

PayMeOn, Inc.
Form 10-Q
August 19, 2013

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

FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended: **June 30, 2013**

Or

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from: _____ to _____

Commission File Number: 000-53574

PayMeOn, Inc.

(Exact name of registrant as specified in its charter)

Nevada
*(State or other jurisdiction
of incorporation or organization)*

20-4959207
*(I.R.S. Employer
Identification No.)*

2400 E. Commercial Blvd., Suite 612, Ft. Lauderdale, FL 33308

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(Address of Principal Executive Office) (Zip Code)

(800) 991-4534

(Registrant's telephone number, including area code)

MMAX Media, Inc.

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding as of August 15, 2013
Common Stock, \$0.001 Par Value Per Share	5,572,688

PAYMEON, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PAYMEON, INC AND SUBSIDIARIES

(Formerly Known as MMAX MEDIA, INC AND SUBSIDIARIES)

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30,	December 31,
	2013	2012
	(Unaudited)	
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 25,417	\$ 20,711
Prepaid expenses	107,609	
TOTAL CURRENT ASSETS	133,026	20,711
COMPUTER EQUIPMENT AND WEBSITE COSTS, NET	7,100	11,837
OTHER ASSETS		
Deposits	31,407	4,290
TOTAL ASSETS	\$ 171,533	\$ 36,838

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES		
Accounts Payable	\$ 179,711	\$ 45,519
Accrued expenses	303,769	230,482
Deferred revenue		5,080
Due to related parties		4,300
Note payable	2,000	2,000
Notes Payable related party- convertible (net of discount of \$425,797 and \$163,686, respectively)	308,703	26,814
TOTAL CURRENT LIABILITIES	794,183	314,195

COMMITMENTS AND CONTINGENCIES (SEE NOTE 5)

STOCKHOLDERS' DEFICIT

Preferred stock, \$0.001 par value, 5,000,000 shares authorized, none issued and outstanding, respectively

Common stock, \$0.001 par value, 1,000,000,000 shares authorized, 5,572,688 and 1,099,314 shares issued and outstanding, respectively as of June 30, 2013 and December 31, 2012

Additional paid in capital

Accumulated deficit

TOTAL STOCKHOLDERS'S DEFICIT

5,573	1,099
4,361,390	3,197,828
(4,989,613)	(3,476,284)
(622,650)	(277,357)

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT

\$	171,533	\$	36,838
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See accompanying notes to consolidated financial statements.

PAYMEON, INC AND SUBSIDIARIES**(Formerly Known as MMAX MEDIA, INC AND SUBSIDIARIES)****CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)**

	For the Three Months Ended		For the Six Months Ended	
	June30,		June 30,	
	2013	2012	2013	2012
Revenue				
Service Revenue, net	\$ 2,726	\$ 9,796	\$ 8,611	\$ 16,449
OPERATING EXPENSES				
Professional fees	28,961	22,787	75,901	53,683
Web development and hosting	72,272	698	81,274	1,745
Impairment on technology and website development	521,009		521,009	
Payroll and payroll taxes	184,383	93,248	391,077	192,469
Consulting	113,143	352,197	189,394	732,261
Travel and entertainment	4,418	1,412	11,603	5,479
General and administrative	38,196	46,108	74,035	84,688
Total Operating Expenses	962,382	516,450	1,344,293	1,070,325
NET LOSS FROM OPERATIONS	(959,656)	(506,654)	(1,335,682)	(1,053,876)
OTHER EXPENSES				
Interest expense	122,900	4,448	177,647	6,474
Total other expenses	122,900	4,448	177,647	6,474
Net loss before provision for income taxes	(1,082,556)	(511,102)	(1,513,329)	(1,060,350)
Provision for Income Taxes				
NET LOSS	\$ (1,082,556)	\$ (511,102)	\$ (1,513,329)	\$ (1,060,350)
Net loss per share - basic and diluted	\$ (0.20)	\$ (0.78)	\$ (0.46)	\$ (1.63)
Weighted average number of shares outstanding during	5,472,269	653,091	3,275,463	651,312

the period - basic and diluted

See accompanying notes to consolidated financial statements.

PAYMEON, INC AND SUBSIDIARIES**(Formerly Known as MMAX MEDIA, INC AND SUBSIDIARIES)****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)**

	For the Six Months Ended			
	June 30,			
	2013		2012	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	\$	(1,513,329)	\$	(1,060,350)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation		4,737		4,738
Impairment of website and technology		521,009		
Amortization of debt discount		161,889		
Warrants issued for services		152,503		699,479
Common stock issued for services		29,891		28,500
Changes in operating assets and liabilities:				
Decrease in prepaid expenses				3,000
Increase in deposits		(27,117)		
Increase in accounts payable and accrued expenses		207,479		143,448
(Decrease) / increase in deferred revenue		(5,080)		16,573
Net Cash Used In Operating Activities		(468,018)		(164,612)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of website		(66,295)		
Purchase of fixed assets		(681)		
Net Cash Used in Financing Activities		(66,976)		
CASH FLOWS FROM FINANCING ACTIVITIES:				
Due from related party				4,300
Repayments to related party		(4,300)		
Proceeds from notes payable related party - convertible		544,000		155,000
Net Cash Provided By Financing Activities		539,700		159,300
NET INCREASE / (DECREASE) IN CASH		4,706		(5,312)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		20,711		6,328
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$	25,417	\$	1,016

Supplemental disclosure of non cash investing & financing activities:

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Cash paid for income taxes	\$	\$
Cash paid for interest expense	\$	\$

During the six months ended June 30, 2013, the Company received \$544,000 from a related party in exchange for convertible notes payable of \$544,000 with the beneficial conversion feature valued at \$424,000.

During the six months ended June 30, 2013 the Company issued common stock with a fair value of \$137,500 to a consultant. As of June 30, 2013 \$107,609 is recorded as prepaid expense.

See accompanying notes to consolidated financial statements.

PAYMEON, INC AND SUBSIDIARIES

(Formerly Known as MMAX MEDIA, INC. AND SUBSIDIARIES)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2013

(UNAUDITED)

NOTE 1 ORGANIZATION, NATURE OF BUSINESS AND GOING CONCERN

(A) Organization

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in The United States of America and the rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all of the information necessary for a comprehensive presentation of financial position and results of operations. The interim results for the period ended June 30, 2013 are not necessarily indicative of results for the full fiscal year. It is management's opinion, however that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statements presentation.

On March 16, 2011 PayMeOn, Inc. (formerly known as MMAX Media, Inc.) ("PAYM" or the "Company") completed its agreement and plan of merger (the "Merger Agreement") to acquire Hyperlocal Marketing, LLC, a Florida limited liability company ("Hyperlocal"), pursuant to which Hyperlocal merged with and into HLM Paymeon, Inc., a Florida corporation and wholly owned subsidiary of PAYM. Under the terms of the Merger Agreement, the Hyperlocal members received 301,296 shares of PAYM common stock, which equal approximately 50.1% of the total shares of PAYM issued and outstanding following the merger on a fully diluted basis. In accordance with ASC Topic 360-10-45-15, the transaction is accounted for as a reverse acquisition and Hyperlocal is considered the accounting acquirer and the acquiree is PAYM since the members of Hyperlocal obtained voting and management control of PAYM and the transaction has been accounted as a reverse merger and recapitalization.

Hyperlocal Marketing, LLC was originally organized in the State of Florida on January 22, 2010. The Company has focused its efforts on organizational activities, raising capital, software development and evaluating operational opportunities.

PayMeOn owns and operates products aimed at the location-based marketing industry. Paymeon develops and markets products that provide merchants and consumers with mobile marketing services and offers, including but not limited to, mobile coupons, mobile business cards, mobile websites, advertising inclusion with mobile referrals, use of SMS short codes and contest management. PayMeOn (formerly Hyperlocal) has had nominal revenues since its inception. PayMeOn's mobile application product is designed to offer members that use the application income potential when they allow PayMeOn's merchant customer information to be included with their mobile recommendations and referrals.

PayMeOn Inc. and its wholly owned subsidiaries are herein referred to as the "Company" .

Effective April 1, 2013, the Company amended its articles of incorporation to increase its authorized common stock from 195,000,000 shares to 1,000,000,000 shares, eliminate the class of preferred stock known as "Callable and Convertible Preferred Stock", and create a class of preferred stock consisting of 5,000,000 shares, the designations and attributes of which are left for future determination by the Company's board of directors.

On April 25, 2013 the Company approved a 1:69 reverse stock split effective May 17, 2013. As per ASC 505-10-S99, the historical financial statements have been adjusted to show the effect of the stock split as of May 15, 2013. In addition the Company approved the name change to PayMeOn, Inc.

(B) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of PayMeOn, Inc. and its wholly owned subsidiaries, Hyperlocal Marketing, LLC and HLM Paymeon, Inc. All intercompany accounts have been eliminated in the consolidation.

PAYMEON, INC AND SUBSIDIARIES

(Formerly Known as MMAX MEDIA, INC. AND SUBSIDIARIES)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF JUNE 30, 2013

(UNAUDITED)

(C) Going Concern

Since inception, the Company has incurred net operating losses and used cash in operations. As of June 30, 2013, the Company has an accumulated deficit of \$4,989,613, a working capital deficiency of \$661,157, and used cash in operations of \$468,018. Losses have principally occurred as a result of the substantial resources required for research and development and marketing of the Company's products which included the general and administrative expenses associated with its organization and product development.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments to reflect the possible future effect on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of these uncertainties.

Management believes that the actions presently being taken to obtain additional funding and implement its strategic plan provides the opportunity for the Company to continue as a going concern.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Cash and Cash Equivalents

The Company considers investments that have original maturities of three months or less when purchased to be cash equivalents.

(B) Use of Estimates in Financial Statements

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates during the period covered by these financial statements include the valuation of website costs, valuation of deferred tax asset, stock based compensation and any beneficial conversion features on convertible debt.

(C) Fair value measurements and Fair value of Financial Instruments

The Company adopted ASC Topic 820, Fair Value Measurements. ASC Topic 820 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1-Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2-Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3-Inputs are unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The Company did not identify any assets or liabilities that are required to be presented on the balance sheets at fair value in accordance with ASC Topic 820.

Due to the short-term nature of all financial assets and liabilities, their carrying value approximates their fair value as of the balance sheet date.

PAYMEON, INC AND SUBSIDIARIES**(Formerly Known as MMAX MEDIA, INC. AND SUBSIDIARIES)****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****AS OF JUNE 30, 2013****(UNAUDITED)*****(D) Property and Equipment and Website Costs***

Computer Equipment and Website Costs are capitalized at cost, net of accumulated depreciation. Depreciation is calculated by using the straight-line method over the estimated useful lives of the assets, which is three to five years for all categories. Repairs and maintenance are charged to expense as incurred. Expenditures for betterments and renewals are capitalized. The cost of computer equipment and the related accumulated depreciation are removed from the accounts upon retirement or disposal with any resulting gain or loss being recorded in operations.

Software maintenance costs are charged to expense as incurred. Expenditures for enhanced functionality are capitalized.

The Company has adopted the provisions of ASC 350-50-15, Accounting for Web Site Development Costs. Costs incurred in the planning stage of a website are expensed as research and development while costs incurred in the development stage are capitalized and amortized over the life of the asset, estimated to be three years.

Asset Category	Depreciation/ Amortization Period
Furniture and fixtures	5 Years
Computer equipment	3 Years
Property and equipment and website costs consisted of the following:	

	June 30,	December 31,
	2013	2012
Computers and equipment	\$ 6,089	\$ 5,408
Website development	24,775	24,775
Total	30,864	30,183
Accumulated depreciation	(23,764)	(18,346)
Balance	\$ 7,100	\$ 11,837

Depreciation expense for the three and six months ended June 30, 2013 and 2012 was \$2,338, \$4,737, \$2,367 and \$4,738, respectively.

On February 12, 2013, the Company entered into an asset purchase agreement with WCIS Media, LLC, a Florida limited liability company (WCIS). Under the asset purchase agreement the Company agreed to acquire a proprietary web based technology platform (the Asset) developed and owned by WCIS. The Asset is designed for: (1) lead generation tracking and reporting; (2) merchant categorization and sub categorization; (3) consumer tracking and

qualification; (4) merchant bidding capabilities; and (5) offline tracking and service, including live transfer capabilities for consumers. The Company intends to incorporate the Asset into its current PayMeOn business. The Company acquired the Asset in consideration of 4,347,826 shares of restricted common stock of the Company valued at \$454,033 the historical depreciated basis of the asset acquired. WCIS is an entity controlled by Vincent Celentano, a principal of WCIS Media, LLC and an affiliated shareholder of the Company. As such, the Company recorded the Asset at its historical cost. Furthermore, this transaction did not meet the criteria of a business combination within the guidelines of ASC 805 *Business Combinations*, and therefore will be accounted for as an asset purchase. The effective closing date for this transaction was April 1, 2013. As of June 30, 2013 the impaired the value of the technology acquired as well as \$66,976 of additional costs associated with the development of its mobile application.

