed through the period of additional service credited to the Participant under subclause (A).
- (C) Compensation: Where compensation is a relevant factor, the Participant's Severance Amount (or Enhanced Severance Amount, as the case may be) shall be deemed to have been paid ratably over the period of additional service credited above and treated as "compensation" taken into account for purposes of determining the accrued retirement benefits.
- (D) Cash Balance Credits: To the degree applicable and consistent with the provisions set forth in subclause (A) and (C) above, additional credits under any cash balance component of the Prudential Retirement Plan shall be added to such Participant's hypothetical accrued benefit, calculated as if the credit(s) applicable to a Participant's account as of the last day of the plan year prior to the Date

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of Termination would continue to be credited to a Participant's cash balance account through the period of additional service set forth in subclause (A) and calculated by reference to such compensation as described in subclause (C) under the provisions of such plan over

(ii) the actual present value of the defined benefit retirement benefits actually accrued by such Participant under the Prudential Retirement Plan, the Prudential Supplemental Retirement Plan, and any additional defined benefit retirement plan(s) sponsored or maintained by the Company or a Subsidiary in which the Participant is a participant as of the Date of Termination.

The determination of the present value of a Participant's retirement benefits under this provision shall be made by the actuary serving, immediately prior to the Change of Control, as the actuary of the Prudential Retirement Plan, using the actuarial assumptions and such other information in use under such plan immediately prior to the Change of Control (except as may be modified in subclause (i)(D) above).

(e) Prudential Deferred Compensation Plans. In accordance with the provisions of the Prudential Deferred Compensation Plans, the Participant is at all times fully vested in his or her accrued benefit under such Plans, and payments from such Plans to the Participant shall be made at the date determined in accordance with such Plans' terms.

(f) Indemnification. The Company and each Subsidiary for whom the Participant performed services as a director, officer or employee shall indemnify the Participant, to the maximum extent permitted under the Indemnification Documents.

3.4 Termination by the Participant for Good Reason. If, after a Change of Control and prior to the second anniversary of such Change of Control, the Participant terminates his employment for Good Reason, the Company or the appropriate Subsidiary shall provide to the Participant the same amounts and benefits as would be payable to the Participant if such termination were a termination by the Company or such Subsidiary without Cause.

3.5 Termination of Employment by the Company Following a Potential Change of Control. If the Company and each Subsidiary terminates a Participant's employment other than for Cause after the occurrence of a Potential Change of Control, and within two years after such Potential Change of Control a Change of Control actually occurs, such Participant shall be treated, solely for purposes of this Program, to have continued in

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employment until the occurrence of the Change of Control and to have been terminated thereafter by the Company and such Subsidiary, without Cause, in which case he or she shall be entitled to the benefits described in Section 3(c) above, reduced by the amount of any other severance benefits previously provided to him in connection with such termination (other than any such benefits payable pursuant to the terms of a plan which is intended to meet the requirements of Section 401(a) of the Code).

3.6 Discharge of the Company's Obligations. Except as expressly provided herein, the amounts payable to a Participant pursuant to this Program (whether or not reduced as provided below) shall be conditioned upon the Participant's executing an Separation Agreement and General Release in favor of the Company and each Subsidiary and certain other parties designated therein of any claims the Participant may have in respect of his employment by any of the Company or any Subsidiary. Any payment under this Program shall be null and void upon a Participant's failure to sign, or subsequent revocation of, such Separation Agreement and General Release. Any breach by a Participant of an Separation Agreement and General Release upon which any payment under this Program has been conditioned shall give the Company the right to terminate any payment otherwise due and/or to the return of such amounts payable under this Program, in addition to any other remedy the Company may have. Notwithstanding the foregoing, nothing in this Program shall be construed to

(a) affect, limit or modify in any way or release any claim the Participant may have with respect to any amounts payable pursuant to this Program or any vested amounts or benefits owing to the Participant under any otherwise applicable employee benefit plans and programs maintained or contributed by any of the Company or any Subsidiary (except that this Program will supersede any otherwise applicable severance policy), including any compensation previously deferred by the Participant (together with any accrued earnings thereon) and not yet paid and any accrued vacation pay not yet paid, or

(b) release the Company or any Subsidiary from its commitment to indemnify the Participant and hold the Participant harmless from and against any claim, loss or cause of action arising from or out of the Participant's performance as an officer, director or employee of the Company or any such Subsidiary or in any other capacity, including any fiduciary capacity, in which the Participant served at the request of the Company or any Subsidiary to the maximum extent permitted by the Indemnification Documents.

Except as otherwise expressly provided herein, the obligation of the Company or any Subsidiary to make the payments provided for in this Program shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company or any such Subsidiary may have against the Participant or others whether by reason of the subsequent employment of a Participant or otherwise.

Prudential Financial, Inc. Executive Change of Control Severance Program

ARTICLE IV
LIMIT ON PAYMENTS BY THE COMPANY

4.1 Application of this Article IV. In the event that any amount or benefit paid or distributed to the Participant pursuant to this Program, taken together with any amounts or benefits otherwise paid or distributed to the Participant by the Company or any Subsidiary (the “Covered Payments”), would be an “excess parachute payment” as defined in Section 280G of the Code and would thereby subject the Participant to the tax (the “Excise Tax”) imposed under Section 4999 of the Code (or any similar tax that may hereafter be imposed), the provisions of this Article IV shall apply to determine the amounts payable to the Participant pursuant to this Program. Further, any amount payable under the Program shall not exceed the maximum amount permissible under the Prudential Financial Executive Officer Severance Policy, as applicable.

4.2 Calculation of Benefits. Immediately following delivery of any Notice of Termination, the Company shall notify the Participant of the aggregate present value of all “parachute payments” (within the meaning of Section 280G of the Code) to which the Participant would be entitled under this Program and any other plan, program or arrangement as of the projected Date of Termination (the “Aggregate Parachute Payments”), together with the projected maximum payments, determined as of such projected Date of Termination, that could be paid without the Participant being subject to the Excise Tax (the “Section 280G Safe Harbor Amount”).

4.3 Imposition of Payment Cap. If the Aggregate Parachute Payments exceed the Section 280G Safe Harbor Amount and the net after-tax benefit to the Participant would be greater (taking into account all applicable income, excise and employment taxes, whether imposed at the federal, state or local level) were the Aggregate Parachute Payments not to exceed the Section 280G Safe Harbor Amount, then the amounts payable to the Participant under this Program shall be reduced to the maximum amount which may be paid hereunder without the Aggregate Parachute Payments exceeding the Section 280G Safe Harbor Amount (such reduced payments to be referred to as the “Payment Cap”). In the event that the Participant receives reduced payments and benefits under this subsection, the Participant shall have the right to designate which of the payments and benefits otherwise provided for in this Program should be reduced in order to comply with the Payment Cap.

4.4 Application of Section 280G. For purposes of determining whether any of the Covered Payments will be subject to the Excise Tax and the amount of such Excise Tax,

Prudential Financial, Inc. Executive Change of Control Severance Program

(a) such Covered Payments will be treated as “parachute payments” within the meaning of Section 280G of the Code, and all “parachute payments” in excess of the “base amount” (as defined under Section 280G(b)(3) of the Code) shall be treated as subject to the Excise Tax, unless, and except to the extent that, in the good faith judgment of an independent certified public accountant other than the Company’s normal independent certified public accountants or tax counsel selected by such accountants (the “Accountants”), relying on the best authority available at the time of such determination (including, but not limited to, any proposed Treasury regulations upon which taxpayers may rely), that the Company or any otherwise applicable Subsidiary has a reasonable basis to conclude that such Covered Payments (in whole or in part) either do not constitute “parachute payments” or represent reasonable compensation for personal services actually rendered (within the meaning of Section 280G(b)(4) (B) of the Code) in excess of the “base amount,” or such “parachute payments” are otherwise not subject to such Excise Tax,

(b) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Accountants in accordance with the principles of Section 280G of the Code, and

(c) in the case of a Participant who receives an Enhanced Severance Amount, the excess of the Enhanced Severance Amount payable to the Participant over the Severance Amount that would have been payable to such Participant if he did not qualify for such Enhanced Severance Amount shall be treated as reasonable compensation for refraining from performing services after the Change of Control and Participant’s Date of Termination, and shall therefore not be treated as a “parachute payment” for purposes of Section 280G of the Code.

4.5 Adjustments in Respect of the Payment Cap.

(a) If the Participant receives reduced payments and benefits under this Article IV (or this Article IV is determined not to be applicable to the Participant because the Accountants conclude that the Participant is not subject to any Excise Tax) and it is established pursuant to a final determination of a court or an Internal Revenue Service proceeding (a “Final Determination”) that, notwithstanding the good faith of the parties in applying the terms of this Program, the aggregate “parachute payments” within the meaning of Section 280G of the Code paid to the Participant or for his benefit are in an amount that would result in the Participant being subject an Excise Tax and, taking into account the amount of such aggregate parachute payments specified in such Final Determination, the Payment Cap should have been applied under the provisions of Section 4.3, then the amount equal to the excess parachute payments made to the Participant shall be deemed for all purposes to be a loan to the Participant made on the date of receipt of such excess

Prudential Financial, Inc. Executive Change of Control Severance Program

payments, which the Participant shall have an obligation to repay to the entity making such payment on demand, together with interest on such amount at the applicable Federal rate (as defined in Section 1274(d) of the Code) from the date of the payment hereunder to the date of repayment by the Participant.

(b) If the Participant receives reduced payments and benefits under this Article IV and it is established pursuant to a Final Determination that, notwithstanding the good faith of the parties in applying the terms of this Program, the aggregate “parachute payments” within the meaning of Section 280G of the Code paid to the Participant or for his benefit are in an amount that would result in the Participant being subject to an Excise Tax and, taking into account the amount of such aggregate parachute payments, the Payment Cap should not have been applied under Section 4.3, then the Company shall pay the Participant within 30 days following such Final Determination an amount equal to the excess of (i) the amount of Aggregate Parachute Payments that would have been payable to the Participant without regard to Section 4.3 over (ii) the reduced amount actually paid to the Participant in accordance with Section 4.3, together with interest on such excess amount at the applicable Federal rate (as defined in Section 1274(d) of the Code) from the date payment would have been made to the Participant of such excess amount (or any portion thereof) but for the application of Section 4.3 to the date of actual payments.

(c) If the Participant receives reduced payments and benefits by reason of Section 4.3(a) and it is established pursuant to a Final Determination that the Participant could have received a greater amount without exceeding the Payment Cap, then the Company or the appropriate Subsidiary shall promptly thereafter pay the Participant the aggregate additional amount which could have been paid without exceeding the Payment Cap, together with interest on such amount at the applicable Federal rate (as defined in Section 1274(d) of the Code) from the original payment due date to the date of actual payment.

