

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

Individually)
and on Behalf of All Others Similarly)
Situating,)
Plaintiff,)
vs.)
PRUDENTIAL FINANCIAL, INC.,)
JOHN R. STRANGFELD, RICHARD J.)
CARBONE, PETER B. SAYRE and)
MARK B. GRIER,)
Defendants.)
DEMAND FOR JURY TRIAL

No.)
CLASS ACTION
COMPLAINT FOR VIOLATION OF
THE FEDERAL SECURITIES LAWS

SUMMARY OF ACTION

1. This is a securities fraud class action brought on behalf of all purchasers of the common stock of Prudential Financial, Inc. (“Prudential” or the “Company”) between May 5, 2010 and November 2, 2011, inclusive (the “Class Period”). The claims asserted herein are brought against Prudential and certain of its officers and directors, including John R. Strangfeld (“Strangfeld”), Chief Executive Officer, Richard J. Carbone (“Carbone”), the Company’s Chief Financial Officer, and certain other executive officers of the Company (collectively, the “Individual Defendants”).

2. During the Class Period, defendants engaged in a fraudulent scheme and multiple violations of §§10(b), 20(a) and 20(b) of the Securities Exchange Act of 1934 (“Exchange Act”) (15 U.S.C. §§78j(b), 78t(a) and 78t(b)) and Rule 10b-5 promulgated thereunder, by making false and misleading statements concerning the Company’s current and future financial condition and its quarterly and year-end financial statements.

COMPANY BACKGROUND

3. The Company describes itself as a financial services leader with operations in the United States, Asia, Europe and Latin America, which offers a wide array of financial products and services, including life insurance, annuities, retirement-related services, mutual funds, investment management, and real estate services. The businesses of Prudential are separated into the Financial Services

Businesses and the Closed Block Business.¹ The Company describes its businesses as follows:

- Financial Services Businesses. The Financial Services Businesses is comprised of three divisions, containing seven segments, and the Corporate and Other operations. The U.S. Retirement Solutions and Investment Management division is comprised of the Individual Annuities, Retirement and Asset Management segments. The U.S. Individual Life and Group Insurance division is comprised of the Individual Life and Group Insurance segments. The International Insurance and Investments division is comprised of the International Insurance and International Investments segments.
 - U.S. Retirement Solutions and Investment Management Division. The U.S. Retirement Solutions and Investment Management division conducts its business through the Individual Annuities, Retirement and Asset Management segments and manufactures and distributes individual variable and fixed annuity products, primarily to the U.S. mass affluent market.
 - U.S. Individual Life and Group Insurance Division. The U.S. Individual Life and Group Insurance division conducts its business through the Individual Life and Group Insurance segments and manufactures and distributes individual variable life, term life and universal life insurance products primarily to the U.S. mass middle, mass affluent and affluent markets.
 - International Insurance and International Investments Division. The International Insurance and International Investments division conducts its business through the International Insurance and International Investments segments and manufactures and distributes individual life insurance, retirement and related

¹ The Company has two classes of common stock outstanding. The common stock, which is publicly traded (NYSE:PRU), reflects the performance of the Financial Services Businesses, while the Class B stock, which was issued through a private placement and does not trade on any exchange, reflects the performance of the Closed Block Business.

products to the mass affluent and affluent markets in Japan, Korea and other countries outside the U.S., and offers proprietary and non-proprietary asset management investment advice and services to retail and institutional clients in selected international markets.

- Corporate and Other. Corporate and Other includes corporate operations, after allocations to business segments and the real estate and relocation services business, as well as divested businesses except for those that qualify for “discontinued operations” accounting treatment under U.S. GAAP, and certain retained obligations relating to pre-demutualization policyholders whom the Company had previously agreed to provide insurance for at reduced or no premiums in accordance with contractual settlements related to prior individual life insurance sales practices remediation.
- Closed Block Business. According to the Company, the Closed Block Business is described as follows: “In connection with the demutualization, we ceased offering domestic participating individual life insurance and annuity products, under which policyholders are eligible to receive policyholder dividends reflecting experience. The liabilities for our individual in force participating products were segregated, together with assets that will be used exclusively for the payment of benefits and policyholder dividends, expenses and taxes with respect to these products, in the Closed Block.”

INTRODUCTION AND OVERVIEW

4. Prudential has sold and serviced insurance products in the United States for 135 years. A significant amount of the Company’s operating income and investment income is intertwined with historical processes, procedures and policies for the investigation and paying of claims. As part of the investigation and claims paying process, the Company has engaged in the use of the Social Security Administration’s Death Master File (“SSA-DMF”) which has been available since the 1980s. The SSA-DMF is a government-maintained database of all deaths recorded in

the United States, including demographic information about decedents, including, for example, their social security numbers. The Company has historically and specifically accessed the SSA-DMF regularly for a variety of purposes, including in order to cross-check policyholder information and determine whether its annuity policyholders have died, using that information as an impetus to stop making annuity payments.

5. More recently, it has been disclosed that the Company did not always use the SSA-DMF to cross-check whether death benefit payments are due under life insurance policies, annuity contracts or retained asset accounts, thus subjecting the Company to immediate liabilities for death benefits to policy beneficiaries, and starting the clock for escheatment of unclaimed property or benefit funds to relevant state authorities in the event that beneficiaries were either not located or did not submit a claim to the Company within the statutory period. It has also been revealed in some cases that the Company had direct knowledge of the death of a policyholder but still did not notify the beneficiaries.

6. The Company's processes and procedures and its failure to use databases available to the Company and information known or reasonably available to the Company had the effect of maintaining or retaining monies and accounts that could have and likely should have been paid out to beneficiaries of Prudential's policyholders or instead escheated to the relevant state authorities after the "dormancy period" expired.

7. During the Class Period, defendants caused the Company to issue materially false and misleading statements concerning the Company's current and future financial condition, including its reserves and its potential liability to policyholders, their beneficiaries or relevant state authorities for millions of dollars in benefits that should have been paid out to policyholders or escheated to the states, and the extent of the Company's exposure to claims of state and federal law violations.

8. Due in part to maintaining funds that properly belong to policyholders' beneficiaries or state unclaimed property funds during the Class Period, the Company reported strong income and operating earnings while failing to disclose that its reported income was materially overstated due to the Company's failure to account and reserve for known liabilities associated with policyholders who had died.

