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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): February 11, 2010

Philip Morris International Inc.

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction
of incorporation)

1-33708
(Commission File Number)

13-3435103
(I.R.S. Employer
Identification No.)

120 Park Avenue, New York, New York
(Address of principal executive offices)

10017-5592
(Zip Code)

Registrant's telephone number, including area code: (917) 663-2000

(Former name or former address, if changed since last report.)

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:

- 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 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(e) *Restricted or Deferred Stock.* On February 11, 2010, the Compensation and Leadership Development Committee (the “Committee”) of the Board of Directors of Philip Morris International Inc. (the “Company”) approved the grant of shares of restricted or deferred stock under the Philip Morris International Inc. 2008 Performance Incentive Plan, as amended and restated February 11, 2010 (the “2008 Performance Incentive Plan”) to the following executive officers in the amounts indicated below:

<u>Name</u>	<u>Shares of Restricted or Deferred Stock</u>
André Calantzopoulos	88,900
Louis C. Camilleri	222,440
Jean-Claude Kunz	41,350
Hermann G. Waldemer	67,170
Charles R. Wall	63,180

All shares vest on February 14, 2013. Forms of the restricted and deferred stock agreements are attached as Exhibits 10.1 and 10.2 to this Current Report on Form 8-K and are incorporated by reference herein.

The maximum award amounts for the restricted and deferred stock awards were determined based on a performance incentive pool equal to 0.75% of the 2009 adjusted net earnings of the Company. Adjusted net earnings of the Company is defined as net earnings before extraordinary items, discontinued operations and the cumulative effect of accounting changes and excluding certain other items designated by the Committee. In addition, individual equity award amounts were limited to a maximum of \$15.9 million for Mr. Camilleri and \$7.9 million for each of the other named executives, subject to a maximum award of one million shares as provided in the 2008 Performance Incentive Plan.

Annual Incentive Awards. On February 11, 2010, the Committee approved annual incentive awards for 2009, payable in cash, to the following executive officers, in the amounts indicated below:

<u>Name</u>	<u>Annual Incentive Award</u>	
André Calantzopoulos	CHF3,900,000	\$3,657,610 ⁽¹⁾
Louis C. Camilleri	\$ 7,560,000	
Jean-Claude Kunz	CHF1,670,400	\$1,566,580 ⁽¹⁾
Hermann G. Waldemer	CHF2,850,000	\$2,672,870 ⁽¹⁾
Charles R. Wall	\$ 2,700,000	

⁽¹⁾ Annual incentive awards earned in Swiss Francs are converted to U.S. dollars using the average conversion rate on February 11, 2010 of CHF1.00 = \$0.93785.

The maximum award amounts for the 2009 annual incentive awards were determined based on a performance incentive pool equal to 0.6% of the 2009 adjusted net earnings of the Company. Adjusted net earnings of the Company is defined as net earnings before extraordinary items, discontinued operations and the cumulative effect of accounting changes and excluding certain other items designated by the Committee. In addition, individual award amounts are limited to the shareholder-approved maximum defined in the 2008 Performance Incentive Plan of \$12.0 million for Mr. Camilleri, as well as individual maximums of \$6.3 million for each of the other named executives.

Base Salaries. On February 11, 2010, the Committee approved the following base salaries for the following executive officers in the amounts indicated below:

<u>Name</u>	<u>Base Salary Amount</u>	
André Calantzopoulos ⁽¹⁾	CHF1,433,146	\$1,344,070 ⁽³⁾
Louis C. Camilleri ⁽²⁾	\$ 1,750,000	
Hermann G. Waldemer ⁽¹⁾	CHF1,116,752	\$1,047,340 ⁽³⁾

⁽¹⁾ effective April 1, 2010

⁽²⁾ effective March 1, 2010

⁽³⁾ Base salaries earned in Swiss Francs are converted to U.S. dollars using the average conversion rate on February 11, 2010 of CHF1.00 = \$0.93785.

Future Programs

On February 11, 2010, the Committee approved the formula for determining the maximum award amounts for 2011 restricted and deferred stock awards. The formula reflects the Company's intention to qualify, to the extent possible, stock awards made to officers as tax deductible, subject to the deductibility limitations of Section 162(m) of the Internal Revenue Code.

Under the formula, the maximum restricted stock award grant value amounts for the 2011 restricted and deferred stock awards are determined based on a performance incentive pool equal to 0.75% of the adjusted net earnings of the Company. Adjusted net earnings of the Company is defined as the net earnings before extraordinary items, discontinued operations and the cumulative effect of accounting changes and excluding certain other items designated by the Committee. In addition, individual awards are limited to the maximum defined in the 2008 Performance Incentive Plan of one million shares.

At the conclusion of 2010, the performance pool for the 2011 restricted and deferred stock awards will be calculated and divided among the covered officers. The Chairman and Chief Executive Officer's maximum award is equal to one-third of the pool and the remaining covered officers each will be eligible for a maximum award equal to one-sixth of the pool, in each case, subject to the individual maximum defined in the 2008 Performance Incentive Plan.

In addition, on February 11, 2010, the Committee approved the formula for determining the maximum award amounts for 2010 annual incentive awards. The formula reflects the Company's intention to qualify, to the extent possible, cash compensation paid to officers as tax deductible, subject to the deductibility limitations of Section 162(m) of the Internal Revenue Code.

Under the formula, the maximum award amounts are determined based on a performance incentive pool equal to 0.6% of 2010 adjusted net earnings. Adjusted net earnings of the Company is defined as the net earnings before extraordinary items, discontinued operations and the cumulative effect of accounting changes and excluding certain other items designated by the Committee. In addition, individual award amounts are limited to the shareholder-approved maximum set forth in the 2008 Performance Incentive Plan of \$12.0 million.

At the conclusion of 2010, the annual performance pool will be calculated and divided among the covered officers. The Chairman and Chief Executive Officer's maximum award under the plan is limited to one-third of the pool, and the remaining covered officers each will be eligible for a maximum award equal to one-sixth of the remaining pool, in each case, subject to the individual maximums defined in the 2008 Performance Incentive Plan.

The Company will provide additional information regarding the compensation of its executive officers in its proxy statement for the 2010 Annual Meeting of Shareholders, which will be issued in April 2010.

Amendment to the Philip Morris International Inc. 2008 Performance Incentive Plan

The Board of Directors of the Company approved an amendment to the 2008 Performance Incentive Plan in order to provide "double trigger" change-in-control treatment for awards made on or after February 11, 2010. Pursuant to this amendment, upon a change in control of the Company, an employee's outstanding restricted and deferred stock awards, incentive awards as well as other awards will vest and/or become payable, as the case may be, only in the event that either (A) the acquiror does not assume or replace the awards as set forth in the 2008 Performance Incentive Plan or (B) the acquiror does assume or replace the awards as set forth in the 2008 Performance Incentive Plan and the employee is either terminated without "cause" (as defined in the 2008 Performance Incentive Plan) or resigns for "good reason" (as defined in the 2008 Performance Incentive Plan) within two years after a change in control of the Company.

The awards described above are governed by this amendment. The text of the 2008 Performance Incentive Plan, as amended and restated effective February 11, 2010, is attached as Exhibit 10.3 hereto and incorporated herein by reference, and the foregoing description is qualified in its entirety by the terms thereof.