ARTICLE V

DISPUTES

Any dispute or controversy arising under or in connection with this Program shall be resolved by binding arbitration. The arbitration shall be held in the city of Newark, New Jersey (or such other location as the parties shall mutually agree to in writing) and shall be conducted in accordance with the Expedited Employment Arbitration Rules of the American Arbitration Association then in effect at the time of the arbitration (or such other rules as the parties may agree to in writing), and otherwise in accordance with principles which would be applied by a court of law or equity. The arbitrator shall be acceptable to both the Company and the Participant. If the parties cannot agree on an acceptable arbitrator, the dispute shall be heard by a panel of three arbitrators, one

Prudential Financial, Inc. Executive Change of Control Severance Program

appointed by each of the parties and the third appointed by the other two arbitrators. If a Participant asserts any claim as to his or her eligibility for benefits under this Program, the Participant's employer shall pay the Participant's legal expenses (or cause such expenses to be paid) including, without limitation, his or her reasonable attorney's fees, on a quarterly basis, upon presentation of proof of such expenses in a form acceptable to the Company, provided that the Participant shall reimburse such amounts, plus simple interest thereon at the 90-day United States Treasury Bill rate as in effect from time to time, compounded annually, if the Participant does not prevail as to at least one material issue presented to the arbitrator(s).

ARTICLE VI

GENERAL INFORMATION

6.1 Administration. The Program is sponsored solely by the Company, and will be payable from the general assets of the Company and, as applicable, a Subsidiary. The Program will be administered by the Program Committee. The Program Committee shall have full and complete authority to interpret this Program, and to make all determinations hereunder relating to the participation and eligibility of eligible employees for benefits, including, but not limited to, making determinations as to eligibility for benefits or to participate in the Program, the amount of benefits payable, the time at which benefits cease to be payable, and other comparable issues. In addition, with respect to participation in the Program of anyone other than a Tier I Participant, the Program Committee may delegate any of its authority and responsibilities, subject to Program Committee review and to the extent permitted by law, to any officer or committee of officer(s) of the Company, including, but not limited to the delegation to the Chief Executive Officer of the authority to designate Employees as Tier II and Tier III Participants. The determinations made by the Program Committee or its delegate shall be final, binding and conclusive on all persons affected thereby, including, but not limited to, each Participant, the Company and each Subsidiary. The Company and/or the Program Committee, as the case may be, shall maintain such procedures and records as each deems necessary or appropriate. Each Participant shall receive a copy of the Program, and written confirmation of his or her participation thereunder.

6.2 Program Amendment Or Termination. This Program may be amended or terminated at any time by the Board, subject to the following limitations. Any amendment or termination that adversely affects Participants shall not be given any effect until the expiration of one year from the date that Participants are given written notice of the such amendment or termination. Upon a Change of Control or any Potential Change of Control, the Program may not be terminated or amended in a manner that adversely affects Participants. In the event a Change of Control occurs during the one-year notice period required with respect to a termination or amendment that adversely affects Participants, such termination or amendment shall be rendered void and without effect.

Prudential Financial, Inc. Executive Change of Control Severance Program

The Program Committee may terminate a Participant's participation in the Program at any time, provided that (i) such termination shall not be given effect until the expiration of six months from the date that the Participant is given notice thereof, and (ii) the Participant's participation hereunder may not be terminated after a Change of Control or a Potential Change of Control (even if notice of termination had been given prior to the occurrence of any such event). Notwithstanding anything else contained herein to the contrary, no Participant shall be or become entitled to benefits hereunder upon the termination of his or her employment by the Company, or as a result of any event that would otherwise have constituted Good Reason hereunder, if such termination or event first occurs after the second anniversary of the first Change of Control occurring during the term of this Program. This program shall automatically terminate at the later of two years after a Change of Control or the satisfaction of all Program liabilities to Participants.

6.3 No Contract Of Employment. The existence of this Program, as in effect at any time or from time to time, shall not be deemed to constitute a contract of employment between the Company or any Subsidiary and any employee or Participant, nor shall it constitute a right to remain in the employ of the Company or any Subsidiary. Employment with the Company or any Subsidiary is employment-at-will and either party may terminate the Participant's employment at any time, for any reason, with or without cause or notice.

6.4 Limitation On Liability. The liability of the Company or any Subsidiary under this Program is limited to the obligations expressly set forth in the Program, and no term or provision of this Program may be construed to impose any further or additional duties, obligations, or costs on the Company, any Subsidiary or the Program Committee not expressly set forth in the Program.

6.5 Exclusivity Of Benefits. Except as otherwise expressly provided herein with respect to a termination occurring prior to a Change of Control but after a Potential Change of Control, a Participant who receives benefits under this Program shall not be entitled to any severance benefits under any other severance plan, program, or arrangement (including, without limitation, (a) the Prudential Severance Plan, the Prudential Severance Plan for Executives and the Prudential Severance Plan for Senior Executives or (b) any employment contract to which the Participant and the Company are parties) sponsored or adopted by the Company.

6.6 Impact on Other Benefits. Amounts paid under the Program shall not be included in a Participant's compensation for purposes of calculating benefits under any other plan, program or arrangement sponsored by the Company or a Participating Company, unless such plan, program or arrangement expressly provides that amounts paid under the Plan shall be included.

Prudential Financial, Inc. Executive Change of Control Severance Program

6.7 Taxes. The Company or the appropriate Subsidiary shall have the right to deduct from all payments any federal, state, or local taxes or other obligations required by law to be withheld with respect to such payments.

6.8 Third Parties. Nothing express or implied in this Program is intended or may be construed to give any person other than eligible Participants any rights or remedies under this Program.

6.9 Captions. The headings and captions appearing herein are inserted only as a matter of convenience. They do not define, limit, construe, or describe the scope or intent of the provisions of the Program.

6.10 Choice Of Law. Except to the extent that they may be preempted by the operation of Federal law, this Program shall be governed by the laws of the State of New Jersey, other than the provisions thereof relating to conflict of laws.

6.11 No Limitations On Corporate Actions. Except to the extent expressly provided in Section 6.2, nothing contained in this Program shall be construed to prevent the Company, or any Subsidiary, from taking any corporate action which is deemed by it to be appropriate, or in its best interest, whether or not such action would have an adverse effect on this Program. No employee, beneficiary, or other person, shall have any claim against the Company or any Subsidiary as a result of any such action.

6.12 Non-Alienation Provision. Subject to the provisions of applicable law, no interest of any person or entity in any benefit under the Program shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind; nor may such benefit be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other obligations or claims against, such person or entity, including (but not limited to) claims for alimony, support, separate maintenance and claims in bankruptcy proceedings.

6.13 Successors. All obligations of the Company and any Subsidiary under the Program shall be binding upon and inure to the benefit of any successor to the Company or such Subsidiary, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, demutualization or otherwise.

Prudential Financial, Inc. Executive Change of Control Severance Program

Prudential Financial Executive Officer Severance Policy**Background**

Severance. The Prudential Financial Severance Plan for Senior Executives, which does not include the Chief Executive Officer, provides that in the event of an involuntary termination that satisfies the conditions in the plan, an executive would be entitled to severance payments ranging from 12 to 18 months of salary and bonus.

Change of Control. On October 10, 2006, the Board amended the Change of Control Program as reported on a Form 8-K filed with the Securities and Exchange Commission. The primary changes include:

- The payment multiple for Tier 1 executives (currently 12 executives, including the Chief Executive Officer) will be reduced from three times salary and bonus to two times salary and bonus.
- The entire amount of the payment for Tier 1 executives will be contingent on the executive executing a non-competition agreement. Currently, the execution of a non-competition agreement is required to increase the payment from two times salary and bonus to three times salary and bonus.
- The calculation of “bonus” will be changed from the “higher of the last bonus or the average of the three prior years’ bonuses” to the “average of the three prior years’ bonuses”.
- The Company’s obligation to reimburse the executive for any excise tax liability incurred as a result of change of control payments will be eliminated for all participants.

Under the terms of the Program plan documents, these changes become effective one year following notice to the participants.

Policy

On October 10, 2006, the Board adopted the following policy:

The Company will not enter into any severance or change in control agreements with any of its executive officers that provide for benefits that exceed 2.99 times the sum of the officer’s base salary and most recently earned cash bonus without shareholder approval or ratification.

For purposes of this policy, benefits do not include (a) the value of accelerated vesting of previously-granted equity-based awards in accordance with the terms of a shareholder approved plan; (b) previously-earned retirement benefits; or (c) other amounts previously earned or accrued under any of the Company’s compensation or benefit plans.

The Compensation Committee of the Board of Directors will have authority to interpret and implement this policy. This policy will not apply to payments under the Change of Control Program until the changes approved on October 10, 2006 become effective.

PRUDENTIAL FINANCIAL, INC.
OMNIBUS INCENTIVE PLAN
(Amended and Restated Effective October 10, 2006)

ARTICLE I

PURPOSE

The purpose of the “Prudential Financial, Inc. Omnibus Incentive Plan” (the “Plan”) is to foster and promote the long-term financial success of Prudential Financial, Inc. (the “Company”) and materially increase shareholder value by (a) motivating superior employee performance by means of performance-related incentives, (b) encouraging and providing for the acquisition of an ownership interest in the Company by the Company’s and its Subsidiaries’ (as hereinafter defined) employees, and (c) enabling the Company to attract and retain the services of employees upon whose judgment, interest, and effort the successful conduct of its operations is largely dependent.

The Company has previously adopted the Prudential Financial, Inc. Stock Option Plan (the “Stock Option Plan”), which was intended to provide similar equity-based compensation incentives through the grant of stock options and stock appreciation rights. Effective upon the adoption of the Plan by shareholders of the Company, the Stock Option Plan will be merged into this Plan, thereby making available for the grant of awards under this Plan any authorized but unused shares of Common Stock (as herein defined) not already used for such purpose under the Stock Option Plan. All outstanding award grants under the Stock Option Plan shall continue in full force and effect, subject to their original terms, after the Stock Option Plan is merged into the Plan under the terms and conditions noted above.

ARTICLE II

DEFINITIONS

Section 2.1 Definitions. Whenever used herein, the following terms shall have the respective meanings set forth below:

(a) Adjusted Operating Income. “Adjusted Operating Income” means the income from continuing operations before income taxes of the Company’s Financial Services Businesses, excluding: realized investment gains, net of losses and related charges and adjustments; sales practices remedies and costs;

demutualization costs and expenses; and the contributions to income/loss of divested businesses that have been sold or exited by the Company but did not qualify for “discontinued operations” accounting treatment under generally accepted accounting principles.