9. On May 6, 2011, the Company filed a Form 10-Q for the period ended March 31, 2011. The Form 10-Q disclosed that the Company was subject to an audit investigation by certain states regarding compliance with the states' unclaimed property laws.

10. On August 5, 2011, the Company filed a Form 10-Q with the SEC for the quarter ended June 30, 2011. The Form 10-Q discussed and disclosed again that the Company was currently being investigated by a third party auditor on behalf of 33 jurisdictions concerning state unclaimed property laws. In addition, however, the Company disclosed for the first time that it had been subpoenaed by the New York Attorney General regarding its unclaimed property procedures and that the New York

Office of Unclaimed Funds was beginning an additional investigation into the Company's compliance with New York's unclaimed property laws and identification of escheatable funds. The investigations were centered upon the Company's use or failure to make use of the SSA-DMF:

Contingent Liabilities

* * *

. . . The Company is currently being examined by a third party auditor on behalf of 33 U.S. jurisdictions for compliance with the unclaimed property laws of these jurisdictions. Significant attention has been focused on life insurance companies' processes and procedures used to identify unreported death claims and whether life insurance companies use the Social Security Master Death File ("SSMDF") to identify deceased policy and contract holders. The Company is one of several companies subpoenaed by the New York Attorney General regarding its unclaimed property procedures. Additionally, the New York Department of Insurance ("NYDOI") has requested that 172 life insurers (including the Company) provide data to the NYDOI regarding use of the SSMDF. The New York Office of Unclaimed Funds recently notified the Company that it intends to conduct an audit of the Company's compliance with New York's unclaimed property laws.

11. On August 8, 2011, the Company's stock price fell to a close of \$48.14 per share from a close of \$53.99 per share on August 5, 2011, on heavy trading volume.

12. On November 2, 2011, the Company reported its third quarter fiscal 2011 financial results in a press release. The third quarter 2011 earnings results of \$1.07 per common share missed Wall Street analyst consensus expectations of \$1.54 per share. Among other things, the Company reported that it had taken a \$99 million charge to increase reserves related to its usage in the quarter of the SSA-DMF:

PRUDENTIAL FINANCIAL, INC. ANNOUNCES THIRD QUARTER 2011 RESULTS

- **Net income of Financial Services Businesses attributable to Prudential Financial, Inc. of \$1.505 billion, or \$3.06 per Common share compared to \$2.46 per Common share in the year-ago quarter.**
- **After-tax adjusted operating income for the Financial Services Businesses of \$520 million, or \$1.07 per Common share compared to \$2.12 per Common share in the year-ago quarter.**

* * *

Significant items included in current quarter adjusted operating income:

* * *

- *Pre-tax charge of \$99 million in Corporate and Other operations to increase reserves for estimated claims based on use of new Social Security Master Death File matching criteria.*
- Pre-tax charge of \$20 million in Corporate and Other operations for a contribution to be made to an insurance industry insolvency fund.

13. On November 3, 2011, the Company held a conference call for investors and analysts to discuss its third quarter fiscal 2011 results. The call was hosted by defendants Strangfeld and Carbone and discussed the impact of the charges that caused the Company to miss its financial targets, including the charges related to usage of the SSA-DMF:

[CARBONE:] In international insurance, Gibraltar Life benefited by \$0.13 per share from the partial sale of our indirect investment in China Pacific Life. This benefit was partially offset by integration costs

of \$0.06 per share relating to the Star/Edison acquisition and corporate and other results absorbed charges of \$0.15 per share to increase reserves for estimated death claims based on new matching criteria used with Social Security death benefit death files

* * *

[MARK B. GRIER:] Corporate and other operations reported a loss of \$327 million for the current quarter, compared to a \$265 million loss a year ago. As Rich mentioned, current quarter results include a \$99 million charge to increase reserves for estimated death claims based on applying new matching criteria to the Social Security death files, and an additional \$20 million charge for a contribution to be made to an insurance industry insolvency fund. Excluding those charges, the loss from corporate and other results was reduced by \$57 million from a year ago.

14. On this news, the Company's share price declined from a close of \$53.67 per share on November 2, 2011 to \$53.05 per share on November 3, 2011 and to \$52.19 per share on November 4, 2011.

15. Defendants' financial reports and related disclosures during the Class Period were each materially false and misleading in that defendants knew or recklessly disregarded that:

(a) The Company had not properly or adequately reserved for the payment of benefits to policyholders' beneficiaries when it knew or had reason to know the policyholders were deceased;

(b) The Company's historical processes, policies and procedures were inadequate to identify current liabilities related to policyholders who had died but whose beneficiary claims had not yet been made;

(c) Defendants knew that the Company's financial results and guidance for its operating earnings or income during the Class Period were false; and

(d) Defendants knew that the Company knowingly failed to reserve for losses that it knew it had already incurred.

JURISDICTION AND VENUE

16. The claims asserted arise under §§10(b), 20(a) and 20(b) of the Exchange Act and Rule 10b-5. Jurisdiction is conferred by §27 of the Exchange Act. Venue is proper pursuant to §27 of the Exchange Act. Prudential's headquarters are located in Newark, New Jersey, and false statements were made in this District and acts giving rise to the violations complained of occurred in this District.

THE PARTIES

17. Plaintiff [REDACTED] purchased or acquired Prudential common stock during the Class Period and suffered economic damages as a result of the conduct alleged herein.

18. Defendant John R. Strangfeld ("Strangfeld") is and was, at all relevant times during the Class Period, the Chief Executive Officer and Chairman of the Company.

19. Defendant Richard J. Carbone ("Carbone") is and was, at all relevant times during the Class Period, the Executive Vice President and Chief Financial Officer of the Company.

20. Defendant Peter B. Sayre (“Sayre”) is and was, at all relevant times during the Class Period, the Senior Vice President and Principal Accounting Officer of the Company.

21. Defendant Mark B. Grier (“Grier”) is and was, at all times during the Class Period, the Vice Chairman of the Company responsible for investor relations, finance, corporate actuarial, asset liability and risk management.