(d) Item 9.01. Financial Statements and Exhibits.

Exhibits

- 10.1 Form of Restricted Stock Agreement
- 10.2 Form of Deferred Stock Agreement
- 10.3 2008 Performance Incentive Plan, as amended and restated effective February 11, 2010

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.

PHILIP MORRIS INTERNATIONAL INC.

By: /s/ G. PENN HOLSENBECK

Name: G. Penn Holsenbeck

Title: Vice President & Corporate Secretary

DATE: February 17, 2010

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.1	Form of Restricted Stock Agreement
10.2	Form of Deferred Stock Agreement
10.3	2008 Performance Incentive Plan, as amended and restated effective February 11, 2010

**PHILIP MORRIS INTERNATIONAL INC.
2008 PERFORMANCE INCENTIVE PLAN
(as amended and restated effective February 11, 2010)
RESTRICTED STOCK AGREEMENT
FOR PHILIP MORRIS INTERNATIONAL INC. COMMON STOCK
(February 11, 2010)**

PHILIP MORRIS INTERNATIONAL INC. (the "Company"), a Virginia corporation, hereby grants to the employee identified in the 2010 Restricted Stock Award section of the Award Statement (the "Employee") under the Philip Morris International Inc. 2008 Performance Incentive Plan (as amended and restated effective February 11, 2010) (the "Plan") a Restricted Stock Award (the "Award") dated February 11, 2010 (the "Award Date") with respect to the number of shares set forth in the 2010 Restricted Stock Award section of the Award Statement (the "Shares") of the Common Stock of the Company (the "Common Stock"), all in accordance with and subject to the following terms and conditions:

1. Book Entry Registration. The Shares shall be evidenced by a book entry account maintained by the Company's Transfer Agent for the Common Stock. Upon the vesting of Shares, no certificates will be issued except upon a separate written request made to such Transfer Agent or other agent as determined by the Company.

2. Restrictions. Subject to Section 3 below, the restrictions on the Shares shall lapse and the Shares shall vest on the Vesting Date set forth in the 2010 Restricted Stock Award section of the Award Statement (the "Vesting Date"), provided that the Employee remains an employee of the PMI Group during the entire period commencing on the Award Date and ending on the Vesting Date.

3. Termination of Employment Before Vesting Date. In the event of the termination of the Employee's employment with the PMI Group prior to the Vesting Date due to death or Disability, or upon the Employee reaching eligibility for Normal Retirement, the restrictions on the Shares shall lapse and the Shares shall become fully vested on the date of death, Disability, or eligibility for Normal Retirement.

Subject to provisions of Section 6(a) of the Plan, if the Employee's employment with the PMI Group is terminated for any reason other than death or Disability or Normal Retirement prior to the Vesting Date, the Employee shall forfeit all rights to the Shares. Notwithstanding the foregoing and except as provided in Section 6(a) of the Plan, the Compensation Committee of the Board of Directors of the Company may, in its sole discretion, waive the restrictions on, and the vesting requirements for, the Shares.

4. Voting and Dividend Rights. During the Restriction Period, the Employee shall have the right to vote the Shares and to receive any cash dividends payable with respect to the Shares, as paid, less applicable withholding taxes (it being understood that such dividends will generally be taxable as ordinary compensation income during such Restriction Period).

5. Transfer Restrictions. This Award and the Shares (until they become unrestricted pursuant to the terms hereof) are non-transferable and may not be assigned, hypothecated or otherwise pledged and shall not be subject to execution, attachment or similar process. Upon any attempt to effect any such disposition, or upon the levy of any such process, the Award shall immediately become null and void and the Shares shall be forfeited.

6. Withholding Taxes. The Company is authorized to satisfy the actual minimum statutory withholding taxes arising from the granting, or vesting of this Award, as the case may be, by deducting the number of Shares having an aggregate value equal to the amount of withholding taxes due from the total number of Shares awarded, vested, or otherwise becoming subject to current taxation. The Company is also authorized to satisfy the actual withholding taxes arising from the granting or vesting of this Award, or

hypothetical withholding tax amounts if the Employee is covered under a Company tax equalization policy, as the case may be, by the remittance of the required amounts from any proceeds realized upon the open-market sale of the vested Shares by the Employee. Shares deducted from this Award in satisfaction of actual minimum withholding tax requirements shall be valued at the Fair Market Value of the vested Shares on the date as of which the amount giving rise to the withholding requirement first became includible in the gross income of the Employee under applicable tax laws. If the Employee is covered by a Company tax equalization policy, the Employee also agrees to pay to the Company any additional hypothetical tax obligation calculated and paid under the terms and conditions of such tax equalization policy.

7. Death of Employee. If any of the Shares shall vest upon the death of the Employee, they shall be registered in the name of the estate of the Employee except that, to the extent permitted by the Compensation Committee, if the Company shall have theretofore received in writing a beneficiary designation, the Shares shall be registered in the name of the designated beneficiary.

8. Board Authorization in the Event of Restatement. Notwithstanding anything in this Agreement to the contrary, if the Board of Directors of the Company or an appropriate Committee of the Board determines that, as a result of fraud, misconduct, a restatement of the Company's financial statements or a significant write-off not in the ordinary course affecting the Company's financial statements, an Employee has received more compensation in connection with this Award than would be paid absent the fraud, misconduct, write-off or incorrect financial statement, the Board or Committee, in its discretion, shall take such action with respect to this Award as it deems necessary or appropriate to address the events that gave rise to the fraud, misconduct, write-off or restatement and to prevent its recurrence. Such action may include, to the extent permitted by applicable law, in appropriate cases, causing the partial or full cancellation of this Award and, with respect to Shares that have vested, requiring the Employee to repay to the Company the partial or full Fair Market Value of the Award determined at the time of vesting. The Employee agrees by accepting this Award that the Board or Committee may make such a cancellation, impose such a repayment obligation, or take other necessary or appropriate action in such circumstances.

9. Other Terms and Definitions. The terms and provisions of the Plan (a copy of which will be furnished to the Employee upon written request to the Office of the Secretary, Philip Morris International Inc., 120 Park Avenue, New York, New York 10017) are incorporated herein by reference. To the extent any provision of this Award is inconsistent or in conflict with any term or provision of the Plan, the Plan shall govern. Capitalized terms not otherwise defined herein have the meaning set forth in the Plan. Subject to the provisions of section 6(a), in the event of any merger, share exchange, reorganization, consolidation, recapitalization, reclassification, distribution, stock dividend, stock split, reverse stock split, split-up, spin-off, issuance of rights or warrants or other similar transaction or event affecting the Common Stock after the date of this Award, the Board of Directors of the Company is authorized, to the extent it deems appropriate, to make adjustments to the number and kind of shares of stock subject to this Award, including the substitution of equity interests in other entities involved in such transactions, to provide for cash payments in lieu of Shares, and to determine whether continued employment with any entity resulting from such a transaction will or will not be treated as continued employment with the PMI Group, in each case subject to any Board or Committee action specifically addressing any such adjustments, cash payments, or continued employment treatment.