(b) Adjustment Event. “Adjustment Event” means any stock dividend, stock split or share combination of, or extraordinary cash dividend on, the Common Stock or recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, dissolution, liquidation, exchange of shares, warrants or rights offering to purchase Common stock at a price substantially below Fair Market Value, or other similar event affecting the Common Stock of the Company.

(c) Alternative Awards. “Alternative Awards” shall have the meaning set forth in Section 10.3.

(d) Annual Incentive Awards. “Annual Incentive Awards” means an Award made pursuant to Article IX of the Plan with a Performance Cycle of one year or less.

(e) Approved Retirement. “Approved Retirement” means termination of a Participant’s employment (i) on or after having met the conditions for normal or early retirement established under any defined benefit pension plan maintained by the Company or a Subsidiary and in which the Participant participates or (ii) on or after attaining such age not less than 50 and completing such period of service, as the Committee shall determine from time to time. Notwithstanding the foregoing, with respect only to Participants who reside in the United States, the term “Approved Retirement” shall not apply to any Participant: (a) who has an Agent Emeritus contract with an insurance affiliate of the Company (including, but not limited to, The Prudential Insurance Company of America), whether or not such individual is deemed to be retirement eligible or is receiving retirement benefits under any defined benefit pension plan maintained by the Company or a Subsidiary and in which the Participant participates; or (b) to any Participant whose employment with the Company or a Subsidiary has been terminated for Cause, in either case whether or not such individual is deemed to be retirement eligible or is receiving retirement benefits under any defined benefit pension plan maintained by the Company or a Subsidiary and in which the Participant participates or would otherwise satisfy the criteria set forth by the Committee as noted in the preceding sentence.

(f) Award. An “Award” means the award of an Annual Incentive Award, a Long-Term Performance Unit Award, an Option, a SAR, a Restricted Unit, Restricted Stock or Performance Share, including any associated Dividend

Equivalents, under the Plan, and shall also include an award of Restricted Stock or Restricted Units (including any associated Dividend Equivalents) made in conjunction with other incentive programs established by the Company or its Subsidiaries and so designated by the Committee.

(g) Beneficial Owner. “Beneficial Owner” means any “person,” as such term is used in Section 13(d) of the Exchange Act, who, directly or indirectly, has or shares the right to vote, dispose of, or otherwise has “beneficial ownership” of such securities (within the meaning of Rule 13d-3 and Rule 13d-5 under the Exchange Act), including pursuant to any agreement, arrangement or understanding (whether or not in writing).

(h) Board. “Board” means the Board of Directors of the Company.

(i) Cause. “Cause” means, with respect to a Participant, any of the following (as determined by the Committee in its sole discretion): (i) dishonesty, fraud or misrepresentation; (ii) inability to obtain or retain appropriate licenses; (iii) violation of any rule or regulation of any regulatory agency or self-regulatory agency; (iv) violation of any policy or rule of the Company or any Subsidiary; (v) commission of a crime; (vi) breach by a Participant of any written covenant or agreement with the Company or any Subsidiary not to disclose or misuse any information pertaining to, or misuse any property of, the Company or any Subsidiary, or (vii) any act or omission detrimental to the conduct of the business of the Company or any Subsidiary in any way.

(j) Change of Control. A “Change of Control” shall be deemed to have occurred if any of the following events shall occur:

(i) any Person is or becomes the Beneficial Owner, either directly or indirectly, of securities of the Company representing twenty-five percent (25%) or more of the combined Voting Power of the Company’s securities; or

(ii) within any twenty-four (24) month period, the Incumbent Directors shall cease to constitute at least a majority of the Board or the board of directors of any successor to the Company; provided, however, that any director elected to the Board, or nominated for election, by a majority of the Incumbent Directors then still in office shall be deemed to be an Incumbent Director for purposes of this subclause (ii); or

(iii) upon the consummation of a Corporate Event, immediately following the consummation of which the stockholders of the Company immediately prior to such Corporate Event do not hold, directly or

indirectly, a majority of the Voting Power of (x) in the case of a merger or consolidation, the surviving or resulting corporation, (y) in the case of a share exchange, the acquiring corporation or (z) in the case of a division or a sale or other disposition of assets, each surviving, resulting or acquiring corporation which, immediately following the relevant Corporate Event, holds more than twenty-five percent (25%) of the consolidated assets of the Company immediately prior to such Corporate Event; or

(iv) any other event occurs which the Board declares to be a Change of Control.

Notwithstanding the foregoing, a Change of Control shall not be deemed to have occurred merely as a result of an underwritten offering of the equity securities of the Company where no Person (including any “group” (within the meaning of Rule 13d-5(b) under the Exchange Act)) acquires more than twenty-five percent (25%) of the beneficial ownership interests in such securities.

(k) Change of Control Price. “Change of Control Price” means the highest price per share of Common Stock paid in conjunction with any transaction resulting in a Change of Control (as determined in good faith by the Committee if any part of the offered price is payable other than in cash) or, in the case of a Change of Control occurring solely by reason of a change in the composition of the Board, the highest Fair Market Value of the Common Stock on any of the 30 trading days immediately preceding the date on which a Change of Control occurs; provided that, with respect to any portion of any Option or SAR, the Change of Control Price shall not exceed the Fair Market Value of the Common Stock on the date that a Change of Control occurs.

(l) Code. “Code” means the Internal Revenue Code of 1986, as amended, including, for these purposes, any regulations promulgated by the Internal Revenue Service with respect to the provisions of the Code (“Treasury Regulations”), and any successor thereto.

(m) Committee. “Committee” means the Compensation Committee of the Board or such other committee of the Board as the Board shall designate from time to time, which committee shall consist of two or more members, each of whom shall be a “Non-Employee Director” within the meaning of Rule 16b-3, as promulgated under the Exchange Act, an “outside director” within the meaning of section 162(m) of the Code, and an “independent director” under Section 303A of the New York Stock Exchange’s Listed Company Manual, or any successors thereto.

(n) Common Stock. "Common Stock" means the common stock of the Company, par value \$0.01 per share.

(o) Company. "Company" means Prudential Financial, Inc., a New Jersey corporation, and any successor thereto.

(p) Corporate Event. "Corporate Event" means a merger, consolidation, recapitalization or reorganization, share exchange, division, sale, plan of complete liquidation or dissolution, or other disposition of all or substantially all of the assets of the Company, which has been approved by the shareholders of the Company.

(q) Covered Employees. "Covered Employees" are any Executive Officers or other Eligible Individuals who are "covered employees" within the meaning of Code section 162(m).

(r) Disability. "Disability" means with respect to any Participant, long-term disability (but not optional long-term disability coverage) as defined under the welfare benefit plan maintained by either the Company or a Subsidiary and in which the Participant participates and from which the Participant is receiving a long-term disability benefit. In jurisdictions outside of the United States where long-term disability is covered by a mandatory or universal program sponsored by the government or an industrial association, a Participant receiving long-term disability benefits from such a program is considered to meet the disability definition of the Plan.

(s) Dividends. "Dividends" means the regular cash dividends paid by the Company upon one share of Common Stock from time to time.

(t) Dividend Equivalents. "Dividend Equivalents" means an amount equal to the regular cash dividends paid by the Company upon one share of Common Stock in connection with the grant of Restricted Units, Performance Shares, Options, and/or SARs awarded to a Participant in accordance with Article VIII of the Plan.

(u) Domestic Partner. "Domestic Partner" means any person qualifying to be treated as a domestic partner of a Participant under the applicable policies, if any, of the Company or Subsidiary that employs the Participant.

(v) Effective Date. "Effective Date" generally means the first date upon which the Plan shall become effective, which will be the date the Plan has been both

(a) approved by the Board on March 11, 2003, and (b) approved by a majority of the votes cast at a duly held stockholders' meeting (currently scheduled

for June 2003) at which the requisite quorum, as set forth in the Company's Amended and Restated Certificate of Incorporation, of outstanding voting stock of the Company is, either in person or by proxy, present and voting on the Plan. However, for purposes of any Option grant that is an ISO, the term "Effective Date" shall mean solely the adoption of the Plan by the Board.

(w) Eligible Individual. For purposes of this Plan only, "Eligible Individual" means any individual who is either an employee (including each officer) of, or an insurance agent (including, but not limited to, a common law employee, a statutory employee, or, for purposes of any non-domestic United States Subsidiary, any individual who is classified as a Life Planner and/or Sales Manager and has the status of an "international independent contractor agent" who is characterized as an independent contractor for purposes of applicable local law) of, the Company or any such Subsidiary.

(x) Exchange Act. "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(y) Executive Officer. "Executive Officer" means each person who is an officer of the Company or any Subsidiary and who is subject to the reporting requirements under Section 16(a) of the Exchange Act.

(z) Fair Market Value. "Fair Market Value" means, on any date, the price of the last trade, regular way, in the Common Stock on such date on the New York Stock Exchange or, if at the relevant time, the Common Stock is not listed to trade on the New York Stock Exchange, on such other recognized quotation system on which the trading prices of the Common Stock are then quoted (the "Applicable Exchange"). In the event that (i) there are no Common Stock transactions on the Applicable Exchange on any relevant date, Fair Market Value for such date shall mean the closing price on the immediately preceding date on which Common Stock transactions were so reported and (ii) the Applicable Exchange adopts a trading policy permitting trades after 5 P.M. Eastern Standard Time ("EST"), Fair Market Value shall mean the last trade, regular way, reported on or before 5 P.M. EST (or such earlier or later time as the Committee may establish from time to time).

(aa) Family Member. "Family Member" means, as to a Participant, any (i) child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law (including adoptive relationships), or Domestic Partner of such Participant, (ii) trusts for the exclusive benefit of one or more such persons and/or the Participant and (iii) other entity owned solely by one or more such persons and/or the Participant.

(bb) Financial Services Businesses. “Financial Services Businesses” means the businesses in the Company’s three operating divisions of “Insurance,” “Investments” and “International Insurance and Investments,” as well as the Company’s “Corporate and Other” operations.

(cc) Grandfathered Awards. “Grandfathered Awards” shall have the meaning set forth in Section 5.5 herein.

(dd) Incumbent Directors. “Incumbent Directors” means, with respect to any period of time specified under the Plan for purposes of determining a Change of Control, the persons who were members of the Board at the beginning of such period.