CONTROL PERSONS

22. As officers and controlling persons of a publicly held company, whose common stock was and is traded on the NYSE, and is governed by the provisions of the federal securities laws, the Individual Defendants each had a duty to promptly disseminate accurate and truthful information with respect to the Company’s financial condition, performance, growth, operations, financial statements, business, markets, management, earnings and present and future business prospects, and to correct any previously issued statements that had become materially misleading or untrue, so that the market price of the Company’s common stock would be based upon truthful and accurate information. The Individual Defendants’ misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

SUBSTANTIVE ALLEGATIONS

23. On May 5, 2010, the Company issued press release concerning the Company’s first quarter 2010 financial results:

PRUDENTIAL FINANCIAL, INC. ANNOUNCES FIRST QUARTER 2010 RESULTS

- **Net income of Financial Services Businesses attributable to Prudential Financial, Inc. of \$536 million, or \$1.15 per Common share.**
- **After-tax adjusted operating income of \$699 million, or \$1.49 per Common share; earnings per Common share up 45% from year-ago quarter.**

* * *

. . . Prudential Financial, Inc. today reported net income of its Financial Services Businesses attributable to Prudential Financial, Inc. of \$536 million for the first quarter of 2010, compared to a net loss of \$5 million for the year-ago quarter. Net income per Common share was \$1.15 for the first quarter of 2010 and 1 cent for the year-ago quarter. . . .

“Each of our divisions achieved solid earnings growth for the first quarter, giving us a strong start toward reaching our goals for the year.

* * *

Financial Services Businesses

Prudential Financial’s Common Stock reflects the performance of its Financial Services Businesses, which consist of its U.S. Retirement Solutions and Investment Management, U.S. Individual Life and Group Insurance, and International Insurance and Investments divisions and its Corporate and Other operations.

* * *

The U.S. Retirement Solutions and Investment Management division reported adjusted operating income of \$514 million for the first quarter of 2010, compared to \$175 million in the year-ago quarter.

* * *

The U.S. Individual Life and Group Insurance division reported adjusted operating income of \$144 million for the first quarter of 2010, compared to \$133 million in the year-ago quarter.

* * *

Corporate and Other operations resulted in a loss, on an adjusted operating income basis, of \$202 million in the first quarter of 2010, compared to a loss of \$175 million in the year-ago quarter. The current quarter loss was primarily driven by interest expense, net of investment income.

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Net income of the Financial Services Businesses attributable to Prudential Financial, Inc. amounted to \$536 million for the first quarter of 2010, compared to a net loss of \$5 million in the year-ago quarter.

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Consolidated Results

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On a consolidated basis, which includes the results of both the Financial Services Businesses and the Closed Block Business, Prudential Financial, Inc. reported net income attributable to Prudential Financial, Inc. of \$697 million for the first quarter of 2010 compared to \$14 million for the year-ago quarter.

24. On August 4, 2010, the Company issued a press release announcing its second quarter 2010 financial results. The press release stated as follows:

PRUDENTIAL FINANCIAL, INC. ANNOUNCES SECOND QUARTER 2010 RESULTS

- **Net income of Financial Services Businesses attributable to Prudential Financial, Inc. of \$798 million, or \$1.70 per Common share.**
- **After-tax adjusted operating income of \$708 million, or \$1.51 per Common share**

* * *

. . . Prudential Financial, Inc. today reported net income of its Financial Services Businesses attributable to Prudential Financial, Inc. of \$798 million (\$1.70 per Common share) for the second quarter of 2010, compared to \$538 million (\$1.25 per Common share) for the year-ago quarter. After-tax adjusted operating income for the Financial Services Businesses was \$708 million (\$1.51 per Common share) for the second quarter of 2010, compared to \$809 million (\$1.87 per Common share) for the second quarter of 2009. Adjusted operating income is a non-GAAP measure as discussed below.

* * *

Financial Services Businesses

Prudential Financial’s Common Stock reflects the performance of its Financial Services Businesses, which consist of its U.S. Retirement Solutions and Investment Management, U.S. Individual Life and Group Insurance, and International Insurance and Investments divisions and its Corporate and Other operations.

* * *

The **U.S. Retirement Solutions and Investment Management division** reported adjusted operating income of \$552 million for the second quarter of 2010, compared to \$564 million in the year-ago quarter.

* * *

The **U.S. Individual Life and Group Insurance division** reported adjusted operating income of \$120 million for the second quarter of 2010, compared to \$243 million in the year-ago quarter.

* * *

Corporate and Other operations resulted in a loss, on an adjusted operating income basis, of \$184 million in the second quarter of 2010, compared to a loss of \$168 million in the year-ago quarter.

* * *

Net income of the Financial Services Businesses attributable to Prudential Financial, Inc. amounted to \$798 million for the second quarter of 2010, compared to \$538 million in the year-ago quarter.

* * *

Closed Block Business

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The Closed Block Business reported income from continuing operations before income taxes of \$404 million for the second quarter of 2010, compared to a loss from continuing operations before income taxes of \$586 million for the year-ago quarter. . . .

The Closed Block Business reported net income attributable to Prudential Financial, Inc. of \$279 million for the second quarter of 2010, compared to a net loss of \$375 million for the year-ago quarter.

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Consolidated Results

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On a consolidated basis, which includes the results of both the Financial Services Businesses and the Closed Block Business, Prudential Financial, Inc. reported net income attributable to Prudential Financial, Inc. of \$1.077 billion for the second quarter of 2010 compared to \$163 million for the year-ago quarter, and reported net income attributable to Prudential Financial, Inc. of \$1.774 billion for the first half of 2010 and \$177 million for the first half of 2009.

25. On November 3, 2010, the Company issued its financial results for the third quarter 2010 in a press release. The press release stated as follows:

PRUDENTIAL FINANCIAL, INC. ANNOUNCES THIRD QUARTER 2010 RESULTS

- **Net income of Financial Services Businesses attributable to Prudential Financial, Inc. of \$1.2 billion, or \$2.46 per Common share.**

- **After-tax adjusted operating income of \$1.0 billion, or \$2.12 per Common share**

* * *

. . . Prudential Financial, Inc. today reported net income of its Financial Services Businesses attributable to Prudential Financial, Inc. of \$1.167 billion (\$2.46 per Common share) for the third quarter of 2010, compared to \$1.090 billion (\$2.35 per Common share) for the year-ago quarter. After-tax adjusted operating income for the Financial Services Businesses was \$1.002 billion (\$2.12 per Common share) for the third quarter of 2010, compared to \$825 million (\$1.78 per Common share) for the third quarter of 2009.

* * *

“We are pleased with our strong third quarter results, which were driven by our U.S. Retirement Solutions and Investment Management and International Insurance businesses, where we see substantial growth opportunities.