For purposes of this Agreement, (a) the term "Disability" means permanent and total disability as determined under procedures established by the Company for purposes of the Plan, and (b) the term "Normal Retirement" means retirement from active employment under a pension plan of any member of the PMI Group or under an employment contract with any member of the PMI Group on or after the date specified as the normal retirement age in the pension plan or employment contract, if any, under which the Employee is at that time accruing pension benefits for his or her current service (or, in the absence of a specified normal retirement age, the age at which pension benefits under such plan or contract become payable without reduction for early commencement and without any requirement of a particular period of

prior service). In any case in which (i) the meaning of "Normal Retirement" is uncertain under the definition contained in the prior sentence or (ii) a termination of employment at or after age 65 would not otherwise constitute "Normal Retirement," an Employee's termination of employment shall be treated as a "Normal Retirement" under such circumstances as the Committee, in its sole discretion, deems equivalent to retirement. "PMI Group" means the Company and each of its subsidiaries and affiliates. Generally, for purposes of this Agreement, (x) a "subsidiary" includes only any company in which the Company, directly or indirectly, has a beneficial ownership interest of greater than 50 percent and (y) an "affiliate" includes only any company that (A) has a beneficial ownership interest, directly or indirectly, in the Company of greater than 50 percent or (B) is under common control with the Company through a parent company that, directly or indirectly, has a beneficial ownership interest of greater than 50 percent in both the Company and the affiliate.

IN WITNESS WHEREOF, this Restricted Stock Agreement has been duly executed as of February 11, 2010.

PHILIP MORRIS INTERNATIONAL INC.

/s/ G. Penn Holsenbeck

G. Penn Holsenbeck

Vice President & Corporate Secretary

Philip Morris International Inc.

PHILIP MORRIS INTERNATIONAL INC.
2008 PERFORMANCE INCENTIVE PLAN
(as amended and restated effective February 11, 2010)
DEFERRED STOCK AGREEMENT
FOR PHILIP MORRIS INTERNATIONAL INC. COMMON STOCK
(February 11, 2010)

PHILIP MORRIS INTERNATIONAL INC. (the "Company"), a Virginia corporation, hereby grants to the employee identified in the 2010 Deferred Stock Award section of the Award Statement (the "Employee") under the Philip Morris International Inc. 2008 Performance Incentive Plan (as amended and restated effective February 11, 2010) (the "Plan") a Deferred Stock Award (the "Award") dated February 11, 2010 (the "Award Date") with respect to the number of shares set forth in the 2010 Deferred Stock Award section of the Award Statement (the "Deferred Shares") of the Common Stock of the Company (the "Common Stock"), all in accordance with and subject to the following terms and conditions:

1. Restrictions. Subject to Section 2 below, the restrictions on the Deferred Shares shall lapse and the Deferred Shares shall vest on the Vesting Date set forth in the 2010 Deferred Stock Award section of the Award Statement (the "Vesting Date"), provided that the Employee remains an employee of the PMI Group during the entire period commencing on the Award Date and ending on the Vesting Date.

2. Termination of Employment Before Vesting Date. In the event of the termination of the Employee's employment with the PMI Group prior to the Vesting Date due to death, Disability or Normal Retirement, the restrictions on the Deferred Shares shall lapse and the Deferred Shares shall become fully vested on the date of death, Disability, or Normal Retirement.

Subject to the provisions of section 6(a) of the Plan, if the Employee's employment with the PMI Group is terminated for any reason other than death, Disability, or Normal Retirement prior to the Vesting Date, the Employee shall forfeit all rights to the Deferred Shares. Notwithstanding the foregoing and except as provided in section 6(a) of the Plan, upon the termination of an Employee's employment with the PMI Group, the Compensation Committee of the Board of Directors of the Company may, in its sole discretion, waive the restrictions on, and the vesting requirements for, the Deferred Shares.

3. Voting and Dividend Rights. The Employee does not have the right to vote the Deferred Shares or receive dividends prior to the date, if any, such Deferred Shares are paid to the Employee in the form of Common Stock pursuant to the terms hereof. However, unless otherwise determined by the Committee, the Employee shall receive cash payments (less applicable withholding taxes) in lieu of dividends otherwise payable with respect to shares of Common Stock equal in number to the Deferred Shares that have not been forfeited, as such dividends are paid.

4. Transfer Restrictions. This Award and the Deferred Shares are non-transferable and may not be assigned, hypothecated or otherwise pledged and shall not be subject to execution, attachment or similar process. Upon any attempt to effect any such disposition, or upon the levy of any such process, the Award shall immediately become null and void and the Deferred Shares shall be forfeited. These restrictions shall not apply, however, to any payments received pursuant to Section 7 below.

5. Withholding Taxes. The Company is authorized to satisfy the actual minimum statutory withholding taxes arising from the granting, vesting, or payment of this Award, as the case may be, by deducting the number of Deferred Shares having an aggregate value equal to the amount of withholding taxes due from the total number of Deferred Shares awarded, vested, paid, or otherwise becoming subject to current taxation. The Company is also authorized to satisfy the actual withholding taxes arising from the granting or vesting of this Award, or hypothetical withholding tax amounts if the Employee is covered under a Company tax equalization policy, as the case may be, by the remittance of the required amounts from any

proceeds realized upon the open-market sale of the Common Stock received in payment of vested Deferred Shares by the Employee. Deferred Shares deducted from this Award in satisfaction of actual minimum withholding tax requirements shall be valued at the Fair Market Value of the Common Stock received in payment of vested Deferred Shares on the date as of which the amount giving rise to the withholding requirement first became includible in the gross income of the Employee under applicable tax laws. If the Employee is covered by a Company tax equalization policy, the Employee also agrees to pay to the Company any additional hypothetical tax obligation calculated and paid under the terms and conditions of such tax equalization policy.

6. Death of Employee. If any of the Deferred Shares shall vest upon the death of the Employee, any Common Stock received in payment of the vested Deferred Shares shall be registered in the name of the estate of the Employee except that, to the extent permitted by the Compensation Committee, if the Company shall have received in writing a beneficiary designation, the Common Stock shall be registered in the name of the designated beneficiary.

7. Payment of Deferred Shares. Each Deferred Share granted pursuant to this Award represents an unfunded and unsecured promise of the Company to issue to the Employee, on or as soon as practicable after the date the Deferred Share becomes fully vested pursuant to Section 1 or 2 and otherwise subject to the terms of this Agreement, the value of one share of the Common Stock. Except as otherwise expressly provided in the Statement and subject to the terms of this Agreement, such issuance shall be made to the Employee (or, in the event of his or her death to the Employee's estate or beneficiary as provided above) in the form of Common Stock as soon as practicable following the full vesting of the Deferred Share pursuant to Section 1 or 2, provided, however, that if the Company determines that settlement in the form of Common Stock is impractical or impermissible under the laws of the Employee's country of residence, the Deferred Shares will be settled in the form of cash.