(ee) ISO. “ISO” means an Option that is an “incentive stock option” within the meaning of Code section 422.

(ff) Long-Term Performance Unit Award. A “Long-Term Performance Unit Award” means an Award made pursuant to Article IX of the Plan, which are units valued by reference to property other than Common Stock (including cash), the number or value of such units which may be adjusted over a Performance Cycle based on the satisfaction of Performance Goals.

(gg) Nonstatutory Stock Option. “Nonstatutory Stock Option” means an Option that is not an ISO.

(hh) Option (including ISOs and Nonstatutory Stock Options). “Option” means the right to purchase Common Stock at a stated price for a specified period of time. For purposes of the Plan, an Option may be either (i) an ISO or (ii) a Nonstatutory Stock Option.

(ii) Participant. “Participant” shall have the meaning set forth in Article III of the Plan.

(jj) Performance Cycle. “Performance Cycle” means the period, not to exceed five (5) years, selected by the Committee during which the performance of the Company or any Subsidiary or unit thereof or any individual is measured for the purpose of determining the extent to which an Award subject to Performance Goals has been earned.

(kk) Performance Goals. “Performance Goals” means the objectives for the Company, any Subsidiary or business unit thereof, or an Eligible Individual that may be established by the Committee for a Performance Cycle with respect to any performance-based Awards contingently granted under the Plan.

(ll) Performance Shares. “Performance Shares” means an Award made pursuant to Article IX of the Plan, which are units denominated in Common Stock, the number of such units which may be adjusted over a Performance Cycle based upon the satisfaction of Performance Goals.

(mm) Person. “Person” means any person (within the meaning of Section 3(a)(9) of the Exchange Act), including any group (within the meaning of Rule 13d-5(b) under the Exchange Act)), but excluding any of the Company, any Subsidiary or any employee benefit plan sponsored or maintained by the Company or any Subsidiary.

(nn) Plan Year. “Plan Year” means a period of twelve months commencing on January 1st and ending on the next December 31st.

(oo) Restricted Period. “Restricted Period” means the period of time during which Restricted Units or shares of Restricted Stock are subject to forfeiture or restrictions on transfer (if applicable) pursuant to Article VIII of the Plan.

(pp) Restricted Stock. “Restricted Stock” means Common Stock awarded to a Participant pursuant to the Plan that is subject to forfeiture and restrictions on transferability in accordance with Article VIII of the Plan.

(qq) Restricted Unit. “Restricted Unit” means a Participant’s right to receive, pursuant to this Plan, one share of Common Stock at the end of a specified period of time, which right is subject to forfeiture in accordance with Article VIII of the Plan.

(rr) SAR. “SAR” means a stock appreciation right granted under Article VII in respect of one or more shares of Common Stock that entitles the holder thereof to receive, in cash or Common Stock, at the discretion of the Committee (which discretion may be exercised at or after grant, including after exercise of the SAR), an amount per share of Common Stock equal to the excess, if any, of the Fair Market Value on the date the SAR is exercised over the Fair Market Value on the date the SAR is granted.

(ss) Stock Option Plan. “Stock Option Plan” means the Prudential Financial, Inc. Stock Option Plan, as amended from time to time.

(tt) Subsidiary. “Subsidiary” means any corporation or partnership in which the Company owns, directly or indirectly, more than fifty percent (50%) of the total combined voting power of all classes of stock of such corporation or of the capital interest or profits interest of such partnership.

(uu) Voting Power. A specified percentage of “Voting Power” of a company means such number of the Voting Securities as shall enable the holders thereof to cast such percentage of all the votes which could be cast in an annual election of directors.

(vv) Voting Securities. “Voting Securities” means all securities of a company entitling the holders thereof to vote in an annual election of directors.

Section 2.2 Gender and Number. Except when otherwise indicated by the context, words in the masculine gender used in the Plan shall include the feminine gender, the singular shall include the plural, and the plural shall include the singular.

ARTICLE III

ELIGIBILITY AND PARTICIPATION

Section 3.1 Participants. Participants in the Plan shall be those Eligible Individuals designated by the affirmative action of the Committee (or its delegate) to participate in the Plan.

Section 3.2 Types of Awards. The Committee (or its delegate) may grant any or all of the Awards specified herein to any particular Participant (subject to the applicable limitations set forth in the Plan). Any Award may be made for one (1) year or multiple years without regard to whether any other type of Award is made for the same year or years.

ARTICLE IV

POWERS OF THE COMMITTEE

Section 4.1 Power to Grant. The Committee shall have the authority, subject to the terms of the Plan, to determine those Eligible Individuals to whom Awards shall be granted and the terms and conditions of any and all Awards including, but not limited to:

- (a) the number of shares of Common Stock to be covered by each Award;
- (b) the time or times at which Awards shall be granted;

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- (c) the terms and provisions of the instruments by which Options may be evidenced, including the designation of Options as ISOs or Nonstatutory Stock Options;
 - (d) the determination of the period of time during which restrictions on Restricted Stock or Restricted Units shall remain in effect;
 - (e) the establishment and administration of any Performance Goals applicable to Awards granted under the Plan;
 - (f) the determination of Participants' Long Term Performance Unit Awards or Performance Share Awards, including any Performance Goals and Performance Cycles;
- and
- (g) the development and implementation of specific stock-based programs for the Company and its Subsidiaries that are consistent with the intent and specific terms of the framework created by this Plan.

Appropriate officers of the Company or any Subsidiary may suggest to the Committee the Eligible Individuals who should receive Awards, which the Committee may accept or reject in its sole discretion. The Committee shall determine the terms and conditions of each Award at the time of grant. The Committee may establish different terms and conditions for different Participants and for the same Participant for each Award such Participant may receive, whether or not granted at different times.

Section 4.2 Administration.

(a) Rules, Interpretations and Determinations. The Committee shall administer the Plan. Any Award granted by the Committee under the Plan may be subject to such conditions, not inconsistent with the terms of the Plan, as the Committee shall determine. The Committee shall have full authority to interpret and administer the Plan, to establish, amend, and rescind rules and regulations relating to the Plan, to provide for conditions deemed necessary or advisable to protect the interests of the Company, to construe the respective Award agreements and to make all other determinations necessary or advisable for the administration and interpretation of the Plan in order to carry out its provisions and purposes. Determinations, interpretations, or other actions made or taken by the Committee shall be final, binding, and conclusive for all purposes and upon all persons.

The Committee's determinations under the Plan (including the determination of the Eligible Individuals to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such Awards and the agreements hereunder) may vary, and need not be uniform, whether or not any such Eligible Individuals could be deemed to be similarly situated.

(b) Agents and Expenses. The Committee may appoint agents (who may be officers or employees of the Company) to assist in the administration of the Plan and may grant authority to such persons to execute agreements or other documents on its behalf. All expenses incurred in the administration of the Plan, including, without limitation, for the engagement of any counsel, consultant or agent, shall be paid by the Company. The Committee may consult with legal counsel, who may be counsel to the Company, and shall not incur any liability for any action taken in good faith in reliance upon the advice of counsel. Any proceeds received by the Company in connection with any Award will be used for general corporate purposes.

(c) Delegation of Authority. Notwithstanding anything else contained in the Plan to the contrary herein, the Committee may delegate, subject to such terms or conditions or guidelines as it shall determine, to any employee of the Company or any group of employees of the Company or its affiliates any portion of its authority and powers under the Plan with respect to Participants who are not Executive Officers. Only the Committee may select, grant, administer, or exercise any other discretionary authority under the Plan in respect of Awards granted to such Participants who are Executive Officers.

Section 4.3 409A Compliance. The Plan is intended to be administered in a manner consistent with the requirements, where applicable, of Section 409A of the Code. Where reasonably possible and practicable, the Plan shall be administered in a manner to avoid the imposition on Eligible Individuals of immediate tax recognition and additional taxes pursuant to such Section 409A of the Code. To that end, and without limiting the generality of the foregoing, unless otherwise expressly provided herein or in any Award agreement, any amount payable or shares distributable hereunder in connection with the vesting of any Award (including upon the satisfaction of any applicable performance criteria) shall be paid not later than two and one-half months (or such other time as is required to cause such amounts not to be treated as deferred compensation under Section 409A of the Code) following the end of the taxable year of the Company or the Eligible Individual in which the Eligible Individual's rights with respect to the corresponding Award (or portion thereof) ceased to be subject to a substantial risk of forfeiture. Notwithstanding the foregoing, neither the Company nor the Committee shall have any liability to any person in the event Section 409A of the Code applies to any Award in a manner that results in adverse tax consequences for the Eligible Individual or any of his or her beneficiaries or transferees.

Section 4.4 Participants Based Outside the United States. Notwithstanding anything to the contrary herein, the Committee, to conform with provisions of local laws

and regulations in foreign countries in which the Company or its Subsidiaries operate, shall have sole discretion to (a) modify the terms and conditions of Awards granted to Participants employed outside the United States, (b) establish subplans with modified exercise procedures and such other modifications as may be necessary or advisable under the circumstances presented by local laws and regulations; and (c) take any action which it deems advisable to obtain, comply with or otherwise reflect any necessary governmental regulatory procedures, exemptions or approvals with respect to the Plan or any subplan established hereunder.

Section 4.5 Newly Eligible Participants. The Committee shall be entitled to make such rules, determinations and adjustments, as it deems appropriate with respect to any Participant who becomes eligible to receive a performance-based Award after the commencement of a Performance Cycle.

Section 4.6 Restrictive Covenants and Other Conditions. Without limiting the generality of the foregoing, the Committee may condition the grant of any Award under the Plan upon the Participant to whom such Award would be granted agreeing in writing to certain conditions in addition to the provisions regarding exercisability of the Award (such as restrictions on the ability to transfer the underlying shares of Common Stock) or covenants in favor of the Company and/or one or more Subsidiaries (including, without limitation, covenants not to compete, not to solicit employees and customers and not to disclose confidential information) that may have effect during or following the termination of the Participant's employment with the Company and its Subsidiaries and before or after the Award has been exercised, including, without limitation, the requirement that the Participant disgorge any profit, gain or other benefit received in respect of the exercise of the Award prior to any breach of any such covenant by the Participant).