PAYMEON, INC AND SUBSIDIARIES

(Formerly Known as MMAX MEDIA, INC. AND SUBSIDIARIES)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF JUNE 30, 2013

(UNAUDITED)

(E) Impairment of Long-Lived Assets

The Company evaluates its long-lived assets for impairment whenever events or a change in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is the excess of the carrying amount over the fair value of the asset. As of June 30, 2013, the Company recorded impairment charges of \$521,009 associated with its purchase of technology and website development.

(F) Revenue Recognition

The Company recognizes revenue on arrangements in accordance with FASB ASC No. 605, Revenue Recognition . In all cases, revenue is recognized only when the price is fixed and determinable, persuasive evidence of an arrangement exists, the service is performed and collectability of the resulting receivable is reasonably assured.

The Company recognizes sales of deals and texts when revenue is recognized only when the price is fixed and determinable, persuasive evidence of an arrangement exists, the service is performed and collectability of the resulting receivable is reasonably assured.

The Company recognizes revenue from the sale of keywords over the period the keywords are purchased for exclusive use, usually one year.

The Company recognizes revenue from setup fees in accordance with Topic 13, which requires the fees to be deferred and amortized over the term of the agreements. Revenue from the sale of bulk text messages sales and packages are recognized over twelve months. Revenue from monthly membership fees are recorded during the month the membership is earned.

(G) Segments

The Company operates in one segment and therefore segment information is not presented.

(H) Loss Per Share

The basic loss per share is calculated by dividing the Company's net loss available to common shareholders by the weighted average number of common shares during the period. The diluted loss per share is calculated by dividing the Company's net loss by the diluted weighted average number of shares outstanding during the period. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive debt or equity. The Company has 215,942 and 230,435 shares issuable upon the exercise of options and warrants and 1,774,774 and 17,971 shares issuable upon conversion of convertible notes payable that were not

included in the computation of dilutive loss per share because their inclusion is anti-dilutive for the six months ended June 30, 2013 and 2012, respectively.

(I) Stock-Based Compensation

The Company recognizes compensation costs to employees under FASB Accounting Standards Codification No. 718, Compensation – Stock Compensation. Under FASB Accounting Standards Codification No. 718, companies are required to measure the compensation costs of share-based compensation arrangements based on the grant-date fair value and recognize the costs in the financial statements over the period during which employees are required to provide services. Share based compensation arrangements include stock options, restricted share plans, performance based awards, share appreciation rights and employee share purchase plans. As such, compensation cost is measured on the date of grant at their fair value. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant.

PAYMEON, INC AND SUBSIDIARIES**(Formerly Known as MMAX MEDIA, INC. AND SUBSIDIARIES)****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****AS OF JUNE 30, 2013****(UNAUDITED)**

Equity instruments issued to other than employees are recorded on the basis of the fair value of the instruments, as required by FASB Accounting Standards Codification No. 505, Equity Based Payments to Non-Employees. In general, the measurement date is when either a (a) performance commitment, as defined, is reached or (b) the earlier of (i) the non-employee performance is complete or (ii) the instruments are vested. The measured value related to the instruments is recognized over a period based on the facts and circumstances of each particular grant as defined in the FASB Accounting Standards Codification.

(J) Income Taxes

The Company accounts for income taxes under FASB Codification Topic 740-10-25 (ASC 740-10-25). Under ASC 740-10-25, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under ASC 740-10-25, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(K) Reclassification

Certain amounts from prior periods have been reclassified to conform to the current period presentation.

NOTE 3 RECENT ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements issued by FASB (including the Emerging Issues Task Force), the AICPA and the SEC, did not or are not believed by the Company management, to have a material impact on the Company's present or future financial statements.

NOTE 4 CONVERTIBLE NOTES PAYABLE RELATED PARTY

	June 30,	December 31,
	2013	2012
Loan Amount	734,500	190,500
Discount	(425,797)	(163,686)
Balance	\$ 308,703	\$ 26,814

On December 21, 2012, the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$25,000 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the

holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment for stock splits and dividends. There was no beneficial conversion expense recorded as the fair value of the common stock was less than the exercise price. As of June 30, 2013 and December 31, 2012, the Company accrued interest of \$868 and \$48, respectively.

On December 27, 2012, the Company entered into an agreement to issue a secured convertible promissory note in the principal amount of \$79,440 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment for stock splits and dividends. The Company recorded a debt discount of \$79,440 for the fair value of the beneficial conversion feature. As of June 30, 2013 and December 31, 2012 the Company amortized \$40,264 and \$871 of the debt discount and accrued interest of \$2,818 and \$61, respectively.

PAYMEON, INC AND SUBSIDIARIES

(Formerly Known as MMAX MEDIA, INC. AND SUBSIDIARIES)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF JUNE 30, 2013

(UNAUDITED)

On December 27, 2012, the Company entered into an agreement to issue a secured convertible promissory note in the principal amount of \$86,060 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment for stock splits and dividends. The Company recorded a debt discount of \$86,060 for the fair value of the beneficial conversion feature. As of June 30, 2013 and December 31, 2012 the Company amortized \$43,619 and \$943 of the debt discount and accrued interest of \$3,055 and \$66, respectively.

On January 10, 2013, the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$40,000 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment for stock splits and dividends. There was no beneficial conversion expense recorded as the fair value of the common stock was less than the exercise price. As of June 30, 2013 the Company accrued interest of \$1,312.

On January 29, 2013, the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$30,000 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment for stock splits and dividends. The Company recorded a debt discount of \$6,000 for the fair value of the beneficial conversion feature. As of June 30, 2013 the Company amortized \$2,482 and accrued interest of \$69.

On January 30, 2013, the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$20,000 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment for stock splits and dividends. The Company recorded a debt discount of \$4,000 for the fair value of the beneficial conversion feature. As of June 30, 2013 the Company amortized \$1,655 and accrued interest of \$460.

On February 1, 2013, the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$10,000 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.005 per share, subject to adjustment for stock splits and dividends. The Company recorded a debt discount of \$2,000 for the fair value of the beneficial conversion feature. As of June 30, 2013 the Company amortized \$816 and accrued interest of \$285.

On February 20, 2013, the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$40,000 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the

holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment for stock splits and dividends. The Company recorded a debt discount of \$8,000 for the fair value of the beneficial conversion feature. As of June 30, 2013 the Company amortized \$2,849 and accrued interest of \$997.

On February 28, 2013, the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$45,000 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment for stock splits and dividends. The Company recorded a debt discount of \$45,000 for the fair value of the beneficial conversion feature. As of June 30, 2013 the Company amortized \$15,041 and accrued interest of \$1,053.

PAYMEON, INC AND SUBSIDIARIES

(Formerly Known as MMAX MEDIA, INC. AND SUBSIDIARIES)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF JUNE 30, 2013

(UNAUDITED)

On March 15, 2013, the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$40,000 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment for stock splits and dividends. The Company recorded a debt discount of \$40,000 for the fair value of the beneficial conversion feature. As of June 30, 2013 the Company amortized \$11,726 and accrued interest of \$821.

On March 25, 2013, the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$45,000 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment for stock splits and dividends. The Company recorded a debt discount of \$45,000 for the fair value of the beneficial conversion feature. As of June 30, 2013 the Company amortized \$11,466 and accrued interest of \$803.

On April 12, 2013 the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$40,000 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment. The Company recorded a debt discount of \$40,000 for the fair value of the beneficial conversion feature. As of June 30, 2013 the Company amortized \$8,657 and accrued interest of \$606.

On April 17, 2013 the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$31,000 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment. The Company recorded a debt discount of \$31,000 for the fair value of the beneficial conversion feature. As of June 30, 2013 the Company amortized \$6,285 and accrued interest of \$440.

On April 29, 2013 the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$40,000 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment. The Company recorded a debt discount of \$40,000 for the fair value of the beneficial conversion feature. As of June 30, 2013 the Company amortized \$6,795 and accrued interest of \$475.

On May 15, 2013 the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$39,000 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment.

The Company recorded a debt discount of \$39,000 for the fair value of the beneficial conversion feature. As of June 30, 2013 the Company amortized \$4,915 and accrued interest of \$344.

On May 24, 2013 the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$24,000 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment. The Company recorded a debt discount of \$24,000 for the fair value of the beneficial conversion feature. As of June 30, 2013 the Company amortized \$2,433 and accrued interest of \$170.

On May 31, 2013 the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$40,000 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject

PAYMEON, INC AND SUBSIDIARIES

(Formerly Known as MMAX MEDIA, INC. AND SUBSIDIARIES)

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(UNAUDITED)

to adjustment. The Company recorded a debt discount of \$40,000 for the fair value of the beneficial conversion feature. As of June 30, 2013 the Company amortized \$3,288 and accrued interest of \$230.

On June 14, 2013 the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$25,000 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment. The Company recorded a debt discount of \$25,000 for the fair value of the beneficial conversion feature. As of June 30, 2013 the Company amortized \$1,096 and accrued interest of \$77.

On June 25, 2013 the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$15,000 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment. The Company recorded a debt discount of \$15,000 for the fair value of the beneficial conversion feature. As of June 30, 2013 the Company amortized \$205 and accrued interest of \$14.

On June 28, 2013 the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$20,000 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment. The Company recorded a debt discount of \$20,000 for the fair value of the beneficial conversion feature. As of June 30, 2013 the Company amortized \$110 and accrued interest of \$8.

NOTE 5 COMMITMENTS AND CONTINGENCIES

On August 15, 2011, the Company entered into an employment agreement with its Chief Executive Officer. The agreement is for a period of one year and automatically extends for one day each day until either party notifies the other not to further extend the employment period, provides for an annual base salary totaling \$250,000 and annual bonuses based on pre-tax operating income, as defined, for an annual minimum of \$50,000 in total. For the three and six months ended June 30, 2013 and 2012 the Company recorded a salary expense of \$75,000, \$75,000, \$150,000 and \$150,000, respectively, including the minimum annual bonus of \$50,000. Accrued compensation at June 30, 2013 and December 31, 2012, was \$235,539 and \$214,494, respectively.

Effective February 23, 2012, the Company entered into a consulting agreement with a Consultant/Advisor to provide marketing and sales services through February 23, 2016. In consideration of the Consultant/Advisor to perform the services for the Company, the Consultant/Advisor will receive a warrant to purchase 33,333 shares of the Company's

Common Stock and a warrant to purchase 31,884 shares of the Company's Common Stock. Common Stock issued upon exercise of the warrant will not be registered under the Securities Act, but may be included, at the Company's option, in future registrations that the Company may undertake of its Common Stock. The warrant to purchase 33,333 shares shall have a cash exercise price of \$4.83 per share, and shall expire on February 23, 2015. The warrant to purchase 31,884, shares shall have a cash exercise price of \$12.42 per share and shall have an expiration date of February 23, 2016. The warrants shall have a vesting schedule, including certain vesting acceleration rights. If Consultant/Advisor ceases to provide services or the agreement is terminated by either party, then any vested, but unexercised warrants must be exercised within 180 days of Consultant/Advisor's departure date or by the expiration date of the warrants, whichever is sooner. Any unexercised warrants that remain outstanding 180 days after Consultant/Advisor's departure date (or at the expiration date) shall expire and terminate forever. The value of these warrants vests as accounts are sold by the Consultant/Advisor. As of June 30, 2013, no accounts have been sold and no expense has been recognized.

PAYMEON, INC AND SUBSIDIARIES

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF JUNE 30, 2013

(UNAUDITED)

Effective May 1, 2013, the Company entered into a lease agreement for executive offices located at 2400 E. Commercial Blvd., Suite 612, Fort Lauderdale, Florida. The facility is approximately 4,777 square feet and is sufficient for the Company's current and anticipated operations. The lease is for a term of 39 months at a current cost of approximately \$9,900 per month. The lease contains three months of deferred rent that will be forgiven if the Company makes its 36 required monthly payments. The Company was also required to make a security deposit of \$31,407.

NOTE 6 STOCKHOLDERS DEFICIT

During January 2011, the Company entered into a two year software development and marketing agreement with a software developer. The agreement requires the developer to develop an application to use the Company's product in an iPhone application. The agreement requires the application to reach one of the following milestones; 200,000 downloads or 10,000 gift certificate purchases within 60 days of the application becoming available. The developer is entitled to 3% of the gross sales of the gift certificates and the issuance of 3,005 shares of common stock of the Company upon meeting the milestone. In January 2011, the Company amended the agreement to remove the milestones and issued the developer 3,005 shares of common stock valued at a recent cash offering cost of \$29,000 (\$9.66 per share). As of June 30, 2013, there were no amounts owed.