* * *

Financial Services Businesses

Prudential Financial’s Common Stock reflects the performance of its Financial Services Businesses, which consist of its U.S. Retirement Solutions and Investment Management, U.S. Individual Life and Group Insurance, and International Insurance and Investments divisions and its Corporate and Other operations.

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The **U.S. Retirement Solutions and Investment Management division** reported adjusted operating income of \$855 million for the third quarter of 2010, compared to \$461 million in the year-ago quarter.

* * *

The **U.S. Individual Life and Group Insurance division** reported adjusted operating income of \$251 million for the third quarter of 2010, compared to \$307 million in the year-ago quarter.

* * *

The Group Insurance segment reported adjusted operating income of \$61 million in the current quarter, compared to \$64 million in the year-ago quarter. Current quarter results benefited \$28 million from refinements of group life and disability reserves, primarily reflecting updates of actuarial assumptions based on an annual review. . . .

The **International Insurance and Investments division** reported adjusted operating income of \$531 million for the third quarter of 2010, compared to \$507 million in the year-ago quarter.

* * *

Corporate and Other operations resulted in a loss, on an adjusted operating income basis, of \$260 million in the third quarter of 2010, compared to a loss of \$203 million in the year-ago quarter.

* * *

Net income of the Financial Services Businesses attributable to Prudential Financial, Inc. amounted to \$1.167 billion for the third quarter of 2010, compared to \$1.090 billion in the year-ago quarter.

* * *

Closed Block Business

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The Closed Block Business reported income from continuing operations before income taxes of \$114 million for the third quarter of 2010, compared to a loss from continuing operations before income taxes of \$16 million for the year-ago quarter. . . .

The Closed Block Business reported net income attributable to Prudential Financial, Inc. of \$77 million for the third quarter of 2010, compared to a net loss of \$8 million for the year-ago quarter.

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Consolidated Results

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On a consolidated basis, which includes the results of both the Financial Services Businesses and the Closed Block Business, Prudential Financial, Inc. reported net income attributable to Prudential Financial, Inc. of \$1.244 billion for the third quarter of 2010 compared to \$1.082 billion for the year-ago quarter, and reported net income attributable to Prudential Financial, Inc. of \$3.018 billion for the first nine months of 2010 and \$1.259 billion for the first nine months of 2009.

26. On November 17, 2010, the Company issued a press release stating that it had completed a public offering of more than 18 million shares of its common stock for proceeds of approximately \$970 million:

PRUDENTIAL FINANCIAL, INC. COMPLETES PUBLIC OFFERING OF COMMON STOCK

... Prudential Financial, Inc. today announced that it has completed a public offering of 18,348,624 shares of its common stock, resulting in net proceeds to the company of approximately \$970 million. The company intends to use the net proceeds from the common stock offering to fund a portion of the purchase price for its previously announced acquisition of AIG Star Life Insurance Co., Ltd and AIG Edison Life Insurance Company from American International Group, Inc.

27. On February 9, 2011, the Company issued a press release announcing its fiscal 2010 financial results. The press release stated as follows:

PRUDENTIAL FINANCIAL, INC. ANNOUNCES 2010 RESULTS

- **Net income of Financial Services Businesses attributable to Prudential Financial, Inc. for year 2010, \$2.7 billion or \$5.75 per Common share compared to \$3.4 billion or \$7.63 per Common share for 2009 which included \$2.95 per Common**

share gain on sale of interest in retail securities brokerage joint venture.

- **After-tax adjusted operating income for the Financial Services Businesses of \$3.0 billion for year 2010 or \$6.27 per Common share; earnings per Common share up 14% from the level of 2009.**

* * *

- **Net income of Financial Services Businesses attributable to Prudential Financial, Inc. of \$213 million or 45 cents per Common share for fourth quarter 2010.**

* * *

- **After-tax adjusted operating income for the Financial Services Businesses of \$861 million or \$1.78 per Common share for fourth quarter 2010; earnings per Common share up 48% from the year-ago quarter. Significant items included in current quarter adjusted operating income**

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Prudential Financial, Inc. today reported net income of its Financial Services Businesses attributable to Prudential Financial, Inc. of \$2.714 billion (\$5.75 per Common share) for the year ended December 31, 2010, compared to \$3.411 billion (\$7.63 per Common share) for 2009. After-tax adjusted operating income for the Financial Services Businesses was \$2.968 billion (\$6.27 per Common share) for 2010, compared to \$2.448 billion (\$5.51 per Common share) for 2009. Information regarding adjusted operating income, a non-GAAP measure, is provided below.

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“Our solid operating results for the fourth quarter and the year reflect sustained organic growth in our key U.S. retirement and international insurance businesses.”

* * *

Financial Services Businesses

Prudential Financial's Common Stock reflects the performance of its Financial Services Businesses, which consist of its U.S. Retirement Solutions and Investment Management, U.S. Individual Life and Group Insurance, and International Insurance and Investments divisions and its Corporate and Other operations.

* * *

The **U.S. Retirement Solutions and Investment Management division** reported adjusted operating income of \$624 million for the fourth quarter of 2010, compared to \$323 million in the year-ago quarter.

* * *

The Retirement segment reported adjusted operating income of \$147 million for the current quarter, compared to \$132 million in the year-ago quarter. The increase resulted primarily from higher fees associated with growth in retirement account values.

* * *

The **U.S. Individual Life and Group Insurance division** reported adjusted operating income of \$200 million for the fourth quarter of 2010, compared to \$210 million in the year-ago quarter.

* * *

The Group Insurance segment reported adjusted operating income of \$69 million in the current quarter, unchanged from the year-ago quarter. More favorable group life underwriting results in the current quarter were essentially offset by less favorable group disability underwriting results.

* * *

Corporate and Other operations resulted in a loss, on an adjusted operating income basis, of \$231 million in the fourth quarter of 2010, compared to a loss of \$220 million in the year-ago quarter.

* * *

Net income of the Financial Services Businesses attributable to Prudential Financial, Inc. amounted to \$213 million for the fourth quarter of 2010, compared to \$1.788 billion in the year-ago quarter.

* * *

Closed Block Business

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The Closed Block Business reported a loss from continuing operations before income taxes of \$52 million for the fourth quarter of 2010, compared to income from continuing operations before income taxes of \$92 million for the year-ago quarter.

The Closed Block Business reported a net loss attributable to Prudential Financial, Inc. of \$36 million for the fourth quarter of 2010, compared to net income of \$77 million for the year-ago quarter.