Section 4.7 Performance Based Compensation Interpretations; Limitations on Discretion. Notwithstanding anything contained in the Plan to the contrary, to the extent the Committee has required upon grant that any Annual Incentive Award, Long-Term Performance Unit Award, Performance Share, Restricted Unit or Restricted Stock must qualify as "other performance based compensation" within the meaning of Section 162(m)(4)(c) of the Code, the Committee shall (a) specify and approve the specific terms of any Performance Goals with respect to such Awards in writing no later than ninety (90) days from the commencement of the Performance Cycle to which the Performance Goal or Goals relate, and (b) not be entitled to exercise any subsequent discretion otherwise authorized under the Plan (such as the right to authorize payout at a level above that dictated by the achievement of the relevant Performance Goals) with respect to such Award if the ability to exercise discretion (as opposed to the exercise of such discretion) would cause such Award to fail to qualify as other performance based compensation.

Section 4.8 Indemnification. No member of the Committee shall be personally liable for any action, omission or determination relating to the Plan, and the Company shall

indemnify and hold harmless each member of the Committee and each other director or employee of the Company to whom any duty or power relating to the administration or interpretation of the Plan has been delegated, against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim with the approval of the Committee) arising out of any action, omission or determination related to the Plan, if, in either case, such member, director or employee made or took such action, omission, or determination in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, such person had no reasonable cause to believe his or her conduct was unlawful.

ARTICLE V

COMMON STOCK SUBJECT TO PLAN; OTHER LIMITATIONS

Section 5.1 Plan Limits.

(a) Shares Available for Awards: Subject to the provisions of Section 5.4, the number of shares of Common Stock issuable under the Plan for Awards shall be 50,000,000 plus any remaining shares of Common Stock available for awards under the Stock Option Plan as of the effective date of the merger of the Stock Option Plan with this Plan. Any shares issued in connection with Options and SARs shall be counted against this limit as one (1) share for every one (1) share issued; for Awards other than Options and SARs, any shares issued shall be counted against this limit as two (2) shares for every one (1) share issued.

(b) The shares to be delivered under the Plan may consist, in whole or in part, of Common Stock purchased by the Company for such purpose, treasury Common Stock or authorized but unissued Common Stock, not reserved for any other purpose.

Section 5.2 Individual Award Limitations. Subject to the provisions of Section 5.4, the following individual Award limits apply:

(a) Options/SARs: During any three (3) year period, the total number of shares of Common Stock subject to Options and SARs awarded to any Participant may not exceed 2,500,000.

(b) Individual Performance-Based Limitations: To the extent that any Annual Incentive, Long-Term Performance Unit, Restricted Stock, Restricted Unit and Performance Share Awards to a Participant are intended to satisfy the

requirements of Code section 162(m)(4)(C) as “other performance based compensation,” the maximum aggregate amount of such Award(s) paid or otherwise made available to such Participant shall not exceed six-tenths of one percent (0.6%) of Adjusted Operating Income for the most recently reported year ending December 31st prior to the year such Award or Awards is or are paid or otherwise made available.

Section 5.3 Cancelled, Terminated, or Forfeited Awards. Should an Award under this Plan (including, for these purposes, any award under the Stock Option Plan made prior to the Effective Date) for any reason expire without having been exercised, be cancelled, repurchased by the Company, terminated or forfeited or otherwise settled without the issuance of any Common Stock (including, but not limited to, shares tendered to exercise outstanding Options, shares tendered or withheld for taxes on Awards or shares issued in connection with a Restricted Stock or Restricted Unit Award that are subsequently forfeited), any such shares of Common Stock subject to such Award shall again be available for grants of Awards under the Plan.

Section 5.4 Adjustment in Capitalization. In the event of any Adjustment Event, (a) the aggregate number of shares of Common Stock available for Awards under Section 5.1, (b) the aggregate limitations on the number of shares that may be awarded as a particular type of Award or that may be awarded to any particular Participant in any particular period under Section 5.2 and (c) the aggregate number of shares subject to outstanding Awards and the respective exercise prices or base prices applicable to outstanding Awards shall be appropriately adjusted by the Committee, in its discretion, with respect to such Adjustment Event, and the Committee’s determination shall be conclusive. To the extent deemed equitable and appropriate by the Committee and subject to any required action by shareholders of the Company, in any Adjustment Event that is a merger, consolidation, reorganization, liquidation, dissolution or similar transaction, any Award granted under the Plan shall be deemed to pertain to the securities and other property, including cash, to which a holder of the number of shares of Common Stock covered by the Award would have been entitled to receive in connection with such Adjustment Event.

Any shares of stock (whether Common Stock, shares of stock into which shares of Common Stock are converted or for which shares of Common Stock are exchanged or shares of stock distributed with respect to Common Stock) or cash or other property received with respect to any award of Restricted Stock or Restricted Units granted under the Plan as a result of any Adjustment Event or any distribution of property shall, except as provided in Article X or as otherwise provided by the Committee, be subject to the same terms and conditions, including restrictions on transfer, as are applicable to such shares of Restricted Stock or Restricted Units and any stock certificate(s) representing or evidencing any shares of stock so received shall be legended in such manner as the Company deems appropriate.

Section 5.5 Application of Limits. The limitations set forth under Sections 5.1 and 5.2 herein apply only to Awards both granted and payable to Participants after the Effective Date under this Plan (or, if made previously under the Stock Option Plan, subject to the limitations set forth in such Plan). With respect to any other compensation or performance based awards previously made to Eligible Individuals prior to the Effective Date under some other compensation plan or program sponsored by the Company or its Subsidiaries, which become due or payable after the Effective Date of this Plan (the “Grandfathered Awards”), the limitations set forth under Sections 5.1 and 5.2 will not be deemed to apply to such Grandfathered Award payments.

ARTICLE VI

STOCK OPTIONS

Section 6.1 Grant of Options. Subject to the provisions of Section 5.1, Options may be granted to Participants at such time or times as shall be determined by the Committee. Options granted under the Plan may be of two types: (i) ISOs and (ii) Nonstatutory Stock Options. Except as otherwise provided herein, the Committee shall have complete discretion in determining the number of Options, if any, to be granted to a Participant, except that ISOs may only be granted to Eligible Individuals who satisfy the requirements for eligibility set forth under Code section 424. The date of grant of an Option under the Plan will be the date on which the Option is awarded by the Committee or, if so determined by the Committee, the date on which occurs any event (including, but not limited to, the completion of an individual or corporate Performance Goal) the occurrence of which is an express condition precedent to the grant of the Option. Subject to Section 5.4, the Committee shall determine the number of Options, if any, to be granted to the Participant. Each Option grant shall be evidenced by an Option agreement (in electronic or written form) that shall specify the type of Option granted, the exercise price, the duration of the Option, the number of shares of Common Stock to which the Option pertains, and such other terms and conditions as the Committee shall determine which are not inconsistent with the provisions of the Plan. Options may be granted in tandem with SARs (as described in more detail in Article VII), and/or with associated Dividend Equivalents (as described in more detail in Article VIII).

Section 6.2 Exercise Price; No Repricing or Substitution of Options. Nonstatutory Stock Options and ISOs granted pursuant to the Plan shall have an exercise price no less than the Fair Market Value of a share of Common Stock on the date the Option is granted. Except as a result of any Adjustment Event, the Committee shall not

have the power or authority to reduce, whether through amendment or otherwise, the exercise price of any outstanding Option nor to grant any new Options or other Awards in substitution for or upon the cancellation of Options previously granted which shall have the effect of reducing the exercise price of any outstanding Option.

Section 6.3 Exercise of Options. Unless the Committee shall determine otherwise at the time of grant, one-third (1/3) of each Option granted pursuant to the Plan shall become exercisable on each of the first three (3) anniversaries of the date such Option is granted; provided that the Committee may establish performance-based criteria for exercisability of any Option. Subject to the provisions of this Article VI, once any portion of any Option has become exercisable it shall remain exercisable for its remaining term. Once exercisable, an Option may be exercised from time to time, in whole or in part, up to the total number of shares of Common Stock with respect to which it is then exercisable. The Committee shall determine the term of each Option granted, but, except as expressly provided below, in no event shall any such Option be exercisable for more than 10 years after the date on which it is granted.

Section 6.4 Payment. The Committee shall establish procedures governing the exercise of Options. No shares shall be delivered pursuant to any exercise of an Option unless arrangements satisfactory to the Committee have been made to assure full payment of the exercise price therefore. Without limiting the generality of the foregoing, payment of the exercise price may be made: (a) in cash or its equivalent; (b) by exchanging shares of Common Stock (which are not the subject of any pledge or other security interest) owned by the person exercising the Option (through actual tender or by attestation); (c) through an arrangement with a broker approved by the Company whereby payment of the exercise price is accomplished with the proceeds of the sale of Common Stock; or (d) by any combination of the foregoing; provided that the combined value of all cash and cash equivalents paid and the Fair Market Value of any such Common Stock so tendered to the Company, valued as of the date of such tender, is at least equal to such exercise price. The Company may not make a loan to a Participant to facilitate such Participant's exercise of any of his or her Options or payment of taxes.

Section 6.5 ISOs. Notwithstanding anything in the Plan to the contrary, no Option that is intended to be an ISO may be granted after the tenth anniversary of the Effective Date of the Plan. Except as may otherwise be provided for under the provisions of Article X of the Plan, no term of this Plan relating to ISOs shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the ISO or the Plan under Section 422 of the Code, or, without the consent of any Participant affected thereby, to disqualify any ISO under such Section 422.

Section 6.6 Termination of Employment. Unless the Committee shall otherwise determine at or subsequent to the date of grant:

(a) Death. In the event a Participant's employment terminates due to his or her death, any Options granted to such Participant that are then not yet exercised shall become immediately exercisable in full and may be exercised by the Participant's estate (or as may otherwise be provided for in accordance with the requirements of Section 12.2) at any time prior to the earlier of the (i) expiration date of the term of the Options or (ii) third (3rd) anniversary (or such earlier date as the Committee shall determine at the time of grant) of the Participant's death; provided, however, that Nonstatutory Stock Options shall be deemed to be amended to provide that they are exercisable for not less than one (1) year after a Participant's death even if such period exceeds the expiration date of the term of the original grant of such Nonstatutory Stock Options.

(b) Disability. In the event a Participant's employment terminates due to Disability, any Options granted to such Participant that are then not yet exercised shall become immediately exercisable in full and may be exercised by the Participant at any time prior to the expiration date of the term of the Options or within three (3) years (or such shorter period as the Committee shall determine at the time of grant) following termination of the Participant's employment, whichever period is shorter.

(c) Retirement. In the event a Participant's employment terminates due to Approved Retirement, any Options granted to such Participant that are then not yet exercised shall become immediately exercisable in full and may be exercised by the Participant at any time prior to the expiration date of the term of the Options or within five (5) years (or such shorter period as the Committee shall determine at the time of grant) following the Participant's Approved Retirement, whichever period is shorter.