The Company is authorized to issue up to 1,000,000,000 shares of common stock, par value \$0.001, and up to 5,000,000 shares of preferred stock, as effective April 1, 2013, the Company amended its articles of incorporation to increase its authorized common stock from 195,000,000 shares to 1,000,000,000 shares, eliminate the class of preferred stock known as "Callable and Convertible Preferred Stock", and create a class of preferred stock consisting of 5,000,000 shares, the designations and attributes of which are left for future determination by the Company's board of directors.

On April 25, 2013 the Company approved a 1:69 reverse stock split effective May 17, 2013. As per ASC 505-10-S99, the historical financial statements have been adjusted to show the effect of the stock split from inception.

On February 12, 2013, the Company entered into an asset purchase agreement with WCIS Media, LLC, a Florida limited liability company ("WCIS"). Under the asset purchase agreement the Company has agreed to acquire a proprietary web based technology platform (the "Asset") developed and owned by WCIS. The Asset is designed for: (1) lead generation tracking and reporting; (2) merchant categorization and sub categorization; (3) consumer tracking and qualification; (4) merchant bidding capabilities; and (5) offline tracking and service, including live transfer capabilities for consumers. The Company has incorporated the Asset into its current PayMeOn business. The Company acquired the Asset in consideration of 4,347,826 shares of restricted common stock of the Company valued at \$454,033 the historical depreciated basis of the asset acquired. WCIS is an entity controlled by Vincent Celentano, a principal of WCIS Media, LLC and an affiliated shareholder of the Company. As such, the Company recorded at its historical cost. Furthermore, this transaction did not meet the criteria of a business combination within the guidelines of ASC 805 *Business Combinations*, and therefore was accounted for as an asset purchase. The effective closing date

for this transaction is April 1, 2013.

On June 10, 2013, the Company issued 125,000 shares of common stock valued at \$137,500 (\$1.10 per share) the fair market value on the date of issuance to a consultant for public relations. In addition the Company agreed to pay the consultant \$2,500 per months. The term of the contract is for three months and renews in three months with identical terms unless cancelled by the parties. As of June 30, 2013 the Company recorded a prepaid expense of \$107,609.

PAYMEON, INC AND SUBSIDIARIES**(Formerly Known as MMAX MEDIA, INC. AND SUBSIDIARIES)****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****AS OF JUNE 30, 2013****(UNAUDITED)****NOTE 7 OPTIONS AND WARRANTS**

The following tables summarize all options and warrant grants to consultants for the period ended June 30, 2013 and the related changes during these periods are presented below.

	Number of Options And Warrants	Weighted Average Exercise Price
Stock Options and Warrants		
Balance at December 31, 2012	223,188	\$13.11
Granted		
Exercised		
Expired	(7,246)	\$13.11
Balance at June 30, 2013	215,942	\$13.11
The Company's stock price was lower than the weighted average exercise price at June 30, 2013 and December 31, 2012, therefore there is no aggregate intrinsic value of the options and warrants.		

On July 7, 2011, the Company issued options to purchase 1,449 shares of its common stock to a consultant at an exercise price of \$17.94 per share. The options vest immediately. The options expire on July 7, 2013. The Options were valued using the Black-Scholes Option Pricing Model with the following assumptions: dividend yield of 0%, annual volatility of 173%, risk free interest rate of .17% and expected life of 1 year.

On September 8, 2011, the Company granted options to purchase 28,986 shares of its common stock to consultants at an exercise price of \$11.04 per share. The options vest immediately. The options expire on September 8, 2015. The options were valued using the Black Scholes Option Pricing Model with the following assumptions: dividend yield of 0%, annual volatility of 182%, risk free interest rate of .12%, an expected life of 1 year.

On July 7, 2011, the Company issued options to purchase 1,449 shares of its common stock to a employee at an exercise price of \$17.64 per share. The options vest immediately. The options expire on July 7, 2013. The Options were valued using the Black-Scholes Option Pricing Model with the following assumptions: dividend yield of 0%, annual volatility of 173%, risk free interest rate of .17% and expected life of 1 year.

On September 8, 2011, the Company granted options to purchase 115,942 shares of its common stock to consultants at an exercise price of \$15.87 per share. The options vest over various terms for each consultant ranging from two to three years. The options expire on September 8, 2015. The options were valued using the Black Scholes Option Pricing Model, with the following assumptions: dividend yield at 0%, annual volatility of 182%, risk free interest rates of .19% to .33% based on expected life, and expected lives of 2 to 3 years.

On February 23, 2012, the Company granted warrants to purchase 2,898 shares of its common stock to consultants at an exercise price of \$4.83 per share. The warrants vest ratably upon the sale of 400 associated accounts by the consultant. However, in the event of the sale of the Company to a third party within 18 months of the date of the warrants, 50% of the warrants shall immediately vest. In the event of the sale of the Company to a third party after 18 months of the date of the warrants (and prior to the expiration of the warrants), all remaining issued, but unexercised warrants shall immediately vest. The warrants expire on February 2, 2015. As of June 30, 2013 the consultant has sold 37 accounts. The Company accounts for equity instruments issued to non-employees for services and goods under ASC Topic 505.50; (Accounting for Equity Instruments Issued to Other Than Employees). These warrants require a future performance commitment by the recipient. Therefore, the Company will expense the fair market value of these securities over the period in which the performance commitment is earned. For the year ended December 31, 2012, the warrants were valued using the Black Scholes option pricing model, with the following assumptions: dividend rate of 0%, annual volatility of 232%, risk free interest rate of .29% and expected life of 2 years.

PAYMEON, INC AND SUBSIDIARIES

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF JUNE 30, 2013

(UNAUDITED)

On February 23, 2012, the Company granted warrants to purchase 31,884 shares of its common stock to consultants at an exercise price of \$12.42 per share. The warrants begin to vest upon the sale of 72 associated accounts by the consultant and will vest 6 warrants per account sold thereafter. The warrants were issued pursuant to a marketing and sales consulting agreement. The term of the agreement is through February 23, 2016, unless earlier terminated by either party. In the event the consultant ceases to perform services under the agreement or either party terminates the agreement, then any vested, but unexercised warrants shall expire at the earlier of 180 days of the date of termination or the expiration date of the warrants. The warrants expire on February 23, 2016. As of June 30, 2013, the consultant has not reached these milestones.

On February 23, 2012, the Company granted warrants to purchase 33,334 shares of its common stock to consultants at an exercise price of \$4.83 per share. The warrants begin to vest upon the sale of 6 associated accounts by the consultant and will vest 7 warrants per account sold thereafter. The warrants expire on February 23, 2015. As of June 30, 2013 the consultant has not reached these milestones.

NOTE 8 RELATED PARTIES

On August 15, 2011, the Company entered into an employment agreement with its Chief Executive Officer. The agreement is for a period of one year and automatically extends for one day each day until either party notifies the other not to further extend the employment period, provides for an annual base salary totaling \$250,000 and annual bonuses based on pre-tax operating income, as defined, for an annual minimum of \$50,000 in total. For the three and six months ended June 30, 2013 and 2012 the Company recorded a salary expense of \$75,000, \$150,000, \$75,000 and \$150,000 respectively including the minimum annual bonus of \$50,000. Accrued compensation at June 30, 2013 and December 31, 2012, was \$235,593 and \$214,494, respectively.

During the year ended December 31, 2012, the Company's Chief Executive Officer advanced the Company a total of \$4,300. The amounts are non-interest bearing and payable on demand. The amounts were repaid as of June 30, 2013.

During September, 2012, the Company entered into preliminary negotiations surrounding a licensing agreement with Destination Meals LLC. Our CEO, Edward Cespedes, is a 10% owner of Destination Meals LLC through the Edward A. Cespedes Revocable Trust dated August 22, 2007. The discussion points revolve around Destination Meals LLC licensing certain software from PayMeOn in exchange for per transaction payments to PayMeOn. Though a final agreement has not yet been signed, the Parties have tentatively agreed to terms and are currently conducting testing and engaging in limited sales transactions. As of June 30, 2013 the Company has recognized \$420 revenue under the proposed licensing agreement.

See Note 4 for Convertible Notes Payable Related Party.

See Note 2D for discussion on Website Development and Related Party.

NOTE 9 CONCENTRATIONS

For the six months June 30, 2013 and 2012 there were no customers that exceeded 10% of sales.

PAYMEON, INC AND SUBSIDIARIES

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS OF JUNE 30, 2013

(UNAUDITED)

NOTE 10 SUBSEQUENT EVENTS

On July 1, 2013 the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$10,000 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment.

On July 9, 2013 the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$18,000 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment.

On July 15, 2013 the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$22,000 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment.

On July 17, 2013 the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$12,000 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment.

On July 31, 2013 the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$25,000 to a related party. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. These forward-looking statements are based on our management's beliefs, assumptions and expectations and on information currently available to our management. Generally, you can identify forward-looking statements by terms such as may, will, should, could, would, expects, plans, anticipates, believes, estimates, projects, predicts, potential and similar expressions. Forward-looking statements, which generally are not historical in nature. All statements that address operating or financial performance, events or developments that we expect or anticipate will occur in the future are forward-looking statements, including without limitation our expectations with respect to product sales, future financings, or the commercial success of our products. We may not actually achieve the plans, projections or expectations disclosed in forward-looking statements, and actual results, developments or events could differ materially from those disclosed in the forward-looking statements. Our management believes that these forward-looking statements are reasonable as and when made. However, you should not place undue reliance on forward-looking statements because they speak only as of the date when made. We do not assume any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by federal securities laws and the rules of the Securities and Exchange Commission (the "SEC"). We may not actually achieve the plans, projections or expectations disclosed in our forward-looking statements, and actual results, developments or events could differ materially from those disclosed in the forward-looking statements. Forward-looking statements are subject to a number of risks and uncertainties, including without limitation those described from time to time in our future reports filed with the SEC.

The following discussion and analysis of our financial condition and results of operations should be read together with our unaudited interim consolidated condensed financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q.

Overview

PayMeOn, Inc. (formerly known as MMAX Media, Inc.), is a Nevada corporation. Our wholly owned subsidiary, Hyperlocal Marketing, LLC, a Florida limited liability company ("Hyperlocal"), was acquired pursuant to an agreement and plan of merger on March 16, 2011. In accordance with ASC Topic 360-10-45-15, Hyperlocal was considered the accounting acquirer and PayMeOn the accounting acquiree. Hyperlocal was organized in January 2010 and has nominal revenues since its inception. Our operations are currently conducted principally through our wholly-owned subsidiary, HLM PayMeOn, Inc., a Florida corporation.

Business Overview

We own and operate products aimed at the location-based marketing industry. We develop and market products that provide merchants and consumers with mobile marketing services and offers, including but not limited to, mobile coupons, mobile business cards, mobile websites, advertising inclusion with mobile referrals and recommendations, use of SMS short codes and contest management. Effective April 1, 2013, we completed an asset purchase agreement with WCIS Media, LLC, a related party, to acquire a web-based technology platform in exchange for 4,347,826 shares of our common stock valued at \$454,033. We determined to purchase this asset because we believe that this platform

has features and benefits which we will integrate into our PayMeOn Platform, including: (1) lead generation tracking and reporting, (2) merchant categorization and sub categorization, (3) consumer tracking and qualification, (4) merchant bidding capabilities, and (5) offline tracking and service, including live transfer capabilities for consumers. From an accounting standpoint, we treated this transaction as an asset purchase as the transaction does not meet the criteria of a business combination with the guidelines of FASB Accounting Standards Codification 805 *Business Combination*. In addition, because we acquired this asset from a related party, As such, the Company recorded the Asset at its historical cost. Furthermore, this transaction did not meet the criteria of a business combination within the guidelines of ASC 805 *Business Combinations*, and therefore is accounted for as an asset purchase. Voting control of WCIS Media, LLC is held by Vincent L. Celentano. Mr. Celentano also holds voting control of Celentano Consulting Company LLC, a related party. The software is currently a basis and platform for our products.

PayMeOn

We have developed PayMeOn branded web-based and mobile products designed to offer customers social income® potential from their purchase and referral of coupon-style deals (PayMeOn Merchant Profit Center), and from their person to person referrals and recommendations of service providers (PayMeOn Service Provider Referral Inclusions). PayMeOn products pay customers that refer coupon-style deals or personal service provider recommendations payout amounts based either on successful deal referrals (deal referrals that result in a purchase) or the inclusion of additional PayMeOn service providers with their personal service provider recommendations. Payout amounts for deal referrals come from our monetary share of the deals we or merchants offer on our sites. Payout amounts for service provider inclusions come from a portion of amounts that service providers pay us to be included with personal service provider referrals and recommendations that occur on the PayMeOn network.