8. Special Payment Provisions. Notwithstanding anything in this Agreement to the contrary, if the Employee is subject to US Federal income tax on any part of the payment of the Deferred Shares, and will become eligible for Normal Retirement (A) for Deferred Shares with a Vesting Date between January 1 and March 15, before the calendar year preceding the Vesting Date and (B) for Deferred Shares with a Vesting Date after March 15, before the calendar year in which such Vesting Date occurs, then the Deferred Shares shall be subject to the following provisions of this Section 8. If the Employee is a "specified employee" within the meaning of section 409A of the Internal Revenue Code and the regulations thereunder ("Code section 409A"), any payment of Deferred Shares under Section 7 that is on account of his separation from service scheduled to be paid within six months after such separation from service shall accrue without interest and shall be paid on the first day of the seventh month beginning after the date of the Participant's separation from service or, if earlier, within fifteen days after the appointment of the personal representative or executor of the Participant's estate following the Participant's death. In the event of a "Change in Control" under section 6(c) of the Plan that is not also a "change in control event" with the meaning of Treas. Reg. §1.409A-3(i)(5)(i), the Deferred Shares shall vest as set forth in section 6(a) of the Plan, but shall not be paid upon such Change in Control as provided by section 6(a) of the Plan, and shall instead be paid at the time the Deferred Shares would otherwise be paid pursuant to this Agreement. References to termination of employment, separation from service shall be interpreted to mean a separation from service, within the meaning of Code section 409A, with the Company and all of its affiliates treated as a single employer under Code section 409A. This Agreement shall be construed in a manner consistent with Code section 409A.

9. Board Authorization in the Event of Restatement. Notwithstanding anything in this Agreement to the contrary, if the Board of Directors of the Company or an appropriate Committee of the Board determines that, as a result of fraud, misconduct, a restatement of the Company's financial statements, or a significant write-off not in the ordinary course affecting the Company's financial statements, an Employee has received more compensation in connection with this Award than would be

paid absent the fraud, misconduct, write-off or incorrect financial statement, the Board or Committee, in its discretion, shall take such action with respect to this Award as it deems necessary or appropriate to address the events that gave rise to the fraud, misconduct, write-off or restatement and to prevent its recurrence. Such action may include, to the extent permitted by applicable law, in appropriate cases, causing the partial or full cancellation of this Award and, with respect to Deferred Shares that have vested, requiring the Employee to repay to the Company the partial or full Fair Market Value of the Award determined at the time of vesting. The Employee agrees by accepting this Award that the Board or Committee may make such a cancellation, impose such a repayment obligation, or take other necessary or appropriate action in such circumstances.

10. Other Terms and Definitions. The terms and provisions of the Plan (a copy of which will be furnished to the Employee upon written request to the Office of the Secretary, Philip Morris International Inc., 120 Park Avenue, New York, New York 10017) are incorporated herein by reference. To the extent any provision of this Award is inconsistent or in conflict with any term or provision of the Plan, the Plan shall govern. Capitalized terms not otherwise defined herein have the meaning set forth in the Plan. Subject to the provisions of section 6(a) of the Plan, in the event of any merger, share exchange, reorganization, consolidation, recapitalization, reclassification, distribution, stock dividend, stock split, reverse stock split, split-up, spin-off, issuance of rights or warrants or other similar transaction or event affecting the Common Stock after the date of this Award, the Board of Directors of the Company is authorized, to the extent it deems appropriate, to make adjustments to the number and kind of shares of stock subject to this Award, including the substitution of equity interests in other entities involved in such transactions, to provide for cash payments in lieu of Deferred Shares, and to determine whether continued employment with any entity resulting from such a transaction will or will not be treated as continued employment with the PMI Group, in each case subject to any Board or Committee action specifically addressing any such adjustments, cash payments, or continued employment treatment.

For purposes of this Agreement, (a) the term “Disability” means permanent and total disability as determined under procedures established by the Company for purposes of the Plan, and (b) the term “Normal Retirement” means retirement from active employment under a pension plan of any member of the PMI Group or under an employment contract with any member of the PMI Group on or after the date specified as the normal retirement age in the pension plan or employment contract, if any, under which the Employee is at that time accruing pension benefits for his or her current service (or, in the absence of a specified normal retirement age, the age at which pension benefits under such plan or contract become payable without reduction for early commencement and without any requirement of a particular period of prior service). In any case in which (i) the meaning of “Normal Retirement” is uncertain under the definition contained in the prior sentence or (ii) a termination of employment at or after age 65 would not otherwise constitute “Normal Retirement,” an Employee’s termination of employment shall be treated as a “Normal Retirement” under such circumstances as the Committee, in its sole discretion, deems equivalent to retirement. “PMI Group” means the Company and each of its subsidiaries and affiliates. Generally, for purposes of this Agreement, (x) a “subsidiary” includes only any company in which the Company, directly or indirectly, has a beneficial ownership interest of greater than 50 percent and (y) an “affiliate” includes only any company that (A) has a beneficial ownership interest, directly or indirectly, in the Company of greater than 50 percent or (B) is under common control with the Company through a parent company that, directly or indirectly, has a beneficial ownership interest of greater than 50 percent in both the Company and the affiliate.

IN WITNESS WHEREOF, this Deferred Stock Agreement has been duly executed as of February 11, 2010.

PHILIP MORRIS INTERNATIONAL INC.

/s/ G. Penn Holsenbeck

G. Penn Holsenbeck
Vice President & Corporate Secretary
Philip Morris International Inc.

**PHILIP MORRIS INTERNATIONAL INC.
2008 PERFORMANCE INCENTIVE PLAN**

(as amended and restated effective February 11, 2010)

Section 1. Purpose; Definitions.

The purpose of the Plan is to support the Company's ongoing efforts to develop and retain world-class leaders and to provide the Company with the ability to provide incentives more directly linked to the profitability of the Company's businesses and increases in stockholder value.

For purposes of the Plan, the following terms are defined as set forth below:

- (a) "Award" means the grant under the Plan of Incentive Awards, Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Deferred Stock Units, or Other Stock-Based Awards.
- (b) "Board" means the Board of Directors of the Company.
- (c) "Cause," with respect to any Participant, means termination because of:
 - (i) continued failure to substantially perform the Participant's job duties (other than resulting from incapacity due to disability) after a written demand by the Company (or any of its subsidiaries or affiliates, as the case may be) that identifies the manner in which the Company (or any of its subsidiaries or affiliates, as the case may be) has reasonably determined that the Participant has not performed his or her duties;
 - (ii) gross negligence in the performance of the Participant's job duties, willful misconduct, or a material violation of Company policy (including the code of conduct of the Company), in each case in which the Company has reasonably determined has resulted in, or is likely to result in, a material and demonstrable detriment to the Company's business, operations, properties, financial condition or reputation; or
 - (iii) the Participant's conviction of a felony or a plea of *nolo contendere* by Participant with respect to a felony.

A termination for Cause must be communicated to the Participant by written notice that specifies the event or events claimed to provide a basis for termination for Cause.

- (d) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.
- (e) "Commission" means the Securities and Exchange Commission or any successor agency.