For the year ended December 31, 2010, the Closed Block Business reported income from continuing operations before income taxes of \$725 million, compared to a loss from continuing operations before income taxes of \$480 million for 2009. The Closed Block Business reported net income attributable to Prudential Financial, Inc. of \$481 million for 2010, compared to a net loss of \$287 million for 2009.

Consolidated Results

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On a consolidated basis, which includes the results of both the Financial Services Businesses and the Closed Block Business, Prudential Financial, Inc. reported net income attributable to Prudential Financial, Inc. of \$177 million for the fourth quarter of 2010 compared to \$1.865 billion for the year-ago quarter, and reported net income attributable to Prudential Financial, Inc. of \$3.195 billion for the year ended December 31, 2010 and \$3.124 billion for 2009.

28. On February 25, 2011, the Company filed its Form 10-K for fiscal 2010 with the SEC. The Form 10-K repeated in substance the financial information reported in the February 9, 2011 press release. The Form 10-K also included

certifications of defendants Strangfeld and Carbone pursuant to Sarbanes-Oxley §§302 and 906, which stated as follows:

1. I have reviewed this Annual Report on Form 10-K of Prudential Financial, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

29. On May 4, 2011, the Company issued a press release announcing its first quarter fiscal 2011 financial results. The press release stated as follows:

**PRUDENTIAL FINANCIAL, INC. ANNOUNCES FIRST
QUARTER 2011 RESULTS**

Net income of Financial Services Businesses attributable to Prudential Financial, Inc. of \$589 million, or \$1.20 per Common share.

* * *

... Prudential Financial, Inc. today reported net income of its Financial Services Businesses attributable to Prudential Financial, Inc. of \$589 million (\$1.20 per Common share) for the first quarter of 2011, compared to \$536 million (\$1.15 per Common share) for the year-ago quarter. After-tax adjusted operating income for the Financial Services Businesses was \$835 million (\$1.69 per Common share) for the first quarter of 2011, compared to \$676 million (\$1.45 per Common share) for the year-ago quarter. Information regarding adjusted operating income, a non-GAAP measure, is provided below.

* * *

Financial Services Businesses

Prudential Financial's Common Stock reflects the performance of its Financial Services Businesses, which consist of its U.S. Retirement Solutions and Investment Management, U.S. Individual Life and Group Insurance, and International Insurance divisions and its Corporate and Other operations.

* * *

The **U.S. Retirement Solutions and Investment Management division** reported adjusted operating income of \$618 million for the first quarter of 2011, compared to \$496 million in the year-ago quarter.

* * *

The Retirement segment reported adjusted operating income of \$172 million for the current quarter, compared to \$169 million in the year-ago quarter.

* * *

The **U.S. Individual Life and Group Insurance division** reported adjusted operating income of \$136 million for the first quarter of 2011, compared to \$144 million in the year-ago quarter.

The Individual Life segment reported adjusted operating income of \$96 million for the current quarter, compared to \$91 million in the

year-ago quarter. The increase reflected improved mortality experience in comparison to the year-ago quarter.

The Group Insurance segment reported adjusted operating income of \$40 million in the current quarter, compared to \$53 million in the year-ago quarter. Current quarter results reflect less favorable group disability claims experience than that of the year-ago quarter.

* * *

Corporate and Other operations resulted in a loss, on an adjusted operating income basis, of \$272 million in the first quarter of 2011, compared to a loss of \$210 million in the year-ago quarter.

* * *

Net income of the Financial Services Businesses attributable to Prudential Financial, Inc. amounted to \$589 million for the first quarter of 2011, compared to \$536 million in the year-ago quarter.

* * *

Closed Block Business

* * *

The Closed Block Business reported income from continuing operations before income taxes of \$27 million for the first quarter of 2011, compared to \$259 million for the year-ago quarter. Current quarter results include pre-tax net realized investment gains of \$30 million, compared to \$274 million in the year-ago quarter.

The Closed Block Business reported net income attributable to Prudential Financial, Inc. of \$19 million for the first quarter of 2011 and \$161 million for the year-ago quarter.

Consolidated Results

* * *

On a consolidated basis, which includes the results of both the Financial Services Businesses and the Closed Block Business, Prudential Financial, Inc. reported net income attributable to Prudential Financial,

Inc. of \$608 million for the first quarter of 2011 compared to \$697 million for the year-ago quarter.

THE RELEVANT TRUTH BEGINS TO BE DISCLOSED

30. On May 6, 2011, the Company filed a Form 10-Q for the period ending March 31, 2011. The Form 10-Q disclosed that the Company was subject to an audit investigation by certain states regarding compliance with the states' unclaimed property laws:

Contingent Liabilities

* * *

The Company is subject to the laws and regulations of states and other jurisdictions concerning the identification, reporting and escheatment of unclaimed or abandoned funds, and is subject to audit and examination for compliance with these requirements. The Company is currently being examined by a third party auditor on behalf of 33 U.S. jurisdictions for compliance with the unclaimed property laws of these jurisdictions. It is possible that this audit may result in additional payments of abandoned funds to U.S. jurisdictions and to changes in the Company's practices and procedures for the identification of escheatable funds, which could impact claim payments and reserves, among other consequences.

It is possible that the results of operations or the cash flow of the Company in a particular quarterly or annual period could be materially affected as a result of payments in connection with the matters discussed above or other matters depending, in part, upon the results of operations or cash flow for such period.

31. On August 3, 2011, the Company issued a press release announcing its financial results for its second quarter of fiscal 2011. The press release stated as follows:

PRUDENTIAL FINANCIAL, INC. ANNOUNCES SECOND QUARTER 2011 RESULTS

Net income of Financial Services Businesses attributable to Prudential Financial, Inc. of \$831 million, or \$1.68 per Common share.

- **After-tax adjusted operating income for the Financial Services Businesses of \$843 million, or \$1.71 per Common share compared to 88 cents per Common share in the year-ago quarter.**

* * *

Prudential Financial, Inc. today reported net income of its Financial Services Businesses attributable to Prudential Financial, Inc. of \$831 million (\$1.68 per Common share) for the second quarter of 2011, compared to \$798 million (\$1.70 per Common share) for the year-ago quarter. After-tax adjusted operating income for the Financial Services Businesses was \$843 million (\$1.71 per Common share) for the second quarter of 2011, compared to \$409 million (88 cents per Common share) for the year-ago quarter. Information regarding adjusted operating income, a non-GAAP measure, is provided below.