Our deals business offering payout amounts on our deals causes PayMeOn to have an additional expense that our competitors do not have. We manage this competitive disadvantage by striving to keep our overhead costs low. We expect to pursue partnership opportunities with organizations that have relationships in various service provider categories. We believe that we will be able to offer competitive payout amounts because of our low internal overhead and because we believe that the cash incentive will result in higher sharing rates among our customers. By sharing rates, we mean the number of deals that PayMeOn members share with their contacts. We believe that PayMeOn deals will be shared often because of the potential for cash earnings for members that share them. PayMeOn intends to derive its net revenue from the difference of what it charges consumers for a particular deal and what it owes merchants and third parties as their share of a particular deal. The difference is PayMeOn's net revenue. PayMeOn establishes a payout amount for each of the deals it offers from its share of the net revenue. PayMeOn users earn their social income® from the payout amount established by PayMeOn. If we source deals from third party relationships, our margins will be reduced. However, we believe that because of our low cost structure, specifically the need for fewer personnel dedicated to deal acquisition relative to our competitors, our ultimate net revenue should be competitive and allow for PayMeOn to set payout amounts attractive enough to encourage members to share deals.

Our Hyperlocal Platform also supports multiple text messaging services such as WAP, MMS and XHTML, runs on a commercial grade mobile marketing platform used by the National Football League, Major League Baseball and others and operates with all major mobile carriers, including AT&T, Sprint, T-Mobile and Verizon. The fully-integrated interface allows for web-based monitoring of customers. It provides access to real-time statistics for each customer's account, including incoming and outgoing messages, number of keywords, credits, account status and more.

We have recently integrated our PayMeOn offerings with the Hyperlocal Marketing Platform to create the PayMeOn Merchant Profit Center. The PayMeOn Merchant Profit Center platform is designed to provide local merchants with a mobile and web based marketing platform that allows merchants to distribute coupons or daily deals, capture and retain customers, and earn money from their customers whenever they purchase from the PayMeOn network. The product is free or sold on a package basis. Packages are distinguished by different distribution opportunities and volume of text messages available.

Distribution of coupons or daily deals

Customers of the PayMeOn Merchant Profit Center are able to market coupons or daily deals at <http://www.paymeon.com> as often as they like (depending on the plan they select), and retain up to 90% of the proceeds. Unlike most PayMeOn competitors in the daily deal space, PayMeOn is able to allow merchants to retain nearly all the proceeds from sales of their coupons or daily deals on its network.

Capture and retention of customers

Use of the mobile marketing module of the PayMeOn Merchant Profit Center allows merchants to acquire and retain customer mobile phone numbers and merchants are able to market via text to customers from the platform in the future. Keyword driven accounts are created for merchants on the mobile module of the PayMeOn Merchant Profit Center. Keywords are descriptive words created for the merchant in the system that are marketed at the point of sale or in print or online advertising to customers. For example, a customer might enter a restaurant called Stephs. When the customer enters the restaurant, they see a sign that reads, to join our VIP club, text stephs <space> your email address to 41513. When the customer texts the keyword (stephs) and his/her email into the system, he/she is opting in to that merchant's account on the mobile marketing module of the PayMeOn Merchant Profit Center and also being anchored to the merchant's profit center account at PayMeOn.

The platform also provides the merchant with various other capabilities, including the ability to run contests for members, create mobile websites and other useful applications.

The PayMeOn Merchant Profit Center is marketed primarily to small and medium sized businesses in various categories, including but not limited to restaurants, automotive supply and repair shops, spas, specialty retail and medical offices. Merchants use the platform in a variety of ways by marketing keywords that drive consumer interest:

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Mobile coupons

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Calls to action (text paymeon to 41513 to view a working demonstration)

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Brand engagement (voting, contests, polling)

.

Geotargeted ads (travel, rental cars)

.

Send alerts, sales related notifications

.

Appointment reminders

.

Audience interactions (concerts, conferences, airports)

Generating revenue from customers from purchases on the PayMeOn network

When customers text in keywords and email addresses to PayMeOn Merchant Profit Center accounts, they are anchored or connected to the merchant's account at PayMeOn. Merchants earn anchor payments for anything purchased by their anchored customers anywhere on the PayMeOn network.

PayMeOn Service Provider Inclusions

PayMeOn's Service Provider Inclusions product allows service provider merchants (such as plumbers, electricians, lawn care professionals, etc.) to be included with service provider referrals and recommendations being made by PayMeOn members (with their permission) using our mobile application. Service providers pay PayMeOn a per inclusion fee to be included with member referrals and recommendations. When members allow service providers to

be included, they are paid a payout amount for allowing the inclusion based on the service provider category.

Licensing model

PayMeOn is also experimenting with developing a licensing revenue model. During September, 2012, the Company entered into preliminary negotiations surrounding a licensing agreement with Destination Meals LLC. Our CEO, Edward Cespedes, is a minority owner of Destination Meals LLC through the Edward A. Cespedes Revocable Trust dated August 22, 2007. The discussion points revolve around Destination Meals LLC licensing certain software from PayMeOn in exchange for per transaction payments to PayMeOn. Though a final agreement has not yet been signed, the parties have tentatively agreed to terms and are currently conducting testing and engaging in limited sales transactions. We believe that the economic terms of the agreement will be at least equal to or better than PayMeOn would receive if the agreement were negotiated with unrelated third parties.

Results of Operations

Revenues for the three months ended June 30, 2013, totaled \$2,726 and were principally derived from sales of the Company's PayMeOn Merchant Profit Center packages to small businesses and from incremental text purchases from subscribers to the mobile text marketing packages. A small amount of sales were derived from the portion of our PayMeOn business that sells deals directly to consumers. Revenues for the three months ended June 30, 2012, were \$9,796 and substantially all revenues were derived from Hyperlocal mobile text marketing packages.

Operating expenses for the three months ended June 30, 2013, totaled \$962,382, an increase of \$445,932 or 86% from \$516,450 for the three months ended June 30, 2012. Operating expenses for the three months ended June 30, 2013 totaled \$962,382, were largely made up of \$76,252 non-cash expense primarily related to warrants issued to certain consultants and service providers in consideration of marketing, business and general consulting services, \$28,961 of professional fees and payroll and payroll taxes of \$184,383 and an impairment charge of \$521,099 for technology and website development. Operating expenses for the three months ended June 30, 2012, totaled \$516,450, the majority of which related to \$353,165 non-cash expense primarily related to warrants issued to certain consultants and service providers in consideration of marketing, business and general consulting services, payroll expense of \$93,248 and \$22,787 of professional fees.

Revenues for the six months ended June 30, 2013, totaled \$8,611 and were principally derived from sales of the Company's PayMeOn Merchant Profit Center packages to small businesses and from incremental text purchases from subscribers to the mobile text marketing packages. A small amount of sales were derived from the portion of our PayMeOn business that sells deals directly to consumers. Revenues for the six months ended June 30, 2012, were \$16,449 and substantially all revenues were derived from Hyperlocal mobile text marketing packages.

Operating expenses for the six months ended June 30, 2013, totaled \$1,344,293, an increase of \$273,968 or 26% from \$1,070,325 for the six months ended June 30, 2012. Operating expenses for the six months ended June 30, 2013 were largely made up of \$290,004 non-cash expense primarily related to warrants issued to certain consultants and service providers in consideration of marketing, business and general consulting services, \$75,901 of professional fees and payroll and payroll taxes of \$391,077, and an impairment charge of \$521,009 for technology and website development. Operating expenses for the six months ended June 30, 2012, totaled \$1,070,325, the majority of which related to \$727,979 non-cash expense primarily related to warrants issued to certain consultants and service providers in consideration of marketing, business and general consulting services, payroll expense of \$192,469 and \$53,683 of professional fees.

Liquidity and Capital Resources

At June 30, 2013, we had \$25,417 of cash. At June 30, 2013 we had working a capital deficit of \$661,157 and an accumulated deficit of \$4,989,613. Since inception, the Company has incurred net operating losses and used cash in operations. The Company has also dedicated substantial resources required to research and development and marketing of the Company's products which included the general and administrative expenses associated with its organization and product development. The Company expects to incur continued marketing expenses in the near and medium term in pursuit of market share. Necessary marketing spending could curtail the Company's ability to generate profits in the near and medium term. We expect operating losses to continue, mainly due to the continued costs and expenses associated with development of our business and marketing of the Hyperlocal and PayMeOn products. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Current working capital is not sufficient to maintain our current operations and there is no assurance that future sales and marketing efforts will be successful enough to achieve the level of revenue sufficient to provide cash to sustain operations. To the extent such revenues and corresponding cash flows do not materialize, we will attempt to fund working capital requirements through third party financing, including a private placement of our securities. In the absence of revenues, we currently believe we require a minimum of \$500,000 to maintain our current operations through 2013. We cannot provide any assurances that required capital will be obtained or that the terms of such required capital may be acceptable to us. If we are unable to obtain adequate financing, we may reduce our operating activities until sufficient funding is secured or revenues are generated to support operating activities.

We have historically satisfied our working capital requirements through the sale of restricted common stock and the issuance of promissory notes

Dennis M. Sheedy,

2007 203,334 92,795 18,786 104,000 17,435 436,350

Vice President, General Counsel and Secretary

James G. Fishburne(6)

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2007 154,933 55,719 2,585 61,344 352,394 565,631 2006 192,900 49,629 32,070 23,100 31,480 2,444 331,623

- (1) Restricted stock awards consist of both time-vesting restricted stock and performance-based restricted stock units. Refer to Note 12 and Note 13 to the Company's Consolidated Financial Statements in the Company's 2007 Form 10-K and 2006 Form 10-K respectively, for the related assumptions pertaining to the Company's calculation in accordance with SFAS No. 123(R).
- (2) The actual change in certain pension values in 2007 were decreases as follows: Mr. Stanik, \$15,280; Mr. Ball, \$2,448; Mr. O'Brien, \$13,411; and Mr. Fishburne, \$3,996. Mr. Ball's actual change in pension value in 2006 was a decrease of \$300.
- (3) Consists of premiums paid by the Company on term life insurance policies on the lives of named individuals, except for (i) Mr. Stanik, which also includes 401(k) Company contributions in 2007 of \$18,000; (ii) Mr. Ball, which also includes 401(k) Company contributions in 2007 of \$18,000; (iii) Mr. O'Brien, which also includes 401(k) Company contributions of \$18,000; (iv) Mr. Sheedy, which also includes 401(k) Company contributions in 2007 of \$16,867, (v) Mr. Fishburne, which also includes 401(k) Company contributions in 2007 of \$7,058; and (vi) Mr. Majoor, which amount is for automobile expenses.
- (4) Mr. Majoor's compensation is converted from Euros to U.S. Dollars at the average annual exchange rate for the applicable year.
- (5) The bonus is an amount paid to Mr. Majoor for his role in the successful sale of the Company's charcoal business in Bodenfelde, Germany.
- (6) The amount in All Other Compensation for Mr. Fishburne includes severance and other payments made in connection with the termination of employment of Mr. Fishburne effective October 2, 2007. In connection with the termination of employment, Mr. Fishburne entered into a separation agreement and release (the Separation Agreement) and an agreement for consulting services with the Company. Economic benefits provided to Mr. Fishburne in the Separation

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Agreement were in most cases those required by his employment agreement with the Company, along with other settlement agreements. In connection with the Separation Agreement, Mr. Fishburne received the following: severance pay of \$306,720; an agreed upon settlement amount of \$61,344 for payments due under the Company's short term incentive plan (included in non-equity incentive plan compensation column); continued medical and dental coverage valued at \$17,290 and a life insurance premium payment of \$1,107; acceleration of the vesting of 5,169 shares of time-vested restricted stock that the Company had previously granted to Mr. Fishburne but were not scheduled to vest until 2008; waiver of forfeiture of the 8,000 shares of performance restricted stock granted to Mr. Fishburne in 2005, which shares then vested on March 1, 2008 upon the Company meeting the performance conditions applicable to such shares in 2008; and vacation pay of \$19,661. In connection with the Separation Agreement, Mr. Fishburne agreed to standard confidentiality, non-compete, non-disparagement and non-solicitation provisions.

Grants of Plan-Based Awards Table

The following table sets forth certain information with respect to grants of plan-based equity awards to the named executive officers during 2007.

Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/ Sh) (1)	Closing Market Price at Grant Date (\$/Sh) (1)	Grant Date Fair Value of Stock Options and Stock Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)					
John Stanik	3/31/07	144,690	289,380	376,194	14,125	28,250	56,500	22,050	27,800	8.37	8.31	665,063
Leroy Ball	3/31/07	50,795	101,590	132,067	5,150	10,300	20,600	8,000	10,100	8.37	8.31	242,033
Kees Majoor	3/31/07	57,236	114,473	148,815	3,100	6,200	12,400	4,800	6,100	8.37	8.31	145,630
Robert O'Brien	3/31/07	47,002	94,003	122,204	3,100	6,200	12,400	4,800	6,100	8.37	8.31	145,630
Dennis Sheedy	3/31/07	41,599	83,198	108,158	3,100	6,200	12,400	4,800	6,100	8.37	8.31	145,630
James Fishburne	3/31/07	40,896	81,792	106,330	2,325	4,650	91,300	3,600	4,575	8.37	8.31	109,223

(1) The exercise price of the option awards was the average of the high and low prices on the New York Stock Exchange on the date of grant. This was based upon the requirements of the Company's Stock Option Plan.