- (f) “Committee” means the Compensation Committee of the Board or a subcommittee thereof, any successor thereto or such other committee or subcommittee as may be designated by the Board to administer the Plan.
- (g) “Common Stock” or “Stock” means the Common Stock of the Company.
- (h) “Company” means Philip Morris International Inc., a corporation organized under the laws of the Commonwealth of Virginia, or any successor thereto.
- (i) “Deferred Stock Unit” means an Award described in Section 5(a)(v).
- (j) “Economic Value Added” means net after-tax operating profit less the cost of capital.
- (k) “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.
- (l) “Fair Market Value” means, as of any given date, the mean between the highest and lowest reported sales prices of the Common Stock on the New York Stock Exchange-Composite Transactions or, if no such sale of Common Stock is reported on such date, the fair market value of the Stock as determined by the Committee in good faith; provided, however, that the Committee may in its discretion designate the actual sales price as Fair Market Value in the case of dispositions of Common Stock under the Plan.
- (m) “Good Reason” with respect to any Participant, means, unless pursuant to the Participant’s prior written consent, termination following a Change in Control because of:
 - (i) a material adverse change in the Participant’s job responsibilities, authority or duties with the Company (or any of its subsidiaries or affiliates, as the case may be) as in effect immediately prior to the Change in Control (including reporting level), excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and that is remedied by the Company promptly after receipt of notice thereof given by the Participant to the Company;
 - (ii) any material reduction in the aggregate of the Participant’s base salary, benefits, cash incentive award opportunity and equity award opportunity, as in effect immediately prior to the Change in Control, excluding for this purpose an isolated, insubstantial and inadvertent failure not occurring in bad faith and that is remedied by the Company promptly after receipt of notice thereof given by the Participant to the Company;
 - (iii) a requirement by the Company (or any of its subsidiaries or affiliates, as the case may be) for Participant to change his or her regular workplace that increases the Participant’s commute by more than 50 miles from the commute in effect immediately prior to the Change in Control; or
 - (iv) a requirement by the Company (or any of its subsidiaries or affiliates, as the case may be) for the Participant to travel on business at least 20 percent more than required immediately prior to the Change in Control.

A termination for Good Reason must be communicated to the Company by written notice that specifies the event or events claimed to provide a basis for termination for Good Reason; provided that the Participant's written notice must be tendered within ninety (90) days of the occurrence of such event or events and, provided further, that the Company shall have failed to remedy such act or omission within thirty (30) days following its receipt of such notice.

- (n) "Incentive Award" means an Award made pursuant to Section 5(a)(vi).
- (o) "Incentive Stock Option" means any Stock Option that complies with Section 422 (or any amended or successor provision) of the Code.
- (p) "Nonqualified Stock Option" means any Stock Option that is not an Incentive Stock Option.
- (q) "Other Stock-Based Award" means an Award made pursuant to Section 5(a)(iii).
- (r) "Participant" means any eligible individual as set forth in Section 3 to whom an Award is granted.
- (s) "Performance Cycle" means the period selected by the Committee during which the performance of the Company or any subsidiary, affiliate 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.
- (t) "Performance Goals" mean the objectives for the Company or any subsidiary or affiliate or any unit thereof or any individual that may be established by the Committee for a Performance Cycle with respect to any performance-based Awards contingently awarded under the Plan. The Performance Goals for Awards that are intended to constitute "performance-based" compensation within the meaning of Section 162(m) (or any amended or successor provision) of the Code shall be based on one or more of the following criteria: earnings per share, total shareholder return, operating income, net income, adjusted net income, cash flow, return on equity, return on capital, or Economic Value Added.
- (u) "Plan" means this 2008 Performance Incentive Plan, as amended from time to time.
- (v) "Restricted Period" means the period during which an Award may not be sold, assigned, transferred, pledged or otherwise encumbered.
- (w) "Restricted Stock" means an Award of shares of Common Stock pursuant to Section 5(a)(iv).
- (x) "Restricted Stock Unit" means an Award described in Section 5(a)(v).
- (y) "Spread Value" means, with respect to a share of Common Stock subject to an Award, an amount equal to the excess of the Fair Market Value, on the date such value is determined, over the Award's exercise or grant price, if any.

(z) “Stock Appreciation Right” or “SAR” means a right granted pursuant to Section 5(a)(ii).

(aa) “Stock Option” means an Incentive Stock Option or a Nonqualified Stock Option granted pursuant to Section 5(a)(i).

In addition, the terms “Affiliated Group,” “Business Combination,” “Change in Control,” “Change in Control Price,” “Incumbent Board,” “Outstanding Company Stock,” “Outstanding Company Voting Securities” and “Person” have the meanings set forth in Section 6.

Section 2. Administration.

The Plan shall be administered by the Committee, which shall have the power to interpret the Plan and to adopt such rules and guidelines for carrying out the Plan as it may deem appropriate. The Committee shall have the authority to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with the laws, regulations, compensation practices and tax and accounting principles of the countries in which the Company, a subsidiary or an affiliate may operate to assure the viability of the benefits of Awards made to individuals employed in such countries and to meet the objectives of the Plan.

Subject to the terms of the Plan, the Committee shall have the authority to determine those employees eligible to receive Awards and the amount, type and terms of each Award and to establish and administer any Performance Goals applicable to such Awards. The Committee may delegate its authority and power under the Plan to one or more officers of the Company, subject to guidelines prescribed by the Committee, but only with respect to Participants who are not subject to either Section 16 of the Exchange Act or Section 162(m) (or any amended or successor provision) of the Code.

Any determination made by the Committee or by one or more officers pursuant to delegated authority in accordance with the provisions of the Plan with respect to any Award shall be made in the sole discretion of the Committee or such delegate, and all decisions made by the Committee or any appropriately designated officer pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company and Plan Participants.

Section 3. Eligibility.

Salaried employees of the Company, its subsidiaries and affiliates, who are responsible for or contribute to the management, growth and profitability of the business of the Company, its subsidiaries or its affiliates, are eligible to be granted Awards under the Plan. Furthermore, employees and former employees of Altria Group, Inc. and its subsidiaries, employees and former employees of Kraft Foods Inc. and its subsidiaries, and employees and former employees of SABMiller plc and its subsidiaries were eligible to be granted Awards under the Plan in connection with an event in which the Company ceased to be a subsidiary of Altria Group, Inc.

Section 4. Common Stock Subject to the Plan.

(a) Common Stock Available. The total number of shares of Common Stock reserved and available for distribution pursuant to the Plan shall be 70,000,000. To the extent any Award under this Plan is exercised or cashed out or terminates or expires or is forfeited

without a payment being made to the Participant in the form of Common Stock, the shares subject to such Award that were not so paid, if any, shall again be available for distribution in connection with Awards under the Plan. If an SAR or similar Award based on Spread Value with respect to shares of Common Stock is exercised, only the number of shares of Common Stock issued, if any, will be deemed delivered for purposes of determining the maximum number of shares available for delivery under the Plan. Any shares of Common Stock that are used by a Participant as full or partial payment of withholding or other taxes or as payment for the exercise or conversion price of an Award under the Plan shall be available for distribution in connection with Awards under the Plan.