(d) For Cause. In the event a Participant's employment is terminated for Cause, any Options granted to such Participant that are then not yet exercised shall be forfeited at the time of such termination and shall not be exercisable thereafter and the Committee may, consistent with Section 4.6 of the Plan, require that such Participant disgorge any profit, gain or other benefit received in respect of the exercise of any such Options for a period of up to twelve (12) months prior to termination of the Participant's employment for Cause. The provisions of this Section 6.6(d) will apply notwithstanding any assertion (by the Participant or otherwise) of a termination of employment for any other reason enumerated under this Section 6.6.

(e) Resignation. In the event a Participant's employment terminates due to his or her resignation from the Company or any Subsidiary, any Options granted to such Participant that are then not yet exercised shall be forfeited at the time of such termination and shall not be exercisable thereafter.

(f) Any Other Reason. In the event a Participant's employment terminates due to any reason other than one described in Section 6.6 (a) through (e), any Options granted to such Participant which are exercisable on the date of termination of the Participant's employment may be exercised by the Participant at any time prior to the expiration date of the term of the Options or the ninetieth (90th) day following termination of the Participant's employment, whichever period is shorter, and any Options that are not exercisable at the time of termination of employment shall be forfeited at the time of such termination and not be exercisable thereafter.

ARTICLE VII

STOCK APPRECIATION RIGHTS (SARs)

Section 7.1 Grant of SARs. SARs may be granted to any Participants, all Participants or any class of Participants at such time or times as shall be determined by the Committee. SARs may be granted in tandem with an Option, on a freestanding basis, not related to any other Award, and/or with associated Dividend Equivalents. A grant of a SAR shall be evidenced in writing, whether as part of the agreement governing the terms of the Option, if any, to which such SARs relate or pursuant to a separate written agreement with respect to freestanding SARs, in each case containing such provisions not inconsistent with the Plan as the Committee shall approve.

Section 7.2 Terms and Conditions of SARs. Notwithstanding the provisions of Section 7.1, unless the Committee shall otherwise determine the terms and conditions (including, without limitation, the exercise period of the SAR, the vesting schedule applicable thereto and the impact of any termination of service on the Participant's rights with respect to the SAR) applicable with respect to (i) SARs granted in tandem with an Option shall be substantially identical (to the extent possible taking into account the differences related to the character of the SAR) to the terms and conditions applicable to the tandem Options and (ii) freestanding SARs shall be substantially identical (to the extent possible taking into account the differences related to the character of the SAR) to the terms and conditions that would have been applicable under Section 6 were the grant of the SARs a grant of an Option (including, but not limited to, the application of Section 6.6).

Section 7.3 Exercise of Tandem SARs. SARs that are granted in tandem with an Option may only be exercised upon the surrender of the right to exercise such Option for an equivalent number of shares and may be exercised only with respect to the shares of Stock for which the related Award is then exercisable.

Section 7.4 Payment of SAR Amount. Upon exercise of a SAR, the holder shall be entitled to receive payment, in cash, in shares of Common Stock or in a combination thereof, as determined by the Committee, of an amount determined by multiplying:

- by
- (a) the excess, if any, of the Fair Market Value of a share of Stock at the date of exercise over the Fair Market Value of a share of Common Stock on the date of grant,
 - (b) the number of shares of Common Stock with respect to which the SARs are then being exercised;

provided, however, that at the time of grant with respect to any SAR payable in cash, the Committee may establish, in its sole discretion, a maximum amount per share which will be payable upon the exercise of such SAR.

ARTICLE VIII

RESTRICTED STOCK, RESTRICTED UNITS AND DIVIDEND EQUIVALENTS

Section 8.1 Grant of Restricted Stock and Restricted Units. The Committee, in its sole discretion, may make Awards to Participants of Restricted Stock or Restricted Units. Any Award made hereunder of Restricted Stock or Restricted Units shall be subject to the terms and conditions of the Plan and to any other terms and conditions not inconsistent with the Plan (including, but not limited to, requiring the Participant to pay the Company an amount equal to the par value per share for each share of Restricted Stock awarded) as shall be prescribed by the Committee in its sole discretion, either at the time of grant or thereafter. As determined by the Committee, with respect to an Award of Restricted Stock, the Company shall either (i) transfer or issue to each Participant to whom an award of Restricted Stock has been made the number of shares of Restricted Stock specified by the Committee or (ii) hold such shares of Restricted Stock for the benefit of the Participant for the Restricted Period. In the case of an Award of Restricted Units, no shares of Common Stock shall be issued at the time an Award is made, and the Company shall not be required to set aside a fund for the payment of such Award. Dividends or Dividends Equivalents (if connected with the grant of Restricted Units) may be subject to the same terms and conditions as the underlying Award of Restricted Stock or Restricted Units.

Section 8.2 Grant, Terms and Conditions of Dividend Equivalents. The Committee, in its sole discretion, may make Awards to Participants of Dividend Equivalents in connection with the grant of Restricted Units, Options, SARs and/or Performance Shares. Unless the Committee shall otherwise determine, the terms and conditions (including, without limitation, the vesting schedule applicable thereto and the impact of any termination of service on the Participant's rights with respect to the Dividend Equivalent) shall be substantially identical (to the extent possible taking into account the differences related to the character of the Dividend Equivalent) to the terms and conditions applicable to the associated Award.

Section 8.3 Restrictions On Transferability. Shares of Restricted Stock and Restricted Units may not be sold, assigned, transferred, pledged, hypothecated or otherwise encumbered by the Participant during the Restricted Period, except as hereinafter provided. Notwithstanding the foregoing, the Committee may permit (on such terms and conditions as it shall establish) shares of Restricted Stock and Restricted Units to be transferred during the Restricted Periods pursuant to Section 12.1, provided that any shares of Restricted Stock or Restricted Units so transferred shall remain subject to the provisions of this Article VIII.

Section 8.4 Rights as a Shareholder. Except for the restrictions set forth herein and unless otherwise determined by the Committee, the Participant shall have all the rights of a shareholder with respect to such shares of Restricted Stock, including but not limited to, the right to vote and the right to receive dividends. A Participant shall not have any right, in respect of Restricted Units or Dividend Equivalents awarded pursuant to the Plan, to vote on any matter submitted to the Company's stockholders until such time as the shares of Common Stock attributable to such Restricted Units (and, if applicable, Dividend Equivalents) have been issued.

Section 8.5 Restricted Period. Unless the Committee shall otherwise determine at the date an Award of Restricted Stock or Restricted Units (including any Dividend Equivalents issued in connection with such Restricted Units) is made to the Participant by the Committee, the Restricted Period shall commence upon the date of grant by the Committee and shall lapse with respect to the shares of Restricted Stock or Restricted Units on the third (3rd) anniversary of the date of grant, unless sooner terminated as otherwise provided herein.

Section 8.6 Legending or Equivalent. To the extent that certificates are issued to a Participant in respect of shares of Restricted Stock awarded under the Plan (or in the event that such Restricted Stock are held electronically), such shares shall be registered in the name of the Participant and shall have such legends (or account restrictions) reflecting the restrictions of such Awards in such manner as the Committee may deem appropriate.

Section 8.7 Termination of Employment. Unless the Committee shall otherwise determine at or subsequent to the date of grant:

(a) Death. In the event a Participant's employment terminates due to his or her death, the Restricted Period will lapse as to the outstanding shares of Restricted Stock and/or Restricted Units (including any associated Dividend Equivalents) granted to such Participant under the Plan. A lump sum payment of cash or Common Stock shall be made in respect of Restricted Units as soon as practicable following the Participant's termination of employment.

(b) Disability. In the event a Participant's employment terminates due to Disability, the Restricted Period will lapse as to the outstanding shares of Restricted Stock and/or Restricted Units (including any associated Dividend Equivalents) granted to such Participant under the Plan. A lump sum payment of cash or Common Stock shall be made in respect of Restricted Units as soon as practicable following the Participant's termination of employment.

(c) Approved Retirement. In the event a Participant's employment terminates due to Approved Retirement, the Restricted Period will lapse as to the outstanding shares of Restricted Stock and/or Restricted Units (including any associated Dividend Equivalents) granted to such Participant under the Plan. Payment in respect of any vested Restricted Stock Units shall be made as soon as practicable following termination of the Participant's employment, except that, if the Participant is a specified employee within the meaning of Section 409A of the Code, such payment shall be made six months and one day following the date of such termination of employment.

(d) For Cause. In the event a Participant's employment is terminated for Cause, all outstanding shares of Restricted Stock and/or Restricted Units (including any associated Dividend Equivalents) granted to such Participant under the Plan shall be forfeited at the time of such termination, and the Committee may, consistent with Section 4.6 of the Plan, require that such Participant disgorge any profit, gain or other benefit received in respect of the lapse of restrictions on any prior grant of Restricted Stock or Restricted Units (including any Dividend Equivalents) for a period of up to twelve (12) months prior to the Participant's termination of employment for Cause. The provisions of this Section 8.7(d) will apply notwithstanding any assertion (by the Participant or otherwise) of a termination of employment for any other reason enumerated under this Section 8.7.

(e) Resignation. In the event a Participant's employment terminates due to his or her resignation from the Company or any Subsidiary, all outstanding shares of Restricted Stock and/or Restricted Units (including any associated Dividend Equivalents) granted to such Participant under the Plan shall be forfeited upon termination of the Participant's employment.

(f) Any Other Reason. In the event a Participant's employment terminates due to any reason other than one described in Section 8.7(a) through (e), the Participant shall receive a payment calculated in the following manner: (i) the number of shares of Restricted Stock and/or Restricted Units granted to such Participant under the Plan will be reduced by multiplying the grant by a fraction, the numerator of which is the number of full months in the applicable vesting period during which the Participant was an active employee and the denominator of which is the number of months in the applicable vesting period (with a partial month worked shall be counted as a full month if the Participant is an active employee for 15 days or more in that month); and (ii) the resulting reduced number of Restricted Stock or Restricted Units shall be considered vested and payment of such pro-rated Awards is to be made to the Participant as soon as practicable after termination of the Participant's employment.