The following information relates to both the Summary Compensation Table and the Grants of Plan-Based Awards Table set forth above. The material terms related to the non-equity incentive plan compensation set forth in the Summary Compensation Table and the estimated future payments under non-equity incentive plan awards in the Grants of Plan-Based Awards Table are described in Compensation Discussion and Analysis under the heading Performance-Based Short Term Cash Incentive Compensation.

The stock awards column in the Summary Compensation Table and the all other stock awards column of the Grants of Plan-Based Awards Table contain information with respect to the time-vesting restricted stock granted to named executive officers in 2006 and 2007, as applicable. Grants of time-vesting restricted stock vest in equal increments over three years. Dividends which are paid on Common Stock of the Company are paid on the time-vesting restricted stock, and held in escrow with the shares.

The stock awards column of the Summary Compensation Table and the estimated future payouts under equity incentive plan awards column of the Grants of Plan-Based Awards Table contain information with respect to the performance share units granted by the Company to the named executive officers in 2006 and 2007, as applicable. Performance share units vest as described in Compensation Discussion and Analysis, under the heading Performance Share Units. These grants were made in units and not actual shares, and thus no dividends accrue on the units until the units vest and the shares are actually issued.

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The option awards column of the Summary Compensation Table and the all other option awards column of the Grants of Plan-Based Awards Table contain information with respect to stock options that were granted to the named executive officers in 2006 and 2007, as applicable. Stock options vest in equal one-half increments over the two year period following the grant. Stock options expire ten years following the date of the grant. Options are granted at fair market value upon the date of the grant.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth certain information with respect to outstanding equity awards to the named executive officers as of December 31, 2007.

Outstanding Equity Awards At Fiscal Year-End

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Shares, Units or Other Rights That Have Not Vested (\$)
	Exercisable	Unexercisable	Options						
John Stanik		27,800(1)		8.37	3/31/17	46,083	732,259	89,050	1,415,005
	20,900	20,900(2)		7.92	3/27/16				
	40,800			8.79	2/11/15				
	100,000			7.04	2/4/14				
	24,000			4.96	4/22/13				
	90,000			5.07	1/2/13				
	50,000			7.81	1/25/12				
	16,500			5.19	12/19/09				
	12,500			5.19	10/11/09				
	18,000			7.18	1/20/09				
Leroy Ball		10,100(1)		8.37	3/31/17	16,567	263,250	31,800	505,302
	7,550	7,550(2)		7.92	3/27/16				
	14,100			8.79	2/11/15				
	75,000			7.04	2/4/14				
	50,000			5.07	1/2/13				
	8,000			7.81	1/25/12				
	10,000			5.19	12/19/09				
Kees Majoor		6,100(1)		8.37	3/31/17	10,400	165,256	20,700	328,923
	4,600	4,600(2)		7.92	3/27/16				
	10,400			8.79	2/11/15				
	75,000			7.04	2/4/14				
	75,000			5.07	1/2/13				
	33,000			7.81	1/25/12				
	30,000			9.35	11/1/10				
	40,000			5.19	12/19/09				
Robert O Brien		6,100(1)		8.37	3/31/17	10,400	165,256	20,700	328,923

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	4,600	4,600(2)	7.92	3/27/16				
	10,400		8.79	2/11/15				
	75,000		7.04	2/4/14				
	50,000		5.07	1/2/13				
	50,000		7.81	1/25/12				
	24,000		5.19	12/19/09				
	20,000		7.18	1/20/09				
Dennis Sheedy		6,100(1)	8.37	3/31/17	9,000	143,010	14,300	227,227
		4,300(3)	5.85	7/1/16				
James Fishburne								

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(1) These securities vest in two equal installments on March 31, 2008 and March 31, 2009.

(2) These securities vest on March 27, 2008.

(3) These securities vest on July 1, 2008.

Option Exercises and Stock Vested

The following table sets forth certain information with respect to stock options exercised by and stock awards vested for named executive officers during 2007.

Option Exercises And Stock Vested

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
John Stanik			16,567	117,085
Leroy Ball			5,867	41,569
Kees Majoor			3,966	27,739
Robert O Brien			3,966	27,739
Dennis Sheedy	4,300	29,885	2,100	24,570
James Fishburne	243,000	2,145,744	9,132	130,131

Pension Benefits

All persons, including named executive officers, who were salaried employees prior to July 1, 2005, and who are United States employees, are participants in the Calgon Carbon Corporation Retirement Plan for Salaried Employees (the Pension Plan), a defined benefit plan.

The Pension Plan provides for annual benefits following normal retirement at age sixty-five equal to 1.05% of the participant's final average compensation (highest five consecutive years in the ten year period immediately preceding retirement or termination) multiplied by the participant's credited service (up to thirty-five years); plus 0.50% of the excess, if any, of the participant's final average compensation in excess of the participant's covered compensation (as defined in Internal Revenue Service regulations) multiplied by the participant's credited service (up to thirty-five years). In calculating Mr. Robert O Brien's benefit under the Pension Plan, prior service with Merck & Co. is included in the calculation of the gross pension benefit. The pension benefit payable to Mr. O Brien from the Pension Plan is his gross pension benefit under the Pension Plan including prior service with Merck & Co., less the benefit payable from the Merck & Co. pension plan.

For purposes of the Pension Plan, compensation includes base compensation, overtime, cost of living, shift differential, special awards, commissions, bonuses and incentive pay. The annual limit on compensation is adjusted in accordance with Code Section 401(a)(17)(B) which allows for maximum compensation of \$225,000 in plan year 2007 and \$230,000 in plan year 2008.

The Pension Plan provides for early retirement, provided that the participant has attained the age of fifty-five and has completed at least fifteen years of continuous participation under the Pension Plan. Early retirement benefits are the retirement income that would be applicable at normal retirement, reduced by 0.25% for each month benefits begin prior to the participant's attainment of age sixty-two. Mr. O Brien is the only named executive officer meeting the requirements needed to take early retirement. Individuals who terminate employment prior to age fifty-five, but have fifteen years of continuous participation upon termination, are eligible to receive benefits

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under the Pension Plan as early as age fifty-five, but the benefit payable is actuarially reduced from age sixty-five. The normal form of payment under the plan is a straight life annuity although a lump sum option is available at any time that the plan is not underfunded.

Effective January 1, 2006, participants in the Pension Plan were permitted a one-time opportunity to elect whether future retirement benefits would continue to be earned under the Pension Plan, in which case a participant would continue to also receive a matching contribution of 25% of the first 4% of base pay contributed by the participant under the Company's Thrift/Savings Plan, a 401(k) defined contribution plan, or instead to elect to cease future participation in the Pension Plan and to participate under the new retirement savings program of the Company's Thrift/Savings Plan. Participants in the new retirement savings program receive a Company match of 100% on the first 2% of total pay contributed by the participant, plus a fixed quarterly Company contribution (2% of total pay) and an annual discretionary Company contribution (from 0% to 4% of total pay based on performance of the Company). Fixed quarterly contributions and discretionary annual contributions made by the Company vest to participants after two years of service. Mr. Ball was the only named executive officer to elect to earn future retirement benefits under the new retirement savings program. Effective January 1, 2007, all remaining Pension Plan participants were required to convert to the new retirement savings program for future accrual of retirement benefits (and no further benefits will accrue to them under the Pension Plan).

Mr. Kees Majoor is not a United States based employee and thus instead participates in the Group Insurance Rules for the Benefit of Salaried Employees of Chemviron Carbon in Belgium (the Belgium Plan), a defined benefit plan. The Belgium Plan provides for an annual benefit following normal retirement at age sixty-five equal to 0.5% of the participant's pensionable salary (the average of the highest five consecutive years out of the ten year period immediately preceding retirement or termination) up to the average social security pension ceiling for each year of credited service (up to a maximum of forty years), plus 1.50% of the excess, if any, of the participant's pensionable salary in excess of the social security pension ceiling for each year of credited service (up to a maximum of forty years).

For purposes of the Belgium Plan, salary is 13.85 multiplied by the January 1 monthly base salary. Additionally, pursuant to an agreement with the Company, Mr. Majoor will receive an additional eight years of service in the calculation of his annual benefit, assuming retirement at age sixty-five. If he leaves prior to age sixty-five, the eight additional years of service is multiplied by a ratio equal to actual service with Chemviron Carbon at early retirement/termination divided by an assumed service with Chemviron Carbon at age sixty-five.

The Belgium Plan provides for early retirement at age fifty-five which will increase to age sixty on December 31, 2009. Benefits payable upon early retirement are actuarially reduced from age sixty-five. The normal form of payment under the plan is a straight life annuity although a lump sum option is available. Mr. Majoor is required to contribute into the Belgium Plan an amount equal to 1.25% of his annual salary up to the social security pension ceiling plus 4% of annual salary in excess of the social security pension ceiling.

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The following table shows years of credited service and present value of accumulated benefit as of December 31, 2007 payable by the Company, and payments made by the Company during the last fiscal year for each named executive officer.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (US\$)(1)	Payments During Last Fiscal Year (\$)
John Stanik	Calgon Carbon Corporation Retirement Plan for Salaried Employees	15.50	322,893	0
Leroy Ball	Calgon Carbon Corporation Retirement Plan for Salaried Employees	5.50	33,059	0
Dennis Sheedy	Not applicable			
Kees Majoor	Group Insurance Rules for the Benefit of Salaried Employees of Chemviron Carbon in Belgium	9.58	373,113	0
Robert O Brien	Calgon Carbon Corporation Retirement Plan for Salaried Employees	33.00	674,867	0
James Fishburne	Calgon Carbon Corporation Retirement Plan for Salaried Employees	5.00	125,231	0

(1) The calculation of present value of accumulated benefit assumes the following:

Retirement at age 62 for Messrs. Stanik, Ball and O Brien and at age 65 for Messrs. Fishburne and Majoor

Discount rate of 6.0% (5.5% for Mr. Majoor, which is the Belgian based rate)

Post retirement annuities based on RP-2000 White Collar Mortality projected to 2015 (sex distinct) for Messrs. Stanik, Ball, Fishburne and O Brien

Post retirement lump sums based on 1994 GAR Unisex Mortality for Messrs. Stanik, Ball, Fishburne and O Brien and the MR table for Mr. Majoor

Percent electing lump sum: 95% for Messrs. Stanik, Ball, Fishburne and O Brien and 100% for Mr. Majoor

An exchange rate of 1 euro equal to 1.4593 U.S. dollar was applied to the amount shown for Mr. Majoor

Potential Payments Upon Termination or Change In Control

The executive officers of the Company have entered into employment agreements with the Company. The agreements provide for a base salary, participation in bonus and other compensation programs as determined by the Company, indemnification against liabilities arising out of their service in certain capacities, and executive risk liability insurance coverage. The agreements generally provide for continued employment of the executives until terminated by the Company with or without cause.

The tables below reflect the amount of compensation which would be paid to each of the named executive officers of the Company in the event of termination of such executive's employment. The amount of compensation payable to each named executive officer upon for cause termination by the Company, voluntary termination, death, disability, retirement, involuntary not-for-cause termination by the Company or

voluntary

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termination by the executive for good reason, and termination following a change in control. The amounts shown assume that such termination was effective as of December 31, 2007 and thus include amounts earned through such time and are estimates of the amounts which would be paid out to the executives upon their termination. The actual amounts to be paid can only be determined at the time of such executive's separation from the Company.

Regardless of the manner in which a named executive officer's employment terminates, he is entitled to receive amounts earned during the term of his employment, including base salary, vacation and other cash entitlements accrued through the date of termination. There are referred to as accrued obligations.

In the case of a termination for cause, as defined in the executive's employment agreement, or a voluntary termination by the employee, the executive would be entitled to no further compensation other than the accrued obligations.

If an executive's employment is terminated by reason of the executive's death, in addition to the accrued obligations, the executive's estate will be permitted to exercise any stock options held by such executive whether or not exercisable on the date of death. All restrictions on such executive's time-based restricted stock will lapse and with respect to restricted performance stock units granted to executives in 2006 and 2007, if the performance conditions contained in the agreement granting such restricted performance stock units are met after such executive's death, the executive's estate would be entitled to receive a number of shares equal to the total share units granted under the agreement, multiplied by the number of full months such executive was employed from January 1 in the year of the grant until the death of the executive, divided by thirty-six.

In the case of disability of an executive in accordance with the definition contained in the executive's employment agreement, in addition to the accrued obligations, the executive's estate would be entitled to receive a number of shares related to restricted performance stock units using the same calculation as would be used in the case of the executive's death. There would be no acceleration of vesting of stock options or time-based restricted stock in the case of disability.

In the case of an executive retiring under a retirement plan of the Company, the executive would receive his accrued obligations. With respect to time-based restricted stock, the executive would receive the number of restricted shares equal to the number of full months such executive was employed since the last vesting date of the restricted shares divided by the number of months from the last vesting date until the next vesting date. With respect to restricted performance stock units, the executive would be entitled to the same amount of shares as would be calculated in the case of the executive's death.