(b) Adjustments for Certain Corporate Transactions. Subject to the provisions of Section 6:

- (i) In the event of any merger, share exchange, reorganization, consolidation, recapitalization, reclassification, distribution, stock dividend, stock split, reverse stock split, split-up, spin-off, issuance of rights or warrants or other similar transaction or event affecting the Common Stock, in any case after adoption of the Plan by the Board, the Committee is authorized to make such adjustments or substitutions with respect to the Plan and to Awards granted thereunder as it deems appropriate to reflect the occurrence of such event, including, but not limited to, adjustments (A) to the aggregate number and kind of securities reserved for issuance under the Plan, (B) to the Award limits set forth in Section 5, (C) to the Performance Goals or Performance Cycles of any outstanding Performance-Based Awards, and (D) to the number and kind of securities subject to outstanding Awards and, if applicable, the grant or exercise price or Spread Value of outstanding Awards. In addition, the Committee may make an Award in substitution for incentive awards, stock awards, stock options or similar awards held by an individual who is, previously was, or becomes an employee of the Company, a subsidiary or an affiliate in connection with a transaction described in this Section 4(b)(i). Notwithstanding any provision of the Plan (other than the limitation set forth in Section 4(a)), the terms of such substituted Awards shall be as the Committee, in its discretion, determines is appropriate.
- (ii) In connection with any of the events described in Section 4(b)(i), and consistent with Section 409A of the Code, the Committee shall also have authority with respect to the Plan and to Awards granted thereunder (A) to grant Awards (including Stock Options, Stock Appreciation Rights, and Other Stock-Based Awards) with a grant price that is less than Fair Market Value on the date of grant in order to preserve existing gain under any similar type of award previously granted by the Company or another entity to the extent that the existing gain would otherwise be diminished without payment of adequate compensation to the holder of the award for such diminution, and (B) except as may otherwise be required under an applicable Award agreement, to cancel or adjust the terms of an outstanding Award as appropriate to reflect the substitution for the outstanding Award of an award of equivalent value granted by another entity. In connection with a spin-off or similar corporate transaction, the adjustments described in this Section 4(b) may include, but are not limited to, (C) the imposition of restrictions

on any distribution with respect to Restricted Stock or similar Awards and (D) the substitution of comparable Stock Options to purchase the stock of another entity or Stock Appreciation Rights, Restricted Stock Units, Deferred Stock Units or Other Stock-Based Awards denominated in the securities of another entity, which may be settled in the form of cash, Common Stock, stock of such other entity, or other securities or property, as determined by the Committee; and, in the event of such a substitution, references in this Plan and in the applicable Award agreements thereunder to “Common Stock” or “Stock” shall be deemed (except for purposes of Section 6(c) hereunder and for any similar provisions of applicable Award agreements) to also refer to the securities of the other entity where appropriate.

- (iii) In connection with any of the events described in Section 4(b)(i), with respect to the Plan and to Awards granted thereunder, the Committee is also authorized to provide for the payment of any outstanding Awards in cash, including, but not limited to, payment of cash in lieu of any fractional Awards.
- (iv) In the event of any conflict between this Section 4(b) and other provisions of the Plan, the provisions of this section shall control. Receipt of an Award under the Plan shall constitute an acknowledgement by the Participant receiving such Award of the ability of the Committee to adjust any award for which an Award under the Plan is substituted.

Section 5. Awards.

- (a) General. The types of Awards that may be granted under the Plan are set forth below. Awards may be granted singly, in combination or in tandem with other Awards.
 - (i) Stock Options. A Stock Option represents the right to purchase a share of Stock at a predetermined grant price. Stock Options granted under the Plan may be in the form of Incentive Stock Options or Nonqualified Stock Options, as specified in the Award agreement. The term of each Stock Option shall be set forth in the Award agreement, but no Stock Option shall be exercisable more than ten years after the grant date. The grant price per share of Common Stock purchasable under a Stock Option shall not be less than 100% of the Fair Market Value on the date of grant. Subject to the applicable Award agreement, Stock Options may be exercised, in whole or in part, by giving written notice of exercise specifying the number of shares to be purchased. Such notice shall be accompanied by payment in full of the purchase price by certified or bank check or such other instrument as the Company may accept (including a copy of instructions to a broker or bank acceptable to the Company to deliver promptly to the Company an amount sufficient to pay the purchase price). Unless otherwise determined by the Committee, payment in full or in part may also be made in the form of Common Stock already owned by the Participant valued at Fair Market Value.
 - (ii) Stock Appreciation Rights. An SAR represents the right to receive a payment, in cash, shares of Common Stock, or both (as determined by the Committee), with a

value equal to the Spread Value on the date the SAR is exercised. The grant price of an SAR shall be set forth in the applicable Award agreement and shall not be less than 100% of the Fair Market Value on the date of grant. Subject to the terms of the applicable Award agreement, an SAR shall be exercisable, in whole or in part, by giving written notice of exercise.

- (iii) Other Stock-Based Awards. Other Stock-Based Awards are Awards, other than Stock Options, SARs, Restricted Stock, Restricted Stock Units, or Deferred Stock Units, that are denominated in, valued in whole or in part by reference to, or otherwise based on or related to, Common Stock. The grant, purchase, exercise, exchange or conversion of Other Stock-Based Awards granted under this subsection (iii) shall be on such terms and conditions and by such methods as shall be specified by the Committee. Where the value of an Other Stock-Based Award is based on the Spread Value, the grant price for such an Award will not be less than 100% of the Fair Market Value on the date of grant.
 - (iv) Restricted Stock. Shares of Restricted Stock are shares of Common Stock that are awarded to a Participant and that during the Restricted Period may be forfeitable to the Company upon such conditions as may be set forth in the applicable Award agreement. Except as provided in the applicable Award agreement, Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered during the Restricted Period. Except as provided in the applicable Award agreement, a Participant shall have with respect to such Restricted Stock all the rights of a holder of Common Stock during the Restricted Period.
 - (v) Restricted Stock Units and Deferred Stock Units. Restricted Stock Units and Deferred Stock Units represent the right to receive shares of Common Stock, cash, or both (as determined by the Committee) upon satisfaction of such conditions as may be set forth in the applicable Award agreement. Except as provided in the applicable Award agreement, Restricted Stock Units and Deferred Stock Units may not be sold, assigned, transferred, pledged or otherwise encumbered during the Restricted Period. Except as provided in the applicable Award agreement, a Participant shall have with respect to such Restricted Stock Units and Deferred Stock Units none of the rights of a holder of Common Stock unless and until shares of Common Stock are actually delivered in satisfaction of such Restricted Stock Units or Deferred Stock Units.
 - (vi) Incentive Awards. Incentive Awards are performance-based Awards that are expressed in U.S. or any other jurisdiction's currency or Common Stock or any combination thereof.
- (b) Maximum Awards. Subject to the exercise of the Committee's authority pursuant to Section 4:
- (i) The total number of shares of Common Stock subject to Stock Options, Stock Appreciation Rights, and Other Stock-Based Awards with values based on Spread

Values awarded during any Plan year to any Participant shall not exceed 3,000,000.

- (ii) The total amount of any Incentive Award awarded to any Participant with respect to any Performance Cycle, taking into account the cash and the Fair Market Value of any Common Stock payable with respect to such Award, shall not exceed \$12,000,000. For purposes of applying the dollar limit of this clause (ii), any Incentive Award denominated in currency other than U.S. currency shall be converted into U.S. currency in such reasonable manner as may be specified by the Committee or its delegate.
 - (iii) An amount not in excess of 1,000,000 shares of Common Stock may be issued or issuable to any Participant in a Plan Year pursuant to Restricted Stock, Restricted Stock Units, Deferred Stock Units, and Other Stock-Based Awards, except that Other Stock-Based Awards with values based on Spread Values shall not be included in this limitation.
- (c) Performance-Based Awards. Any Awards granted pursuant to the Plan may be in the form of performance-based Awards through the application of Performance Goals and Performance Cycles.

Section 6. Change in Control Provisions.