* * *

“We are pleased with our strong results for the second quarter, driven by solid performance across our businesses and substantial earnings growth in each of our operating divisions.”

* * *

Financial Services Businesses

Prudential Financial’s Common Stock reflects the performance of its Financial Services Businesses, which consist of its U.S. Retirement Solutions and Investment Management, U.S. Individual Life and Group Insurance, and International Insurance divisions and its Corporate and Other operations.

* * *

The **U.S. Retirement Solutions and Investment Management division** reported adjusted operating income of \$621 million for the second quarter of 2011, compared to \$130 million in the year-ago quarter.

The Individual Annuities segment reported adjusted operating income of \$221 million in the current quarter, compared to a loss, on an adjusted operating income basis, of \$131 million in the year-ago quarter. Current quarter results include charges of \$20 million to strengthen reserves for guaranteed minimum death and income benefits and \$16 million representing a net increase in amortization of deferred policy acquisition and other costs, reflecting an updated estimate of profitability for this business. . . .

The Retirement segment reported adjusted operating income of \$173 million for the current quarter, compared to \$137 million in the year-ago quarter. The increase resulted primarily from higher fees associated with growth in retirement account values and a greater contribution from net investment spread results.

* * *

The **U.S. Individual Life and Group Insurance division** reported adjusted operating income of \$179 million for the second quarter of 2011, compared to \$120 million in the year-ago quarter.

* * *

Corporate and Other operations resulted in a loss, on an adjusted operating income basis, of \$231 million in the second quarter of 2011, compared to a loss of \$180 million in the year-ago quarter.

* * *

Net income of the Financial Services Businesses attributable to Prudential Financial, Inc. amounted to \$831 million for the second quarter of 2011, compared to \$798 million in the year-ago quarter.

* * *

Closed Block Business

* * *

The Closed Block Business reported income from continuing operations before income taxes of \$9 million for the second quarter of 2011, compared to \$404 million for the year-ago quarter. Current quarter results include pre-tax net realized investment gains of \$215 million, compared to \$421 million in the year-ago quarter.

The Closed Block Business reported net income attributable to Prudential Financial, Inc. of \$7 million for the second quarter of 2011 and \$279 million for the year-ago quarter.

* * *

Consolidated Results

* * *

On a consolidated basis, which includes the results of both the Financial Services Businesses and the Closed Block Business, Prudential Financial, Inc. reported net income attributable to Prudential Financial, Inc. of \$838 million for the second quarter of 2011 compared to \$1.077 billion for the year-ago quarter, and reported net income attributable to Prudential Financial, Inc. of \$1.446 billion for the first half of 2011 and \$1.774 billion for the first half of 2010.

32. On August 5, 2011, the Company filed a Form 10-Q with the SEC for the quarter ended June 30, 2011. The Form 10-Q discussed and disclosed again that the Company was currently being investigated by 33 jurisdictions concerning state unclaimed property laws. In addition, the Company disclosed that it had been subpoenaed by the New York Attorney General regarding its unclaimed property procedures and that the New York Office of Unclaimed Funds was beginning an additional investigation into the Company's compliance with New York's unclaimed

property laws. Both investigations were centered upon the Company's use or failure to make use of the SSA-DMF:

Contingent Liabilities

* * *

. . . The Company is currently being examined by a third party auditor on behalf of 33 U.S. jurisdictions for compliance with the unclaimed property laws of these jurisdictions. Significant attention has been focused on life insurance companies' processes and procedures used to identify unreported death claims and whether life insurance companies use the Social Security Master Death File ("SSMDF") to identify deceased policy and contract holders. The Company is one of several companies subpoenaed by the New York Attorney General regarding its unclaimed property procedures. Additionally, the New York Department of Insurance ("NYDOI") has requested that 172 life insurers (including the Company) provide data to the NYDOI regarding use of the SSMDF. The New York Office of Unclaimed Funds recently notified the Company that it intends to conduct an audit of the Company's compliance with New York's unclaimed property laws. The Company has received market conduct exam notices and additional inquiries from insurance regulators in states not participating in the third party audit described above. Additionally, regulators and state legislators are considering proposals that would require life insurance companies to take additional steps to identify unreported deceased policy and contract holders. If implemented, the proposals under consideration and any escheatable property identified as a result of the audits will result in: (1) additional payments of previously unreported death claims; (2) the payment of abandoned funds to U.S. jurisdictions; and (3) changes in the Company's practices and procedures for the identification of escheatable funds, which will impact claim payments and reserves, among other consequences.

33. On August 8, 2011, the Company's stock price fell to a close of \$48.14 per share from a close of \$53.99 per share on August 5, 2011, on heavy trading volume.

34. On November 2, 2011, the Company reported its third quarter fiscal 2011 financial results in a press release. Among other things, the Company reported that it had taken a \$99 million charge to increase reserves related to its usage in the quarter of the SSA-DMF:

**PRUDENTIAL FINANCIAL, INC. ANNOUNCES THIRD
QUARTER 2011 RESULTS**

- **Net income of Financial Services Businesses attributable to Prudential Financial, Inc. of \$1.505 billion, or \$3.06 per Common share compared to \$2.46 per Common share in the year-ago quarter.**
- **After-tax adjusted operating income for the Financial Services Businesses of \$520 million, or \$1.07 per Common share compared to \$2.12 per Common share in the year-ago quarter.**

* * *

Significant items included in current quarter adjusted operating income:

- Pre-tax charges of \$435 million in Individual Annuities to strengthen reserves for guaranteed death and income benefits and increase amortization of deferred policy acquisition and other costs, including impact of annual review of actuarial assumptions.
- Pre-tax charge of \$26 million in Retirement, and pre-tax benefits of \$75 million and \$26 million in Individual Life and Group Insurance, respectively, reflecting annual review of actuarial assumptions.
- Pre-tax charge of approximately \$30 million in Individual Life from increased net amortization of deferred policy acquisition and other costs due to market-driven separate account performance.

* * *

- *Pre-tax charge of \$99 million in Corporate and Other operations to increase reserves for estimated claims based on use of new Social Security Master Death File matching criteria.*
- Pre-tax charge of \$20 million in Corporate and Other operations for a contribution to be made to an insurance industry insolvency fund.