In the case of the termination of the employment of the executive by the Company without cause or the resignation by the executive with good reason, as defined in the executive's employment agreement, the executive will be entitled to eighteen months salary, based upon the salary the executive earned at the time of his termination, payable in a lump sum upon the date of termination. In addition, the executive's applicable health and welfare benefits will be continued for that eighteen-month period or, if shorter, until the executive is reemployed and provided at least equivalent benefits by his next employer. These amounts are modified to twenty-four months for the Chief Executive Officer. The executive will not receive any additional stock or other performance grants. With respect to all equity plans of the Company, no further vesting will occur.

If after a change in control, as defined in the executive's employment agreement, an executive's employment is terminated by the Company (other than termination by the Company for cause or by reason of death or disability) or if the executive terminates his employment in certain circumstances which constitute good reason, the executive will be entitled to the following additional benefits. In lieu of the normal severance benefits described above, the executive will be entitled to a lump sum equal to: (i) two years (three years for the Chief Executive Officer) of the executive's base salary; plus (ii) two times (three times for the Chief Executive Officer) the executive's average annual bonus payable with respect to the most recent three full bonus plan years ending on

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the date of the change in control; and (iii) the matching contributions that would have been credited to the executive under the Company's 401(k) plan for the two years (three years for the Chief Executive Officer) following the effective date of termination of the executive's employment. If the executive terminates his employment other than for good reason during a period of ninety days after the first anniversary of the change of control, the amounts as set forth above would instead be (x) eighteen months (not two years) of such salary, (y) 1.5 times (not two times) of bonus and (z) eighteen months (not two years) of matching contributions under the 401(k) plan, except that in any event the amounts for the Chief Executive Officer would not change from those stated above. For any such period the executive will receive equivalent benefits as were provided at the time of termination. After a change in control, the executive will also be entitled to exercise all stock options and be fully vested in all restricted stock and performance units previously granted to the executive. The Company will pay an additional amount sufficient on an after-tax basis to cover any excise taxes, interest and penalties imposed on severance payments by Section 4999 of the Internal Revenue Code of 1986 plus a gross-up payment to reimburse the executive for the tax imposed on the additional payment.

In order to receive the benefits described above, the named executive officers agree in the employment agreements to be bound by standard provisions concerning use of confidential information and non-compete provisions after termination of employment. In particular, the executive agrees that he will not compete with the Company during the period in which he is receiving severance or for a period of two years after the termination of employment, whichever is longer.

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John Stanik

The following table shows the potential payments upon termination of employment prior to and after a change of control of the Company for John Stanik.

Executive Benefit and	For Cause Termination	Voluntary Termination	Death	Disability	Retirement	Involuntary Not For Cause or Employee for Good Reason Termination	Involuntary Termination During Open Window Period upon One Year Anniversary Following a Change-in-Control	Involuntary Not for Cause or Employee for Good Reason Termination (After Change-In-Control)
Payments Upon Separation Severance and Short-Term Compensation:								
Cash Severance and Short-Term Cash Incentive Compensation	\$ 0	\$ 0	\$ 284,267	\$ 284,267	\$ 0	\$ 1,013,733	\$ 2,203,740	\$ 2,203,740
Long Term Incentive Compensation:								
Stock Options (Unvested)(1)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 375,629	\$ 375,629
Time-Based Restricted Stock(2)	\$ 0	\$ 0	\$ 732,264	\$ 0	\$ 297,077	\$ 0	\$ 732,264	\$ 732,264
Performance-Based Restricted Stock Units(2)	\$ 0	\$ 0	\$ 926,387	\$ 926,387	\$ 926,387	\$ 0	\$ 1,838,473	\$ 1,838,473
Other Benefits								
Savings Plan	\$ 113,876	\$ 113,876	\$ 113,876	\$ 113,876	\$ 113,876	\$ 113,876	\$ 113,876	\$ 113,876
Savings Plan Related Benefits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 27,000	\$ 27,000
Pension Plan(3)	\$ 311,718	\$ 311,718	\$ 141,691	\$ 524,038	\$ 311,718	\$ 311,718	\$ 311,718	\$ 311,718
Health and Welfare Benefits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,573	\$ 35,359	\$ 35,359
Life Insurance(4)	\$ 0	\$ 0	\$ 445,200	\$ 0	\$ 0	\$ 3,205	\$ 4,808	\$ 4,808
Excise Tax & Gross-Up	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,916,810	\$ 1,916,810
Total	\$ 425,594	\$ 425,594	\$ 2,643,685	\$ 1,848,568	\$ 1,649,057	\$ 1,466,105	\$ 7,559,677	\$ 7,559,677

(1) Reflects the excess of the fair market value of the underlying shares as of December 31, 2007 over the exercise price of all unvested options, the vesting of which accelerates in connection with the specified event.

(2) Reflects the fair market value as of December 31, 2007 of the shares underlying restricted stock units, the vesting of which accelerates in connection with the specified event.

(3) The present value calculated for the Pension Plan was determined using the following assumptions:

Estimated lump sums based on 4.69% interest and 1994 GAR Unisex Mortality

Expected age of lump sum payment was determined as follows:

If current age is at least 55 and service is at least 15 years, immediate payment was assumed.

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If current age is less than 55 and service is at least 15 years, payment at age 55 was assumed.

If current age is less than age 55 and/or service less than 15 years, payment at age 65 was assumed.

The monthly accrued benefit as of December 31, 2006 is the amount payable at age 65 as a single life annuity.

If the expected age of lump sum payment is prior to age 65, the appropriate early retirement reductions were applied in the calculation of the estimated lump sum payment.

All participants who become disabled are assumed to continue on employer sponsored long term disability coverage until age 65 and then retire at age 65.

All participants are assumed to be married with a spouse of the same age.

Death benefits are paid to surviving spouses and reflect the adjustment for the 50% joint-and-survivor form of payment and the fact that the surviving spouse will receive 50%. In addition, the death benefit is assumed to be payable at the earliest retirement age of the participant.

(4) In the case of death consists of life insurance proceeds and in all other cases consists of additional premiums paid after termination of employment.

Table of Contents*Leroy Ball*

The following table shows the potential payments upon termination of employment prior to and after a change of control of the Company for Leroy Ball.

Executive Benefit and	For Cause Termination	Voluntary Termination	Death	Disability	Retirement	Involuntary Not For Cause or Employee for Good Reason	Voluntary Termination During Open Window Period upon One Year Anniversary Following a	Involuntary Not for Cause or Employee for Good Reason Termination (After Change-In-
						Termination	Change-in-Control	Control)
Payments Upon Separation Severance and Short-Term Compensation:								
Cash Severance and Short-Term Cash Incentive Compensation	\$ 0	\$ 0	\$ 138,378	\$ 138,378	\$ 0	\$ 376,884	\$ 491,019	\$ 654,692
Long Term Incentive Compensation:								
Stock Options (Unvested)(1)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 136,126	\$ 136,126
Time-Based Restricted Stock(2)	\$ 0	\$ 0	\$ 263,244	\$ 0	\$ 105,889	\$ 0	\$ 263,244	\$ 263,244
Performance-Based Restricted Stock Units(2)	\$ 0	\$ 0	\$ 335,809	\$ 335,809	\$ 335,809	\$ 0	\$ 667,380	\$ 667,380
Other Benefits								
Savings Plan	\$ 35,720	\$ 35,720	\$ 35,720	\$ 35,720	\$ 35,720	\$ 35,720	\$ 35,720	\$ 35,720
Savings Plan Related Benefits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,500	\$ 18,000
Pension Plan(3)	\$ 125,560	\$ 125,560	\$ 57,073	\$ 125,560	\$ 125,560	\$ 125,560	\$ 125,560	\$ 125,560
Health and Welfare Benefits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Life Insurance(4)	\$ 0	\$ 0	\$ 225,756	\$ 0	\$ 0	\$ 1,220	\$ 1,627	\$ 1,627
Excise Tax & Gross-Up	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 510,317	\$ 593,607
Total	\$ 161,280	\$ 161,280	\$ 1,055,980	\$ 635,467	\$ 602,978	\$ 539,384	\$ 2,244,493	\$ 2,495,957

(1) Reflects the excess of the fair market value of the underlying shares as of December 31, 2007 over the exercise price of all unvested options, the vesting of which accelerates in connection with the specified event.

(2) Reflects the fair market value as of December 31, 2007 of the shares underlying restricted stock units, the vesting of which accelerates in connection with the specified event.

(3) The present value calculated for the Pension Plan was determined using the following assumptions:

Estimated lump sums based on 4.69% interest and 1994 GAR Unisex Mortality

Expected age of lump sum payment was determined as follows:

If current age is at least 55 and service is at least 15 years, immediate payment was assumed.

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If current age is less than 55 and service is at least 15 years, payment at age 55 was assumed.

If current age is less than age 55 and/or service less than 15 years, payment at age 65 was assumed.

The monthly accrued benefit as of December 31, 2006 is the amount payable at age 65 as a single life annuity.

If the expected age of lump sum payment is prior to age 65, the appropriate early retirement reductions were applied in the calculation of the estimated lump sum payment.

All participants who become disabled are assumed to continue on employer sponsored long term disability coverage until age 65 and then retire at age 65.

All participants are assumed to be married with a spouse of the same age.

Death benefits are paid to surviving spouses and reflect the adjustment for the 50% joint-and-survivor form of payment and the fact that the surviving spouse will receive 50%. In addition, the death benefit is assumed to be payable at the earliest retirement age of the participant.

(4) In the case of death consists of life insurance proceeds and in all other cases consists of additional premiums paid after termination of employment.

Table of Contents*Kees Majoor*

The following table shows the potential payments upon termination of employment prior to and after a change of control of the Company for Kees Majoor.

Executive Benefit and	For Cause Termination	Voluntary Termination	Death	Disability	Retirement	Involuntary	Voluntary	Involuntary Not
						Not For Cause or Employee for Good Reason	Termination During Open Window Period upon One Year Anniversary Following a	for Cause or Employee for Good Reason Termination (After Change-In-
Payments Upon Separation Severance and Short-Term Compensation:	Change-in-Control	Change-in-Control				Termination	Change-in-Control	Control)
Cash Severance and Short-Term Cash Incentive Compensation	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 660,696	\$ 1,131,604	\$ 1,131,604
Long Term Incentive Compensation:								
Stock Options (Unvested)(1)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 82,534	\$ 82,534
Time-Based Restricted Stock(2)	\$ 0	\$ 0	\$ 165,256	\$ 0	\$ 69,430	\$ 0	\$ 165,256	\$ 165,256
Performance-Based Restricted Stock Units(2)	\$ 0	\$ 0	\$ 203,392	\$ 203,392	\$ 203,392	\$ 0	\$ 403,606	\$ 403,606
Other Benefits								
Savings Plan	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Savings Plan Related Benefits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Pension Plan(3)	\$ 338,420	\$ 338,420	\$ 1,007,413	\$ 338,420	\$ 338,420	\$ 338,420	\$ 338,420	\$ 338,420
Health and Welfare Benefits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Life Insurance(4)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Excise Tax & Gross-Up	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 338,420	\$ 338,420	\$ 1,376,061	\$ 541,812	\$ 611,242	\$ 999,116	\$ 2,121,420	\$ 2,121,420

- (1) Reflects the excess of the fair market value of the underlying shares as of December 31, 2007 over the exercise price of all unvested options, the vesting of which accelerates in connection with the specified event.
- (2) Reflects the fair market value as of December 31, 2007 of the shares underlying restricted stock units, the vesting of which accelerates in connection with the specified event.
- (3) The amounts shown are in United States dollars and were calculated based on an exchange rate at December 31, 2007 of one Euro for each US \$1.4593.
- (4) In all cases other than death, Mr. Majoor is assumed to retire immediately and take a lump sum based on interest rate of 6% and MR mortality.
- (5) In the case of death, Mr. Majoor's spouse receives 60% of his projected age 65 benefit payable immediately as a single lump sum. Death benefits are financed through an insurance company in Belgium. As a result, the lump sum shown is based on an interest rate of 3.25% and FR mortality. The combination of a larger benefit and a lower interest rate results in a substantially larger lump sum for the spouse.
- (6) Upon death, orphan's benefits may also be payable. No value has been included for an orphan's pension.

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Robert O Brien

The following table shows the potential payments upon termination of employment prior to and after change of control of the Company for Robert O Brien.