- (a) Impact of Event on Awards Granted on or After February 11, 2010. Notwithstanding any other provision of the Plan to the contrary, in the event of a Change in Control, the following shall apply with respect to Awards granted under the Plan on or after February 11, 2010:
- (i) If and to the extent that outstanding Awards, under the Plan (A) shall be assumed by the successor corporation (or affiliate thereof) or (B) shall be replaced (x) in the case of outstanding Awards other than Incentive Awards, with such equity awards that preserve the existing value of such Awards at the time of the Change in Control and provide for subsequent payout in accordance with a vesting schedule and Performance Goals, as applicable, that are the same or more favorable to the Participant than the vesting schedule and Performance Goals applicable to the Awards, and (y) with respect to outstanding Incentive Awards with Performance Cycles that have not been completed, with such similar awards that have the same or more favorable Performance Goals and target award opportunities, then all such Awards or such substitutes thereof shall remain outstanding and be governed by their respective terms and the provisions of the Plan subject to Section 6(a)(iv) below. The Committee, as constituted immediately before the Change in Control, in its sole discretion, shall determine whether the conditions of this Section 6(a)(i) shall be satisfied with respect to such Change in Control.
 - (ii) If and to the extent that outstanding Awards under the Plan shall not be assumed or replaced in accordance with Section 6(a)(i) above, then upon the Change in

Control, the following treatment (referred to as “Change-in-Control Treatment”) shall apply to such Awards:

- (A) All Stock Options and SARs outstanding as of the date such Change in Control occurs shall immediately become fully vested and exercisable;
 - (B) The restrictions and other conditions applicable to any Restricted Stock, Restricted Stock Units, Deferred Stock Units, or Other Stock-Based Awards, including vesting requirements, shall immediately lapse, and such Awards shall become free of all restrictions and fully vested;
 - (C) Restricted Stock Units, Deferred Stock Units, and similar Other Stock-Based Awards that are subject to Section 409A of the Code shall be payable immediately in accordance with their terms but in no event later than 60 days from the date of vesting; and
 - (D) Incentive Awards shall be paid in cash immediately as follows: each Participant who has been awarded an Incentive Award for the Performance Cycle in which the Change in Control occurs shall be deemed to have earned a pro rata Incentive Award equal to the product of (A) such Participant’s target award opportunity for such Performance Cycle, and (B) a fraction, the numerator of which is the number of full or partial months that have elapsed since the beginning of such Performance Cycle to the date on which the Change in Control occurs, and the denominator of which is the total number of months in such Performance Cycle.
- (iii) If and to the extent that outstanding Awards under the Plan shall not be assumed or replaced in accordance with Section 6 (a)(i) above, then in connection with the application of the Change-in-Control Treatment set forth in Section 6(a)(ii) above, the Board, as constituted immediately before the Change in Control, may, in its sole discretion, provide for cancellation of such outstanding Awards at the time of the Change in Control in which case a payment of cash, property or a combination thereof shall be made to each such Participant upon the consummation of the Change in Control that is determined by such Board in its sole discretion and that is at least equal to (x) in the case of Awards other than Incentive Awards, the excess (if any) of the value of the consideration that would be received in such Change in Control by the holders of the Philip Morris International Inc. securities relating to such Awards over the exercise or purchase price (if any) for such Awards (except that, in the case of a Stock Option or SAR, such payment shall be limited as necessary to prevent the Stock Option or SAR from being subject to Section 409A of the Code) and (y) in the case of Incentive Awards, as set forth in Section 6(a)(ii)(D).
- (iv) If and to the extent that (A) outstanding Awards are assumed or replaced in accordance with Section 6(a)(i) above and (B) a Participant’s employment with, or performance of services for, the Company (or its subsidiaries or affiliates, as the case may be) is terminated by the Company (or its subsidiaries or affiliates, as

the case may be) for any reason other than Cause or, by such Participant, for Good Reason, in each case, within the two-year period commencing on the Change in Control, then, as of the date of such Participant's termination, the Change-in-Control Treatment set forth in Section 6(a)(ii) above shall apply to all assumed or replaced Awards of such Participant then outstanding; provided, however, that any Awards subject to Section 409A of the Code shall be paid no earlier than the earliest permissible date under Section 409A of the Code.

- (v) Outstanding Stock Options or SARs that are assumed or replaced in accordance with Section 6(a)(i) may be exercised by the Participant in accordance with the applicable terms and conditions of such Award as set forth in the applicable Award agreement or elsewhere; provided, however, that Stock Options or SARs that become exercisable in accordance with Section 6(a)(iv) may be exercised until the expiration of the original full term of such Stock Option or SAR notwithstanding the other original terms and conditions of such Award.
 - (vi) Notwithstanding any other provision of this Section 6 or the Plan to the contrary, any Incentive Awards relating to Performance Cycles prior to the Performance Cycle in which the Change in Control occurs that have been earned but not paid shall become immediately payable in cash.
- (b) Impact of Event on Awards Granted Prior to February 11, 2010. Notwithstanding any other provision of the Plan to the contrary, in the event of a Change in Control, the following shall apply with respect to Awards granted under the Plan prior to February 11, 2010:
- (i) All Stock Options and SARs outstanding as of the date such Change in Control occurs shall become fully vested and exercisable.
 - (ii) The restrictions and other conditions applicable to any Restricted Stock, Restricted Stock Units, Deferred Stock Units, or Other Stock-Based Awards, including vesting requirements, shall lapse, and such Awards shall become free of all restrictions and fully vested.
 - (iii) The value of all outstanding Stock Options, SARs, Restricted Stock, Restricted Stock Units, Deferred Stock Units, and Other Stock-Based Awards shall, unless otherwise determined by the Committee at or after grant, be cashed out on the basis of the "Change in Control Price," as defined in Section 6(d), as of the date such Change in Control occurs, provided, however, that any Restricted Stock Units, Deferred Stock Units, or similar Other Stock-Based Awards that are subject to Section 409A of the Code shall be paid in a manner that complies with Section 409A as provided in the relevant Award agreement.
 - (iv) Any Incentive Awards relating to Performance Cycles prior to the Performance Cycle in which the Change in Control occurs that have been earned but not paid shall become immediately payable in cash. In addition, each Participant who has been awarded an Incentive Award for the Performance Cycle in which the Change

in Control occurs shall be deemed to have earned a pro rata Incentive Award equal to the product of (A) such Participant's target award opportunity for such Performance Cycle, and (B) a fraction, the numerator of which is the number of full or partial months that have elapsed since the beginning of such Performance Cycle to the date on which the Change in Control occurs, and the denominator of which is the total number of months in such Performance Cycle.