* * *

. . . Prudential Financial, Inc. today reported net income of its Financial Services Businesses attributable to Prudential Financial, Inc. of \$1.505 billion (\$3.06 per Common share) for the third quarter of 2011, compared to \$1.167 billion (\$2.46 per Common share) for the year-ago quarter. After-tax adjusted operating income for the Financial Services Businesses was \$520 million (\$1.07 per Common share) for the third quarter of 2011, compared to \$1.004 billion (\$2.12 per Common share) for the year-ago quarter. Information regarding adjusted operating income, a non-GAAP measure, is provided below.

* * *

Financial Services Businesses

Prudential Financial's Common Stock reflects the performance of its Financial Services Businesses, which consist of its U.S. Retirement Solutions and Investment Management, U.S. Individual Life and Group Insurance, and International Insurance divisions and its Corporate and Other operations.

* * *

The **U.S. Retirement Solutions and Investment Management Division** reported adjusted operating income of \$43 million for the third quarter of 2011, compared to \$855 million in the year-ago quarter.

* * *

The **U.S. Individual Life and Group Insurance Division** reported adjusted operating income of \$209 million for the third quarter of 2011, compared to \$251 million in the year-ago quarter.

The **International Insurance segment** reported adjusted operating income of \$751 million for the third quarter of 2011, compared to \$540 million in the year-ago quarter.

Adjusted operating income of the segment's Life Planner insurance operations was \$357 million for the current quarter, an increase of \$34 million from \$323 million in the year-ago quarter. The increase came primarily from continued business growth, together with more favorable mortality experience in the current quarter.

Corporate and Other operations resulted in a loss, on an adjusted operating income basis, of \$327 million in the third quarter of 2011, compared to a loss of \$265 million in the year-ago quarter. Current quarter results include a charge of \$99 million to increase reserves for estimated claims based on use of new Social Security Master Death File matching criteria to identify deceased policy and contract holders, and a charge of \$20 million for a contribution to be made to an insurance industry insolvency fund. Excluding these charges, the loss from Corporate and Other operations was reduced \$57 million from the year ago quarter, primarily due to lower expenses. Adjusted operating income from the Company's real estate and relocation business, which is included in Corporate and Other operations, amounted to \$14 million in the current quarter and \$19 million in the year-ago quarter.

* * *

Net income of the Financial Services Businesses attributable to Prudential Financial, Inc. amounted to \$1.505 billion for the third quarter of 2011, compared to \$1.167 billion in the year-ago quarter.

35. On November 2, 2011, *Barron's* issued an article entitled "Pru Shares Sink 2%, Hartford %5 In After Hours; Both Miss Earnings." The article stated in part:

Shares of Prudential Financial (PRU) were down most recently 2.5% in after-hours activity. Another big insurance provider and asset

manager, Hartford Financial (HIG), dropped by more than 5% after the close of regular trading.

Both reported late Wednesday earnings misses as volatile stock markets in the third-quarter cut into retirement product profits and sank operating revenues.

PRU reported adjusted operating income at its financial services business fell 48% to \$520 million, or \$1.07 per share.

Variable annuities weighed on the quarter. PRU said it took a \$435 million pretax charge tied to guarantees of lifetime income and other benefits tied to the products.

Prudential also increased its reserves for estimated claims on life-insurance policies. It took a \$99 million pretax charge.

Analysts surveyed by Thomson Reuters had expected the company to earn an operating profit of \$1.54 a share.

36. On November 3, 2011, the Company held a conference call for investors and analysts to discuss the Company's third quarter fiscal 2011 results. The call was hosted by defendants Strangfeld and Carbone and discussed the impact of the charges that caused the Company to miss its financial targets, including the charges related to usage of the SSA-DMF:

[CARBONE:] In international insurance, Gibraltar Life benefited by \$0.13 per share from the partial sale of our indirect investment in China Pacific Life. This benefit was partially offset by integration costs of \$0.06 per share relating to the Star/Edison acquisition and corporate and other results absorbed charges of \$0.15 per share to increase reserves for estimated death claims based on new matching criteria used with Social Security death benefit death files

* * *

[GRIER:] Corporate and other operations reported a loss of \$327 million for the current quarter, compared to a \$265 million loss a year

ago. As Rich mentioned, current quarter results include a \$99 million charge to increase reserves for estimated death claims based on applying new matching criteria to the Social Security death files, and an additional \$20 million charge for a contribution to be made to an insurance industry insolvency fund. Excluding those charges, the loss from corporate and other results was reduced by \$57 million from a year ago.

37. On this news, the Company's share price declined from a close of \$53.67 per share on November 2, 2011 to \$53.05 per share on November 3, 2011, and to \$52.19 per share on November 4, 2011.

38. On November 4, 2011, the Company filed its Form 10-Q for the period ending September 30, 2011. In addition to substantially repeating the results in the November 2, 2011 press release, the Company explained that it had increased reserves in the third quarter of 2011 by \$139 million for policies that had been active since 1992 but claims had not yet been reported.

39. On January 13, 2012, the Company filed a Form 8-K with the SEC announcing that it had reached agreement with 20 states regarding the usage of matching criteria in the SSA-DMF and the proper escheatment of monies to the relevant states when beneficiaries cannot be located:

On January 11, 2012, a Global Resolution Agreement (the "Agreement") entered into by The Prudential Insurance Company of America, Pruco Life Insurance Company, Pruco Life Insurance Company of New Jersey, Prudential Retirement Insurance and Annuity Company, and Prudential Annuities Life Assurance Corporation (collectively the "Prudential Insurance Companies"), each a wholly owned subsidiary of Prudential Financial, Inc., a New Jersey corporation (the "Company"), relating to the previously disclosed examination conducted by a third party auditor on behalf of 33 U.S. jurisdictions for compliance with unclaimed property laws, became effective upon its

acceptance by the unclaimed property departments of at least 20 of such jurisdictions.

Under the terms of the Agreement, the third party auditor acting on behalf of the signatory states will compare expanded matching criteria to the Social Security Master Death File to identify deceased insureds and contract holders where a valid claim has not been made. The Agreement covers policies and contracts active at any time since January 1, 1992 through December 31, 2010.

This settlement resolves the audits commenced by the unclaimed property departments of the signatory states and requires the Prudential Insurance Companies to attempt to identify and locate the beneficiaries as specified in the Agreement. If a beneficiary cannot be found, the proceeds will be remitted to the applicable jurisdiction as unclaimed property in accordance with the Agreement.