Executive Benefit and	For Cause Termination	Voluntary Termination	Death	Disability	Retirement	Involuntary Not For Cause or Employee for Good Reason Termination	Voluntary Termination During Open Window Period upon One Year Anniversary Following a Change-in-Control	Involuntary Not for Cause or Employee for Good Reason Termination (After Change-In-Control)
						Termination	Change-in-Control	Control)
Payments Upon Separation Severance and Short-Term Compensation:								
Cash Severance and Short- Term Cash Incentive Compensation	\$ 0	\$ 0	\$ 140,377	\$ 140,377	\$ 0	\$ 380,845	\$ 476,784	\$ 635,712
Long Term Incentive Compensation:								
Stock Options (Unvested)(1)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 82,534	\$ 82,534
Time-Based Restricted Stock(2)	\$ 0	\$ 0	\$ 165,256	\$ 0	\$ 69,430	\$ 0	\$ 165,256	\$ 165,256
Performance-Based Restricted Stock Units(2)	\$ 0	\$ 0	\$ 203,392	\$ 203,392	\$ 203,392	\$ 0	\$ 403,606	\$ 403,606
Other Benefits								
Savings Plan	\$ 478,426	\$ 478,426	\$ 478,426	\$ 478,426	\$ 478,426	\$ 478,426	\$ 478,426	\$ 478,426
Savings Plan Related Benefits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,500	\$ 18,000
Pension Plan(3)	\$ 944,615	\$ 944,615	\$ 440,380	\$ 924,028	\$ 944,615	\$ 944,615	\$ 944,615	\$ 944,615
Health and Welfare Benefits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,217	\$ 20,290	\$ 20,290
Life Insurance(4)	\$ 0	\$ 0	\$ 227,040	\$ 0	\$ 0	\$ 1,274	\$ 1,698	\$ 1,698
Excise Tax & Gross-Up	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 370,918	\$ 454,379
Total	\$ 1,423,041	\$ 1,423,041	\$ 1,654,871	\$ 1,746,223	\$ 1,695,864	\$ 1,820,377	\$ 2,957,627	\$ 3,204,516

(1) Reflects the excess of the fair market value of the underlying shares as of December 31, 2007 over the exercise price of all unvested options, the vesting of which accelerates in connection with the specified event.

(2) Reflects the fair market value as of December 31, 2007 of the shares underlying restricted stock units, the vesting of which accelerates in connection with the specified event.

(3) The present value calculated for the Pension Plan was determined using the following assumptions:

Estimated lump sums based on 4.69% interest and 1994 GAR Unisex Mortality

Expected age of lump sum payment was determined as follows:

If current age is at least 55 and service is at least 15 years, immediate payment was assumed.

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If current age is less than 55 and service is at least 15 years, payment at age 55 was assumed.

If current age is less than age 55 and/or service less than 15 years, payment at age 65 was assumed.

The monthly accrued benefit as of December 31, 2006 is the amount payable at age 65 as a single life annuity.

If the expected age of lump sum payment is prior to age 65, the appropriate early retirement reductions were applied in the calculation of the estimated lump sum payment.

All participants who become disabled are assumed to continue on employer sponsored long term disability coverage until age 65 and then retire at age 65.

All participants are assumed to be married with a spouse of the same age.

Death benefits are paid to surviving spouses and reflect the adjustment for the 50% joint-and-survivor form of payment and the fact that the surviving spouse will receive 50%. In addition, the death benefit is assumed to be payable at the earliest retirement age of the participant.

(4) In the case of death consists of life insurance proceeds and in all other cases consists of additional premiums paid after termination of employment.

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Dennis M. Sheedy

The following table shows the potential payments upon termination of employment prior to and after change of control of the Company for Dennis M. Sheedy.

Executive Benefit and Payments Upon Separation Severance and Short-Term Compensation:						Involuntary Not For Cause or Employee for Good Reason Termination	Voluntary Termination During Open Window Period upon One Year Anniversary Following a Change-in-Control	Involuntary Not for Cause or Employee for Good Reason Termination (After Change-In- Control)
	For Cause Termination	Voluntary Termination	Death	Disability	Retirement	Termination	Change-in-Control	Control)
Cash Severance and Short-Term Cash Incentive Compensation	\$ 0	\$ 0	\$ 109,167	\$ 109,167	\$ 0	\$ 316,251	\$ 427,001	\$ 569,335
Long Term Incentive Compensation:								
Stock Options (Unvested)(1)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 87,582	\$ 87,582
Time-Based Restricted Stock(2)	\$ 0	\$ 0	\$ 143,010	\$ 0	\$ 44,095	\$ 0	\$ 143,010	\$ 143,010
Performance-Based Restricted Stock Units(2)	\$ 0	\$ 0	\$ 237,291	\$ 237,291	\$ 237,291	\$ 0	\$ 454,454	\$ 454,454
Other Benefits								
Savings Plan	\$ 15,059	\$ 15,059	\$ 29,917	\$ 29,917	\$ 15,059	\$ 29,917	\$ 15,059	\$ 15,059
Savings Plan Related Benefits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,500	\$ 18,000
Pension Plan(3)	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Health and Welfare Benefits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,679	\$ 23,572	\$ 23,572
Life Insurance(4)	\$ 0	\$ 0	\$ 203,334	\$ 0	\$ 0	\$ 1,123	\$ 1,498	\$ 1,498
Excise Tax & Gross-Up	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 374,136	\$ 449,779
Total	\$ 15,059	\$ 15,059	\$ 722,719	\$ 376,375	\$ 296,444	\$ 364,970	\$ 1,539,812	\$ 1,762,289

(1) Reflects the excess of the fair market value of the underlying shares as of December 31, 2007 over the exercise price of all unvested options, the vesting of which accelerates in connection with the specified event.

(2) Reflects the fair market value as of December 31, 2007 of the shares underlying restricted stock units, the vesting of which accelerates in connection with the specified event.

(3) The present value calculated for the Pension Plan was determined using the following assumptions:

Estimated lump sums based on 4.69% interest and 1994 GAR Unisex Mortality

Expected age of lump sum payment was determined as follows:

If current age is at least 55 and service is at least 15 years, immediate payment was assumed.

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If current age is less than 55 and service is at least 15 years, payment at age 55 was assumed.

If current age is less than age 55 and/or service less than 15 years, payment at age 65 was assumed.

The monthly accrued benefit as of December 31, 2006 is the amount payable at age 65 as a single life annuity.

If the expected age of lump sum payment is prior to age 65, the appropriate early retirement reductions were applied in the calculation of the estimated lump sum payment.

All participants who become disabled are assumed to continue on employer sponsored long term disability coverage until age 65 and then retire at age 65.

All participants are assumed to be married with a spouse of the same age.

Death benefits are paid to surviving spouses and reflect the adjustment for the 50% joint-and-survivor form of payment and the fact that the surviving spouse will receive 50%. In addition, the death benefit is assumed to be payable at the earliest retirement age of the participant.

(4) In the case of death consists of life insurance proceeds and in all other cases consists of additional premiums paid after termination of employment.

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Compensation of Directors

Governance Committee Oversight. The Board of Directors has assigned the oversight of Director compensation to the Governance Committee, which is comprised of three independent directors. The Governance Committee from time to time reviews and makes decisions regarding the compensation program for the independent Directors of the Company. The Committee's function is to review and make recommendations to the Board as a whole concerning the compensation to be paid to Directors. In performing its functions, the Governance Committee may consult with the Compensation Committee with regard to issues of common interest. The Governance Committee has also used the independent compensation consultant which is used by the Compensation Committee in order to examine director compensation.

Board and Committee Fees. Directors who are full-time employees of the Company or a subsidiary receive no additional compensation for services as a member of the Board or any committee of the Board. Effective after the 2007 Annual Meeting, Directors who were not employees of the Company received an annual retainer of \$45,000 for Board service. The retainer fees are payable in cash or Common Stock of the Company as described below. The Lead Director received an additional retainer of \$15,000. In 2007, the Chairperson of each Committee received a retainer of \$5,000, with the Chairperson of the Audit Committee instead receiving a retainer of \$10,000. Prior to the 2007 Annual Meeting, Directors received a fee of \$700 for each Committee meeting attended on the same day as a Board meeting and \$1,500 or \$1,800 for other meetings depending on the degree of preparation required. Effective after the 2007 Annual Meeting, no meeting fees were paid to Directors.

1999 Phantom Stock Plan. The 1999 Phantom Stock Plan provides each non-employee director with phantom stock with a value upon issuance of \$20,000 each year. No actual stock of the Company is issued under this plan. Instead, each director is credited on the day following the Annual Meeting of Stockholders, in an account maintained for the purpose, with the fair market value of shares of the Company's Common Stock equal to the cash amount of the award. Directors are also credited with the fair market value of shares equal to the amount of the cash dividends which would have been paid if the phantom stock were actual Common Stock. As the actual fair market value of the Company's Common Stock changes, the credited value of the director's phantom stock will change accordingly. When the director leaves the Board for any reason, including death or disability, the director will be entitled to be paid, in cash, the entire amount then credited in the account. If the shareholders approve the adoption of the 2008 Equity Incentive Plan, new awards will cease under this Plan.

1993 Non-Employee Directors' Stock Option Plan. The 1993 Non-Employee Directors' Stock Option Plan, as previously amended, provides for an annual grant on the day following the Annual Meeting of Stockholders of option shares equal to a number of shares which will result in a Black-Scholes calculated value of \$25,000. The options vest and become exercisable six months after the date of grant and, in general, expire ten years after the date of grant. If the shareholders approve the adoption of the 2008 Equity Incentive Plan, new awards will cease under this Plan.

2008 Equity Incentive Plan. If the shareholders approve the adoption of the 2008 Equity Incentive Plan, instead of the grants previously made under the 1999 Phantom Stock Plan and the 1993 Non-Employee Directors' Stock Option Plan, the Board intends to make a grant of restricted stock to non-employee directors with a value of \$45,000, on the day after the Annual Meeting. Such shares will vest in equal annual increments over a three year period.

1997 Directors' Fee Plan. The 1997 Directors' Fee Plan provides Directors with payment alternatives for retainer (but not meeting) fees payable as a member of the Board or as the Chairman of any committee. Pursuant to the Plan, Directors are permitted to receive their retainer fees that are otherwise intended to be paid in cash in a current payment of cash or in a current payment of shares of Common Stock of the Company based upon the fair market value of the Common Stock upon the date of payment of the fee, or to defer payment of the retainer fees for subsequent payment of shares of Common Stock pursuant to a stock deferral election. Payment of Common Stock placed in a deferred stock account will be made in the calendar year following the calendar year during which a Director ceases to be a Director of the Company, including by reason of death or disability.

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The following table sets forth information with respect to Director compensation during 2007.

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash (\$) (1)	Stock Awards (\$) (2)(3)	Option Awards (\$) (3)(4)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Robert Cruickshank	65,700	20,000	20,844				106,544
Randall S. Dearth	22,500	10,000	10,620				43,120
Thomas McConomy(5)	77,011						77,011
William Newlin	51,150	20,000	20,844				91,994
Julie Roberts	75,575	20,000	20,844				116,419
Timothy Rupert	54,350(6)	20,000	20,844				95,194
Seth Schofield	75,500	20,000	20,844				116,344
John Surma	59,350(7)	20,000	20,844				100,194
Robert Yohe	79,500	20,000	20,844				120,344

- (1) Includes the new 2007 retainer amount of \$45,000, additional retainers paid to the Lead Director and Committee Chairpersons, fees paid for meetings in 2007 prior to the 2007 Annual Meeting, and fees for 2006 which were not paid until 2007.
- (2) The following represents the aggregate phantom stock units held by each director as of December 31, 2007: Mr. Cruickshank 10,741; Mr. Dearth 764; Mr. Newlin 3,897; Ms. Roberts 9,048; Mr. Rupert 3,897; Mr. Schofield 10,669; Mr. Surma 8,850 and Mr. Yohe 10,071.
- (3) Refer to Note 12 to the Company's Consolidated Financial Statements of its 2007 Form 10-K for the related assumptions pertaining to the Company's calculation in accordance with SFAS No. 123(R).
- (4) The following represents the aggregate stock options held by each director as of December 31, 2007: Mr. Cruickshank 81,770; Mr. Dearth 2,000; Mr. McConomy, 74,915; Mr. Newlin 16,051; Ms. Roberts 65,670; Mr. Rupert 16,051; Mr. Schofield 80,770; Mr. Surma 65,670 and Mr. Yohe 59,270.
- (5) Mr. McConomy retired effective May 18, 2007. His amount shown represents a cash payout of phantom stock as a result of Mr. McConomy's retirement.
- (6) Of such amount, \$45,000 was issued in Common Stock of the Company at the election of Mr. Rupert.
- (7) Of such amount, \$50,000 was deferred into a Common Stock account at the election of Mr. Surma.

INDEPENDENT AUDITORS**Report of the Audit Committee**

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The charter of the Audit Committee was adopted by the Board of Directors effective February 6, 2003 (as amended through February 21, 2007) and is reviewed annually by the Committee. The Committee's mission is to be the principal means by which the Board of Directors oversees management's preparation and public disclosure of financial information about the Company. The objective is to make available to the public financial statements and other financial information that is of high quality, accurate, complete, timely, fairly presented, and complying with all applicable laws and accounting standards.