- (c) Definition of Change in Control. A "Change in Control" means the happening of any of the following events.
- (i) Consummation of the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (a "Person")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then outstanding shares of Common Stock (the "Outstanding Company Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change in Control: (1) any acquisition directly from the Company or any corporation or other entity controlled by the Company ("the Affiliated Group"), (2) any acquisition by a member of the Affiliated Group, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by a member of the Affiliated Group or (4) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of paragraph (iii) of this Section 6(c); or
 - (ii) Individuals who, as of the effective date of the Plan, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to such effective date whose election, or nomination for election by the stockholders of the Company, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or
 - (iii) Consummation of a reorganization, merger, share exchange or consolidation (a "Business Combination"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from

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

- (iv) Consummation of a (A) complete liquidation or dissolution of the Company or (B) sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation, with respect to which following such sale or other disposition, (1) more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (2) less than 20% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of any member of the Affiliated Group or such corporation), except to the extent that such Person owned 20% or more of the Outstanding Company Common Stock or Outstanding Company Voting Securities prior to the sale or disposition and (3) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement or at the time of the action of the Board providing for such sale or other disposition of assets of the Company or were elected, appointed or nominated by the Board.
- (d) Definition of Change in Control Price. Unless the Committee determines otherwise, "Change in Control Price" means the value of the consideration paid to holders of shares of Common Stock for such Common Stock in connection with a Change in Control

transaction (or, if no consideration is paid in connection with a Change in Control transaction, the Fair Market Value of a share of Common Stock immediately prior to a Change in Control), except that, in the case of Stock Options, SARs, and similar Other Stock-Based Awards, such price shall be based only on transactions reported for the date on which such Awards are cashed out.

- (e) Timing of Payment. Except as provided in Section 13(i), any amount required to be paid pursuant to this Section 6 shall be paid as soon as practicable after the date such amount becomes payable (but not later than 60 days after such date, and the Participant may not determine the time of payment).

Section 7. Plan Amendment and Termination.

The Board may amend or terminate the Plan at any time, provided that no such amendment shall be made without stockholder approval if such approval is required under applicable law, regulation, or stock exchange rule, or if such amendment would (i) decrease the grant or exercise price of any Stock Option, SAR or Other Stock-Based Award to less than the Fair Market Value on the date of grant, or (ii) increase the total number of shares of Common Stock that may be distributed under the Plan. Except as may be necessary to comply with a change in the laws, regulations or accounting principles of a foreign country applicable to Participants subject to the laws of such foreign country, the Committee may not, without stockholder approval, cancel any Stock Option and substitute therefor a new Stock Option with a lower grant price. Except as set forth in any Award agreement or as necessary to comply with applicable law or avoid adverse tax consequences to some or all Plan Participants, no amendment or termination of the Plan may materially and adversely affect any outstanding Award under the Plan without the Award recipient's consent.

Section 8. Payments and Payment Deferrals.

Payment of Awards may be in the form of cash, Common Stock, other Awards or combinations thereof as the Committee shall determine, and with such restrictions as it may impose. The Committee, either at the time of grant or by subsequent amendment, may require or permit deferral of the payment of Awards, under such rules and procedures as it may establish, provided, however, that any Stock Options, Stock Appreciation Rights, and similar Other Stock-Based Awards that are not subject to Section 409A of the Code but would be subject to Section 409A if a deferral were permitted, shall not be subject to any deferral. The Committee may also provide that deferred settlements include the payment or crediting of interest or other earnings on the deferred amounts, or the payment or crediting of dividend equivalents where the deferred amounts are denominated in Common Stock equivalents. Any deferral and related terms and conditions shall comply with Section 409A of the Code and any regulations and other guidance thereunder.

Section 9. Dividends and Dividend Equivalents.

The Committee may provide that any Awards under the Plan earn dividends or dividend equivalents. Such dividends or dividend equivalents may be paid currently or may be credited to a Participant's Plan account. Any crediting of dividends or dividend equivalents may be subject

to such restrictions and conditions as the Committee may establish, including reinvestment in additional shares of Common Stock or Common Stock equivalents.

Section 10. Transferability.

Except as provided in the applicable Award agreement or otherwise required by law, Awards shall not be transferable or assignable other than by will or the laws of descent and distribution.

Section 11. Award Agreements.

Each Award under the Plan shall be evidenced by a written agreement (which need not be signed by the recipient unless otherwise specified by the Committee) that sets forth the terms, conditions and limitations for each Award. Such terms may include, but are not limited to, the term of the Award, vesting and forfeiture provisions, and the provisions applicable in the event the Participant's employment terminates. The Committee may amend an Award agreement, provided that, except as set forth in any Award agreement or as necessary to comply with applicable law or avoid adverse tax consequences to some or all Plan Participants, no such amendment may materially and adversely affect an Award without the Participant's consent.

Section 12. Unfunded Status of Plan.

It is presently intended that the Plan constitute an "unfunded" plan for incentive and deferred compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or make payments; provided, however, that, unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan.

Section 13. General Provisions.

- (a) The Committee may require each person acquiring shares of Common Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to the distribution thereof. The certificates for such shares may include any legend that the Committee deems appropriate to reflect any restrictions on transfer.

All certificates for shares of Common Stock or other securities delivered under the Plan shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Commission, any stock exchange upon which the Common Stock is then listed, and any applicable Federal, state or foreign securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

- (b) Nothing contained in the Plan shall prevent the Company, a subsidiary or an affiliate from adopting other or additional compensation arrangements for their respective employees.
- (c) Neither the adoption of the Plan nor the granting of Awards under the Plan shall confer upon any employee any right to continued employment nor shall they interfere in any

way with the right of the Company, a subsidiary or an affiliate to terminate the employment of any employee at any time.

- (d) No later than the date as of which an amount first becomes includable in the gross income of the Participant for income tax purposes with respect to any Award under the Plan, the Participant shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any Federal, state, local or foreign taxes of any kind that are required by law or applicable regulation to be withheld with respect to such amount. Unless otherwise determined by the Committee, withholding obligations arising from an Award may be settled with Common Stock, including Common Stock that is part of, or is received upon exercise or conversion of, the Award that gives rise to the withholding requirement. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company, its subsidiaries and its affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Participant. The Committee may establish such procedures as it deems appropriate, including the making of irrevocable elections, for the settling of withholding obligations with Common Stock.
- (e) The Plan and all Awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction. Unless otherwise provided in an Award, recipients of an Award under the Plan are deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of Virginia, to resolve any and all issues that may arise out of or relate to the Plan or any related Award.
- (f) If any provision of the Plan is held invalid or unenforceable, the invalidity or unenforceability shall not affect the remaining parts of the Plan, and the Plan shall be enforced and construed as if such provision had not been included.
- (g) All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.
- (h) The Plan became effective on January 29, 2008. Except as otherwise provided by the Board, no Awards shall be made after January 29, 2013, provided that any Awards granted prior to that date may extend beyond it.
- (i) Notwithstanding anything in this Plan to the contrary, the Plan shall be construed to reflect the intent of the Company that all Awards under the Plan and any elections to defer, distributions, and other aspects of the Plan shall, to the extent subject to Section 409A of the Code, comply with Section 409A and any regulations and other guidance thereunder. If a payment obligation under this Plan arises on account of the Participant's termination of employment and such payment obligation constitutes "deferred compensation" (as defined under Treasury Regulation section 1.409A-1(b)(1), after giving effect to the exemptions in Treasury Regulation section 1.409A-1(b)(3) through

(b)(12)), it shall be payable only after the Participant's separation from service (as defined in Section 409A of the Code), provided, however, that if the Participant is a Specified Employee (as defined in Section 409A of the Code), any payment that is scheduled to be paid within six months after such separation from service shall accrue without interest and shall be paid on the first day of the seventh month beginning after the date of the Participant's separation from service or, if earlier, within fifteen days after the appointment of the personal representative or executor of the Participant's estate following the Participant's death.