As previously disclosed, the Company reported in its third quarter 2011 financial statements pre-tax increases in death benefit reserves of \$99 million in the Financial Services Businesses and \$40 million in the Closed Block Business and the Agreement is not expected to materially impact these estimates.

40. On January 13, 2012, the Controller of the State of California issued a press release concerning his investigation of and settlement with Prudential:

Controller Reaches Settlement with Prudential Insurance

Life Insurance Benefits to be paid to Families of Deceased Policyholders

. . . State Controller John Chiang today announced a major multi-state settlement with Prudential Insurance Company of America, which, depending on the completion of the audit, may return up to \$20 million to the families of deceased life insurance policyholders in California.

“For decades, the surviving families of policyholders have been cheated by life insurance companies who either knew or should have known that payout was due,” said Chiang. “I will continue to work with the industry to improve their practices, but I reserve the right to use the full force of my office – including litigation – to compel insurance

companies to follow the law and take care of life insurance beneficiaries.”

* * *

The audit revealed an industry-wide practice of companies failing to pay death benefits to the beneficiaries of life insurance policies. Instead, companies would draw-down the policies’ cash reserves in order to continue collecting premium payments from the deceased. Once the cash reserves were depleted, the company would cancel the policy. The audits also found that insurers did not routinely cross-check the owners of dormant accounts with the Social Security Administration’s Death Master File and other government databases listing deceased individuals. In other cases, the company had direct knowledge of the death of a policy owner, but still did not notify the beneficiaries.

So far, more than 1,000 Prudential policies have been identified as being held for individuals in California who have been dead for more than 15 years. The average cash value of the policies is about \$2,000.

LOSS CAUSATION/ECONOMIC LOSS

41. During the Class Period, as detailed herein, defendants made false and misleading statements regarding the Company’s current and future financial condition and its quarterly and year-end financial statements. This artificially inflated Prudential’s stock price and operated as a fraud or deceit on the Class. Later, when defendants’ prior misrepresentations and fraudulent conduct became apparent to the market, Prudential’s stock price fell precipitously, as the prior artificial inflation came out of the stock price over time. As a result of their purchases of Prudential common stock during the Class Period, plaintiff and other members of the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

NO SAFE HARBOR

42. Prudential's verbal "Safe Harbor" warnings accompanying its oral forward-looking statements ("FLS") issued during the Class Period were ineffective to shield those statements from liability.

43. The defendants are also liable for any false or misleading FLS pleaded because, at the time each FLS was made, the speaker knew the FLS was false or misleading and the FLS was authorized and/or approved by an executive officer of Prudential who knew that the FLS was false. None of the historic or present tense statements made by defendants were assumptions underlying or relating to any plan, projection or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to any projection or statement of future economic performance when made, nor were any of the projections or forecasts made by defendants expressly related to or stated to be dependent on those historic or present tense statements when made.

APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD ON THE MARKET

44. Plaintiff will rely upon the presumption of reliance established by the fraud-on-the-market doctrine in that, among other things:

(a) Defendants made public misrepresentations or failed to disclose material facts during the Class Period;

(b) The omissions and misrepresentations were material;

(c) The Company's stock traded in an efficient market;

(d) The misrepresentations alleged would tend to induce a reasonable investor to misjudge the value of the Company's stock; and

(e) Plaintiff and other members of the Class purchased Prudential common stock between the time defendants misrepresented or failed to disclose material facts and the time the true facts were disclosed, without knowledge of the misrepresented or omitted facts.

45. At all relevant times, the market for Prudential common stock was efficient for the following reasons, among others:

(a) As a regulated issuer, Prudential filed periodic public reports with the SEC; and

(b) Prudential regularly communicated with public investors via established market communication mechanisms, including through regular dissemination of press releases on the major news wire services and through other wide-ranging public disclosures, such as communications with the financial press, securities analysts and other similar reporting services.

CLASS ACTION ALLEGATIONS

46. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased Prudential common stock during the Class Period (the "Class"). Excluded from the Class are

defendants and their families, and the directors and officers of Prudential and their families and affiliates.

47. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. Prudential has over 470 million shares of common stock outstanding.

48. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- (a) Whether the Exchange Act was violated by defendants;
- (b) Whether defendants omitted and/or misrepresented material facts;
- (c) Whether defendants' statements omitted material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;
- (d) Whether defendants knew or recklessly disregarded that their statements were false and misleading;
- (e) Whether the price of Prudential common stock was artificially inflated; and
- (f) The extent of damage sustained by Class members and the appropriate measure of damages.

49. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from defendants' wrongful conduct.

50. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

51. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

COUNT I

For Violation of §10(b) of the Exchange Act and Rule 10b-5 Against All Defendants

52. Plaintiff incorporates ¶¶1-51 by reference.

53. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or recklessly disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

54. Defendants violated §10(b) of the Exchange Act and Rule 10b-5 in that they:

- (a) Employed devices, schemes, and artifices to defraud;

(b) Made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) Engaged in acts, practices, and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of Prudential common stock during the Class Period.

55. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Prudential common stock. Plaintiff and the Class would not have purchased Prudential common stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

56. As a direct and proximate result of these defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their purchases of Prudential common stock during the Class Period.

COUNT II

For Violation of §20(a) of the Exchange Act Against All Defendants

57. Plaintiff incorporates ¶¶1-56 by reference.

58. The Individual Defendants acted as controlling persons of Prudential within the meaning of §20(a) of the Exchange Act. By virtue of their positions and their power to control public statements about Prudential, the Individual Defendants

had the power and ability to control the actions of Prudential and its employees. Prudential controlled the Individual Defendants and its other officers and employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the Exchange Act.

COUNT III

For Violation of §20(b) of the Exchange Act Against All Defendants

59. Plaintiff incorporates ¶¶1-58 by reference.

60. The Individual Defendants, acting through employees of Prudential, unlawfully engaged in manipulative practices in violation of §20(b) of the Exchange Act. By virtue of their positions and their power to control employees of Prudential, the Individual Defendants were able to directly and indirectly engage in unlawful practices which made Prudential's public statements materially false and misleading. Prudential violated the Exchange Act due to the illegal actions of Prudential employees. By reason of such conduct, defendants are liable pursuant to §20(b) of the Exchange Act.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment as follows:

- A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;
- B. Awarding plaintiff and the members of the Class damages and interest;
- C. Awarding plaintiff's reasonable costs, including attorneys' fees; and

D. Awarding such equitable/injunctive or other relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: August 22, 2012