Section 8.8 Issuance of New Certificate or Equivalent; Settlement of Restricted Units and Dividend Equivalents. Upon the lapse of the Restricted Period with respect to any shares of Restricted Stock, such shares shall no longer be subject to the restrictions imposed under Section 8.3 and the Company shall issue or have issued new share certificates (or remove any such restrictions that may have been established electronically) without the legend or equivalent described in Section 8.6 in exchange for those previously issued. Upon the lapse of the Restricted Period with respect to any Restricted Units, the Company shall deliver to the Participant, or the Participant's beneficiary or estate, as provided in Section 12.2, one share of Common Stock for each Restricted Unit as to which restrictions have lapsed and any Dividend Equivalents credited with respect to such Restricted Units and any interest thereon. The Committee may, in its sole discretion, elect to pay cash or part cash and part Common Stock in lieu of delivering only Common Stock for Restricted Units and/or Dividend Equivalents. If a cash payment is made in lieu of delivering Common Stock for Restricted Units, the amount of such cash payment for each share of Common Stock to which a Participant is entitled shall be equal to the Fair Market Value of the Common Stock on the date on which the Restricted Period lapsed with respect to the related Restricted Unit.

ARTICLE IX
ANNUAL INCENTIVE AWARDS,
LONG-TERM PERFORMANCE UNIT AWARDS
AND PERFORMANCE SHARE AWARDS

Section 9.1 Annual Incentive Awards.

(a) General Description. At the direction of the Committee, Annual Incentive Awards may be made to Participants and, unless determined otherwise by the Committee at or after the date of grant, shall be paid in cash.

(b) Requirements for Covered Employees. For any Covered Employees and to the extent the Committee intends to comply with the requirements for performance-based Awards described generally under Code section 162(m), the Committee must certify, prior to payment of any such amounts, that any applicable Performance Goals and/or other requirements have been satisfied, and that such amounts are consistent with the limits provided under Section 5.2(b).

(c) Payment of Annual Incentive Awards. Unless the Committee determines otherwise either at grant or thereafter, in the event a Participant terminates employment before the end of an annual Performance Cycle due to death, Disability, or Approved Retirement, such Participant, or his or her estate, shall be eligible to receive a prorated Annual Incentive Award based on (a) in the case of death or Disability, full achievement of the Participant's Performance Goals for such Performance Cycle, and (b) in the case of Approved Retirement, the actual achievement of the Performance Goals for such Performance Cycle, in each case prorated for the portion of the Performance Cycle completed before the Participant's termination of employment. If a Participant terminates employment before payment of an Annual Incentive Award is authorized by the Committee for any reason other than death, Disability or Approved Retirement, the Participant shall forfeit all rights to such Annual Incentive Award unless otherwise determined by the Committee.

Section 9.2 Long-Term Performance Unit Awards.

(a) General Description. At the discretion of the Committee, grants of Long-Term Performance Unit Awards may be made to Participants.

(b) Requirements for Covered Employees. For any Covered Employees and to the extent the Committee intends to comply with the

requirements for performance-based Awards described generally under Code section 162(m), the Committee must certify, prior to payment of any such amounts, that any applicable Performance Goals and/or other requirements have been satisfied, and that such amounts paid are consistent with the limits provided under Section 5.2(b).

(c) Payment of Long-Term Performance Unit Awards. Long-Term Performance Unit Awards shall be payable in cash, Common Stock, or a combination of cash and Common Stock at the discretion of the Committee. Unless the Committee shall otherwise determine at or subsequent to the date of grant:

(i) Death. In the event a Participant's employment terminates due to his or her death during the applicable Performance Cycle, the Participant's estate or beneficiaries will receive as soon as practicable following such termination of employment a lump sum payment of the outstanding Long-Term Performance Unit Award granted to such Participant under the Plan, calculated as if the target value or equivalent value for each Unit had, in fact, been achieved.

(ii) Disability. In the event a Participant's employment terminates due to Disability during the applicable Performance Cycle, the Participant will receive as soon as practicable following such termination of employment a lump sum payment of the outstanding Long-Term Performance Unit Award granted to such Participant under the Plan, calculated as if the target value or equivalent value for each Unit had, in fact, been achieved.

(iii) Approved Retirement. In the event a Participant's employment terminates due to Approved Retirement during the applicable Performance Cycle, the Participant shall receive a payment calculated in the following manner: (i) the number of Long-Term Performance Units granted to such Participant under the Plan will be reduced by multiplying the grant by a fraction, the numerator of which is the number of full months in the Performance Cycle during which the Participant was an active employee and the denominator of which is the number of months in the Performance Cycle (with a partial month worked shall be counted as a full month if the Participant is an active employee for 15 days or more in that month); and (ii) the resulting reduced number of Long-Term Performance Units shall be considered vested and payment made to the Participant in a lump sum on the 60th day after the completion of the respective Performance Cycle.

(iv) For Cause. In the event a Participant's employment is terminated for Cause, all outstanding Long-Term Performance Unit Awards shall be cancelled and the Committee may, consistent with Section 4.6 of the Plan, require that such Participant disgorge any profit, gain or other benefit received in respect of the payment of any prior Long-Term Performance Unit Awards received within a period of twelve (12) months prior to termination of the Participant's employment for Cause. The provisions of this Section 9.2(c)(iv) will apply notwithstanding any assertion (by the Participant or otherwise) of a termination of employment for any other reason enumerated under this Section 9.2.

(v) Resignation. In the event a Participant's employment terminates due to his or her resignation from the Company or any Subsidiary, all outstanding Long-Term Performance Units granted to such Participant under the Plan shall be forfeited upon termination of the Participant's employment.

(vi) Any Other Reason. In the event a Participant's employment terminates during the applicable Performance Cycle due to any reason other than one described in Section 9.2(c)(i) through (v), the Participant shall receive a payment calculated in the following manner: (i) the number of Long-Term Performance Units granted to such Participant under the Plan will be reduced by multiplying the grant by a fraction, the numerator of which is the number of full months in the Performance Cycle during which the Participant was an active employee and the denominator of which is the number of months in the Performance Cycle (with a partial month worked shall be counted as a full month if the Participant is an active employee for 15 days or more in that month); and (ii) the resulting reduced number of Long-Term Performance Units shall be considered vested and payment made to the Participant of a lump sum payment as soon as practicable following such termination of employment of such pro-rated Long-Term Performance Unit Award, calculated as if the target value or equivalent value for each Unit had, in fact, been achieved.

Section 9.3 Performance Shares.

(a) General Description. At the discretion of the Committee, grants of Performance Share Awards may be made to Participants.

(b) Requirements for Covered Employees. For any Covered Employees and to the extent the Committee intends to comply with the requirements for performance-based Awards described generally under Code

section 162(m), the Committee must certify, prior to payment of any such amounts, that any applicable Performance Goals and/or other requirements have been satisfied, and that such amounts paid are consistent with the limits provided under Section 5.2(b).

(c) Payment of Performance Share Awards. Performance Share Awards shall be payable in Common Stock. Unless the Committee shall otherwise determine at or subsequent to the date of grant:

(i) Death. In the event a Participant's employment terminates due to his or her death during the applicable Performance Cycle, the Participant's estate or beneficiaries will receive as soon as practicable following such termination of employment a lump sum payment of the outstanding Performance Share Award granted to such Participant under the Plan, calculated as if the target number of Performance Shares had, in fact, been earned.

(ii) Disability. In the event a Participant's employment terminates due to Disability during the applicable Performance Cycle, the Participant will receive as soon as practicable following such termination of employment a lump sum payment of the outstanding Performance Share Award granted to such Participant under the Plan, calculated as if the target number of Performance Shares had, in fact, been earned.

(iii) Approved Retirement. In the event a Participant's employment terminates due to Approved Retirement during the applicable Performance Cycle, the Participant shall receive a payment calculated in the following manner: (i) the number of Performance Shares granted to such Participant under the Plan will be reduced by multiplying the grant by a fraction, the numerator of which is the number of full months in the Performance Cycle during which the Participant was an active employee and the denominator of which is the number of months in the Performance Cycle (with a partial month worked shall be counted as a full month if the Participant is an active employee for 15 days or more in that month); and (ii) the resulting reduced number of Performance Shares shall be considered vested and payment made to the Participant in a lump sum 60 days after the completion of the respective Performance Cycle.

(iv) For Cause. In the event a Participant's employment is terminated for Cause, all outstanding Performance Share Awards shall be cancelled and the Committee may, consistent with Section 4.6 of the Plan, require that such Participant disgorge any profit, gain or other benefit received in respect of the payment of any prior Performance Share Awards

received within a period of twelve (12) months prior to termination of the Participant's employment for Cause. The provisions of this Section 9.3(c)(iv) will apply notwithstanding any assertion (by the Participant or otherwise) of a termination of employment for any other reason enumerated under this Section 9.3.

(v) Resignation. In the event a Participant's employment terminates due to his or her resignation from the Company or any Subsidiary, all outstanding Performance Share Awards granted to such Participant under the Plan shall be forfeited upon termination of the Participant's employment.

(vi) Any Other Reason. In the event a Participant's employment terminates during the applicable Performance Cycle due to any reason other than one described in Section 9.3(c)(i) through (v), the Participant shall receive a payment calculated in the following manner: (i) the number of Performance Shares granted to such Participant under the Plan will be reduced by multiplying the grant by a fraction, the numerator of which is the number of full months in the Performance Cycle during which the Participant was an active employee and the denominator of which is the number of months in the Performance Cycle (with a partial month worked shall be counted as a full month if the Participant is an active employee for 15 days or more in that month); and (ii) the resulting reduced number of Performance Shares shall be considered vested and payment made to the Participant of a lump sum payment as soon as practicable following such termination of employment of such pro-rated Performance Share Award, calculated as if the target number of Performance Shares had, in fact, been earned.

ARTICLE X

CHANGE OF CONTROL

Section 10.1 Accelerated Vesting and Payment of Awards. Unless determined otherwise by the Committee and subject to the provisions of Section 10.3, in the event of a Change of Control each Option and SAR then outstanding shall be fully exercisable regardless of the exercise schedule otherwise applicable to such Option and/or SAR, and the Restricted Period shall lapse as to each share of Restricted Stock and each Restricted Unit then outstanding. In connection with such a Change of Control, the Committee may, in its sole discretion, provide that each Option, SAR, Restricted Stock and/or Restricted

Unit shall, upon the occurrence of such Change of Control, be cancelled in exchange for a payment per share/unit (the “Settlement Payment”) in an amount based on the Change of Control Price. Such Settlement Payment shall be in the form of cash.

Section 10.2 Long Term Performance Unit Awards and Performance Share Awards. Unless determined otherwise by the Committee and subject to the provisions of Section 10.3, in the event of a Change of Control, (a) any outstanding Long Term Performance Unit Awards or Performance Share Awards relating to Performance Cycles ending prior to the Change of Control which have been earned but not paid shall become immediately payable, (b) all then-in-progress Performance Cycles for Long Term Performance Unit Awards or Performance Share Awards that are outstanding shall end, and all Participants shall be deemed to have earned an award equal to the Participant’s target award opportunity for the Performance Cycle in question, (c) the Company shall pay all such Long Term Performance Unit Awards as a Settlement Payment in cash within thirty (30) days of such Change in Control, based on the Change in Control Price and (d) the Company may, in its sole discretion and on such terms and conditions as it deems appropriate, pay all such Performance Share Awards either (i) in Common Stock and/or (ii) as a Settlement Payment in cash within thirty (30) days of such Change of Control, based on the Change of Control Price.

Section 10.3 Alternative Awards. Notwithstanding Section 10.1 or 10.2, no cancellation, acceleration of exercisability, vesting, cash settlement or other payment shall occur with respect to any Option, SAR, Restricted Stock, Restricted Unit, Long-Term Performance Unit and/or Performance Share if the Committee reasonably determines in good faith prior to the occurrence of a Change of Control that such Option, SAR, Restricted Stock, Restricted Unit, Long-Term Performance Unit and/or Performance Share shall be honored or assumed, or new rights substituted therefore (such honored, assumed or substituted award hereinafter called an “Alternative Award”), by a Participant’s employer (or the parent or an affiliate of such employer) immediately following the Change of Control; provided that any such Alternative Award must:

- (a) be based on stock that is traded on an established securities market;
- (b) provide such Participant with rights and entitlements substantially equivalent to or better than the rights, terms and conditions applicable under such Option, SAR, Restricted Stock, Restricted Unit, Long-Term Performance Unit and/or Performance Share, including, but not limited to, an identical or better exercise or vesting schedules;
- (c) have substantially equivalent value to such Option, SAR, Restricted Stock, Restricted Unit, Long-Term Performance Unit and/or Performance Share (determined at the time of the Change in Control); and

(d) have terms and conditions which provide that in the event that the Participant's employment is involuntarily terminated for any reason other than for Cause, all of such Participant's Options, SARs, Restricted Stock, Restricted Units, Long-Term Performance Units and/or Performance Shares shall be deemed immediately and fully exercisable and/or all restrictions shall lapse, and shall be settled for a payment per each share of stock subject to the Alternative Award in cash, in immediately transferable, publicly traded securities, or in a combination thereof, in an amount equal to (i) the Fair Market Value of such stock on the date of the Participant's termination (with respect to any Restricted Stock, and/or Restricted Units), (ii) the excess of the Fair Market Value of such stock on the date of the Participant's termination over the corresponding exercise or base price per share, if any (with respect to any Option and/or SARs), or (iii) the Participant's target award opportunity for the Performance Cycle in question (with respect to any Long-Term Performance Units or Performance Shares).

ARTICLE XI

AMENDMENT, MODIFICATION, AND TERMINATION OF PLAN

Section 11.1 General. The Board may, at any time and from time to time amend, modify, suspend, or terminate this Plan, in whole or in part, without notice to or the consent of any participant or employee; provided, however, that any amendment which would (i) increase the number of shares available for issuance under the Plan, (ii) lower the minimum exercise price at which an Option (or the base price at which a SAR) may be granted or (iii) change the individual Award limits shall be subject to the approval of the Company's shareholders. No amendment, modification or termination of the Plan shall in any manner adversely affect any Award theretofore granted under the Plan, without the consent of the Participant, provided, however, that

- (a) any change pursuant to, and in accordance with the requirements of, Article X;
- (b) any acceleration of payments of amounts accrued under the Plan by action of the Committee or by operation of the Plan's terms; or
- (c) any decision by the Committee to limit participation (or other features of the Plan) prospectively under the Plan

shall not be deemed to violate this provision.

ARTICLE XII

MISCELLANEOUS PROVISIONS

Section 12.1 Transferability of Awards. No Awards granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution; provided that the Committee may, in the Award agreement or otherwise, permit transfers of Nonstatutory Stock Options with or without tandem SARs, freestanding SARs, Restricted Stock and Restricted Units to Family Members (including, without limitation, transfers effected by a domestic relations order).

Section 12.2 Treatment of Any Outstanding Rights or Features Upon Participant's Death. Any Awards, rights or features remaining unexercised or unpaid at the Participant's death shall be paid to, or exercised by, the Participant's estate except where otherwise provided by law, or when done in accordance with other methods (including a beneficiary designation process) put in place by the Committee or a duly appointed designee from time to time. Except as otherwise provided herein, nothing in this Plan is intended or may be construed to give any person other than Participants any options, rights or remedies under this Plan.

Section 12.3 Deferral of Payment. The Committee may, in the Award agreement or otherwise, permit a Participant to elect, upon such terms and conditions as the Committee may establish, to defer receipt of shares of Common Stock that would otherwise be issued upon exercise or vesting of an Award. Notwithstanding anything else contained herein to the contrary, deferrals shall not be permitted hereunder in a way that will result in the Company or any Subsidiary being required to recognize a financial accounting charge due to such deferral that is substantially greater than the charge, if any, that was associated with the underlying Award.

Section 12.4 Awards In Substitution for Awards Granted By Other Companies. Awards may be granted under the Plan from time to time as replacements for awards (including, but not limited to, options, common stock, restricted stock, performance shares or performance units) held by employees of other companies who become Employees of the Company or of any Subsidiary as a result of a merger or consolidation of the employing company with the Company, or such Subsidiary, or the acquisition by the Company or a Subsidiary of all or a portion of the assets of the employing company. Shares issued in connection with such substitute Awards shall not reduce the number of shares of Common Stock issuable under Section 5.1 of the Plan.

Section 12.5 No Guarantee of Employment or Participation. The existence of the Plan shall not be deemed to constitute a contract of employment between the

Company or any affiliate and any Eligible Individual or Participant, nor shall it constitute a right to remain in the employ of the Company or any affiliate. The terms or existence of this Plan, as in effect at any time or from time to time, or any Award granted under the Plan, shall not interfere with or limit in any way the right of the Company or any Subsidiary to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company or any Subsidiary or any other affiliate of the Company. Each employee of the Company or any Subsidiary remains at will. Except to the extent expressly selected by the Committee to be a Participant, no person (whether or not an Eligible Individual or a Participant) shall at any time have a right to be selected for (or additional) participation in the Plan, despite having previously participated in an incentive or bonus plan of the Company or an affiliate.

Section 12.6 Tax Withholding. The Company, Subsidiary or an affiliate shall have the right and power to deduct from all payments or distributions hereunder, or require a Participant to remit to the Company promptly upon notification of the amount due, an amount (which may include shares of Common Stock) to satisfy any federal, state, local or foreign taxes or other obligations required by law to be withheld with respect thereto with respect to any Award. The Company may defer payments of cash or issuance or delivery of Common Stock until such withholding requirements are satisfied. The Committee may, in its discretion, permit a Participant to elect, subject to such conditions as the Committee shall impose, (a) to have shares of Common Stock otherwise issuable under the Plan withheld by the Company or (b) to deliver to the Company previously acquired shares of Common Stock (through actual tender or attestation), in either case for the greatest number of whole shares having a Fair Market Value on the date immediately preceding the date of exercise not in excess of the amount required to satisfy the withholding tax obligations.

Section 12.7 No Limitation on Compensation; Scope of Liabilities. Nothing in the Plan shall be construed to limit the right of the Company to establish other plans if and to the extent permitted by applicable law. The liability of the Company, Subsidiary or any affiliate under this Plan is limited to the obligations expressly set forth in the Plan, and no term or provision of this Plan may be construed to impose any further or additional duties, obligations, or costs on the Company or any affiliate thereof or the Committee not expressly set forth in the Plan.

Section 12.8 Requirements of Law. The granting of Awards and the issuance of shares of Common Stock shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

Section 12.9 Term of Plan. The Plan shall be effective upon the Effective Date. The Plan shall terminate on the earlier of (a) the termination of the Plan pursuant to Article XI, or (b) when no more shares are available for issuance of Awards under the Plan.

Section 12.10 Governing Law. The Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of New Jersey, without regard to principles of conflict of laws.

Section 12.11 Securities Law Compliance. Instruments evidencing Awards may contain such other provisions, not inconsistent with the Plan, as the Committee deems advisable, including a requirement that the Participant represent to the Company in writing, when an Award is granted or when he receives shares with respect to such Award (or at such other time as the Committee deems appropriate) that he is accepting such Award, or receiving or acquiring such shares (unless they are then covered by a Securities Act of 1933 registration statement), for his own account for investment only and with no present intention to transfer, sell or otherwise dispose of such shares except such disposition by a legal representative as shall be required by will or the laws of any jurisdiction in winding up the estate of the Participant. Such shares shall be transferable, or may be sold or otherwise disposed of only if the proposed transfer, sale or other disposition shall be permissible pursuant to the Plan and if, in the opinion of counsel satisfactory to the Company, such transfer, sale or other disposition at such time will be in compliance with applicable securities laws.

Section 12.12 No Impact On Benefits. Except as may otherwise be specifically provided for under any employee benefit plan, policy or program provision to the contrary, Awards shall not be treated as compensation for purposes of calculating an Eligible Individual's right under any such plan, policy or program.

Section 12.13 No Constraint on Corporate Action. Except as provided in Article XI, nothing contained in this Plan shall be construed to prevent the Company, or any affiliate, from taking any corporate action (including, but not limited to, the Company's right or power to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell, or transfer all or any part of its business or assets) which is deemed by it to be appropriate, or in its best interest, whether or not such action would have an adverse effect on this Plan, or any Awards made under this Plan. No employee, beneficiary, or other person, shall have any claim against the Company, any Subsidiary, or any of its affiliates, as a result of any such action.

Section 12.14 Captions. The headings and captions appearing herein are inserted only as a matter of convenience. They do not define, limit, construe, or describe the scope or intent of the provisions of the Plan.

Section 12.15 Distribution of Amounts Subject to Section 409A. Notwithstanding anything in the Plan to the contrary, if any amount that is subject to Section 409A of the Code is to be paid or distributed solely on account of a Change of Control (as opposed to being paid or distributed on account of termination of employment or within a reasonable time following the lapse of any substantial risk of forfeiture with respect to the corresponding Award), solely for purposes of determining whether such distribution or payment shall be made in connection with a Change of Control, the term Change of Control shall be deemed to be defined in the manner provided in Section 409A of the Code and the regulations thereunder. If any such distribution or payment cannot be made because an event that constitutes a Change of Control under the Plan is not a change of control as defined under Section 409A of the Code, then such distribution or payment shall be distributed or paid at the next event, occurrence or date at which such distribution or payment could be made in compliance with the requirements of Section 409A of the Code.