In overseeing the audit process for the year 2007, the Audit Committee obtained from Deloitte & Touche LLP, the Company's independent auditors, their letter required by Independence Standard No. 1, Independence

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Discussions with Audit Committees, describing all relationships between the auditors and the Company that might, in their opinion, bear on their independence. In that letter Deloitte & Touche LLP stated that in their judgment they are, in fact, independent. The Committee discussed with the auditors the contents of that letter and concurred in the judgment of independence.

The Committee reviewed with the auditors their audit plan, audit scope and identification of audit risks. Subsequently, the Audit Committee reviewed and discussed the audited financial statements of the Company as of and for the year ended December 31, 2007, first with both management and the independent auditors, and then with the auditors alone. This discussion covered the quality, not just the acceptability, of the Company's financial reporting practices and the completeness and clarity of the related financial disclosures. The Committee also received and discussed, with and without management present, all communications from Deloitte & Touche LLP required by generally accepted auditing standards, including those described in Statement on Auditing Standards No. 61, Communications with Audit Committees.

The Audit Committee then recommended to the Board of Directors that the audited financial statements be approved by the Board, be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007 for filing with the Securities and Exchange Commission, and be included in the Company's annual report to stockholders for the year 2007.

In periodic meetings with the Company's financial management and the independent auditors, the Audit Committee discussed and approved quarterly interim financial information prior to its release to the public. The Committee also performed the other functions required of it by its charter.

Management is responsible for the Company's financial reporting process including its systems of internal controls, and for the preparation of consolidated financial statements in accordance with generally accepted accounting principles. The Company's independent auditors are responsible for auditing those financial statements. The Committee's responsibility is to monitor and review these processes. It is not our duty or our responsibility to plan or conduct audits or manage the system of internal controls of the Company. Therefore, we have relied on management's representation that the financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States of America and on the opinions of the independent auditors included in their report on the Company's financial statements.

JULIE S. ROBERTS, CHAIRPERSON

ROBERT W. CRUICKSHANK

TIMOTHY G. RUPERT

Ratification of Appointment of Independent Auditors (Proposal 3)

The Audit Committee has appointed Deloitte & Touche LLP as independent auditors to audit the financial statements of the Company and its subsidiaries for 2008. Deloitte & Touche LLP audited the financial statements of the Company and its subsidiaries in 2007.

The Board of Directors recommends a vote for the ratification of the appointment of Deloitte & Touche LLP and unless otherwise directed therein, the proxies solicited by the Board will be voted FOR the ratification of the appointment of Deloitte & Touche LLP. In the event the stockholders fail to ratify the appointment, the Audit Committee will consider such vote in its decision to appoint independent auditors for 2009.

Representatives of Deloitte & Touche LLP are expected to be present at the Annual Meeting. They will have the opportunity to make statements if they desire to do so and will be available to respond to appropriate questions.

Table of Contents**Certain Fees**

The following is a summary of fees billed by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu and their respective affiliates (collectively "Deloitte") for professional services rendered for the fiscal years ended December 31, 2007 and December 31, 2006.

	Fiscal Year Ended December 31, 2007	Fiscal Year Ended December 31, 2006
Audit Fees	\$ 1,287,438	\$ 1,330,738
Audit-Related Fees	109,752	28,286
Tax Fees	8,566	7,825
All Other Fees	0	0
Total	\$ 1,405,756	\$ 1,366,849
<i>Audit Fees</i>		

Consist of fees related to professional services rendered for the integrated audit of the Company's consolidated financial statements, reviews of the interim consolidated financial statements included in quarterly reports, comfort letters and services that are normally provided by Deloitte in connection with statutory and regulatory filings or engagements. Fees in 2007 decreased due to the absence of fees related to the 2006 quarterly restatements.

Audit-Related Fees

Consist of fees billed for the adoption of new accounting rules for 2007 and due diligence relating to certain transactions in 2006.

Tax Fees

Consist of fees billed for professional services for tax advice and tax planning.

Other Fees

Deloitte did not perform any services for the Company during the fiscal years ended December 31, 2007 or December 31, 2006 other than the services described under "Audit Fees," "Audit-Related Fees" and "Tax Fees."

Policy for Approval of Audit and Non-Audit Fees

In accordance with the Sarbanes-Oxley Act, the Audit Committee pre-approved all audit and non-audit related consulting services provided by the Company's external audit firm. During 2007, the Audit Committee pre-approved the types of non-audit services which Deloitte was to perform during the balance of the year and the anticipated range of fees for each of these categories. In order to deal with the pre-approval process in the most efficient manner, the Audit Committee will employ pre-approval policies in 2008 that comply with applicable Securities and Exchange Commission regulations. The Chairman of the Audit Committee has the authority to approve work on behalf of the entire committee. A summary of all non-audit related spending is provided to the Audit Committee on a quarterly basis.

The Audit Committee believes that the provision of the above services by Deloitte is compatible with maintaining Deloitte's independence.

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CORPORATE GOVERNANCE

Access to Directors

The stockholders of the Company and other interested parties may communicate directly in writing to the Board of Directors by sending such communication to the Board or a particular Director in care of Dennis M. Sheedy, Vice President, General Counsel and Secretary, at the Company's principal office. At present, such communications will be directly forwarded to the Board or such particular Director, as applicable. The presiding independent Director for executive sessions of non-management Directors is Seth Schofield. The stockholders of the Company may communicate in writing with Mr. Schofield in the manner described above.

Determination of Independence and Related Party Policy

The Board has determined that all of the directors except Mr. Stanik are independent, after reviewing the facts applicable to each such director and acknowledging the independence standards contained in the New York Stock Exchange listing requirement.

The Company has a written policy with respect to related party transactions which was adopted by the Board of Directors. In general, if a senior officer or director of the Company, or a member of their immediate family, is involved in a related party transaction, the senior officer or director must report that transaction to the general counsel. The general counsel will then analyze the transaction and determine whether it needs to be brought before the Governance Committee of the Board for approval. A related party transaction is a transaction that would require disclosure either under the rules of the SEC or the New York Stock Exchange rules of director independence. The statement of policy for related party transactions also provides certain instances in which a related party transaction may be approved by the Governance Committee. The policy requires that any related party transaction be disclosed in the Company's applicable securities filings, including the proxy statement.

Attendance of Meetings by Directors

The Corporate Governance Guidelines of the Company state that all directors are expected to attend each Annual Meeting of Stockholders, as well as Board and applicable committee meetings, except in unavoidable circumstances. All directors attended the 2007 Annual Meeting of Shareholders.

Corporate Governance Documents

A copy of the current charters of the committees of the Board of Directors, the Code of Ethical Business Conduct (which applies to directors, officers and employees of the Company), the Supplement to the Code of Ethical Business Conduct (which also applies to the chief executive and senior financial officers), and the Corporate Governance Guidelines are available to stockholders at the Company's website www.calgoncarbon.com, and any of such documents is also available in print to any stockholder who requests it by contacting Dennis M. Sheedy, Vice President, General Counsel and Secretary, at the Company's principal office.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership of such securities with the Securities and Exchange Commission and the NYSE. Officers, directors and greater than ten-percent beneficial owners are required by applicable regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely upon a review of the copies of the forms furnished to the Company, or written representations from certain reporting persons that no Forms 5 were required, we believe that all filing requirements applicable to our

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officers and directors and ten-percent beneficial owners were complied with during 2007, except that there was a failure to file Forms 4 related to the Company's grants of stock compensation (i) to the following officers on March 31, 2007: John Stanik, Leroy Ball, James Fishburne, Gail Gerono, Kees Majoor, Robert O'Brien and Dennis Sheedy and (ii) to the following directors on May 18, 2007: Robert Cruickshank, William Newlin, Julie Roberts, Timothy Rupert, Seth Schofield, John Surma and Robert Yohe. There was also a failure to file Forms 4 for the above named officers related to the use of time-vested restricted shares that were vesting to pay withholding taxes to the Company. In addition, the following Form 4s were filed late: Thomas McConomy reporting a sale of stock; Robert Yohe reporting two exercises of options; Dennis Sheedy reporting the sale of stock; and Timothy Rupert reporting the grant of stock for director fees.

VOTE REQUIRED

The three nominees for election as Directors in the Class of 2011 at the Annual Meeting who receive the greatest number of votes cast for the election of Directors by the holders of the Company's Common Stock, present in person or represented by proxy at the meeting and entitled to vote at that meeting, a quorum being present, shall become Directors at the conclusion of the tabulation of votes.

The proposals to approve the adoption of the Company's 2008 Equity Incentive Plan and to ratify the independent auditors will be adopted if a majority of the shares present in person or by proxy vote for the proposal. Since the total shares voted for, against, or abstain are counted to determine the minimum votes required for approval, if a stockholder abstains from voting, it has the same legal effect as voting against the matter. If a broker limits the number of shares voted on the proposal on its proxy card or indicates that the shares represented by the proxy card are not being voted on the proposal, it is considered a broker non-vote. Broker non-votes are counted for purposes of determining a quorum but are not counted as a vote or used to determine the favorable votes required to approve the proposal.

OTHER BUSINESS

The Board of Directors does not know of any other business to be presented to the Annual Meeting of Stockholders. If any other matters properly come before the meeting, however, the persons named in the enclosed form of proxy will vote the proxy in accordance with their best judgment.

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STOCKHOLDER PROPOSALS

If any stockholder wishes to present a proposal to be acted upon at the 2009 Annual Meeting of Stockholders and to include such proposal in the Company's proxy statement, the proposal must be received by the Secretary of the Company by December 10, 2008 to be considered for inclusion in the Company's Proxy Statement and form of proxy relating to the 2009 Annual Meeting. The 2009 Annual Meeting is tentatively scheduled for April 30, 2009.

Section 1.08 of the by-laws of the Company requires that any shareholder intending to present a proposal for action at an Annual Meeting (without including such proposal in the Company's proxy statement) must give written notice of the proposal, containing the information specified in such Section 1.08, so that it is received by the Company within the notice period determined under such Section 1.08. These notice deadlines will generally be no earlier than 120 days prior to and no later than 60 days prior to, the anniversary of the date of the Company's Proxy Statement for the Annual Meeting for the previous year, or between December 10, 2008 and January 27, 2009 for the Company's Annual Meeting in 2009. Any shareholder proposal received by the Secretary of the Company outside such notice period will be considered untimely under Rule 14a-4(c)(1) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

Dennis M. Sheedy

Vice President, General Counsel and Secretary

April 3, 2008

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Exhibit A

CALGON CARBON CORPORATION

2008 EQUITY INCENTIVE PLAN

SECTION 1

Purpose; Definitions

1.1 *Purpose.* The purposes of the 2008 Equity Incentive Plan (the *Plan*) are to encourage eligible employees of and service providers to Calgon Carbon Corporation (the *Corporation*) and its Subsidiaries, and non-employee directors of the Corporation, to increase their efforts to make the Corporation and each Subsidiary more successful, to provide an additional inducement for such persons to remain with the Corporation or a Subsidiary, to reward such persons by providing an opportunity to acquire shares of Common Stock on favorable terms, to provide a means through which the Corporation may attract able persons to the Corporation or one of its Subsidiaries, and to align their interests with those of the shareholders of the Corporation.

1.2 *Certain Definitions.* In addition to terms defined herein in the first place where they are used, the following terms are defined as set forth below:

- (a) *Award* means a stock option, a stock appreciation right, restricted stock, restricted stock units, performance units or other stock-based award granted under the Plan.
- (b) *Base Price* shall have the meaning set forth in Section 5.3.
- (c) *Board* means the Corporation's Board of Directors.
- (d) *Code* means the Internal Revenue Code of 1986, as amended from time to time, together with rules, regulations and interpretations promulgated thereunder. References to particular sections of the Code shall include any successor provisions.
- (e) *Committee* means, (a) with respect to Participants who are employees and other service providers, the Compensation Committee or such other committee of the Board as may be designated by the Board to administer the Plan, as referred to in Section 2.1 hereof, consisting of at least two members of the Board; *provided, however*, that any member of the Committee participating in the taking of any action under the Plan must qualify as (1) an *outside director* as then defined under Section 162(m) of the Code or any successor provision, (2) a *non-employee director* as then defined under Rule 16b-3 or any successor rule and (3) an *independent director* under the rules of the New York Stock Exchange or any other principal stock exchange on which the Corporation may in the future be listed, or (b) with respect to Participants who are non-employee directors, the Board or its designee, including the Corporate Governance Committee.
- (f) *Common Stock* shall mean the Common Stock, par value \$.01 per share, of the Corporation.
- (g) *Covered Employees* shall have the meaning set forth in Section 2.1.
- (h) *Exchange Act* means the Securities Exchange Act of 1934, as amended.
- (i) *Fair Market Value* with respect to a share of the Common Stock shall mean the mean between the following prices, as applicable, for the date as of which Fair Market Value is to be determined as quoted in *The Wall Street Journal* (or in such other reliable publication as the Committee, in its sole discretion, may determine to rely upon): (i) if the Common Stock is listed on the New York Stock Exchange, the highest and lowest sales prices per share of the Common Stock as quoted in the NYSE-Composite Transactions listing for such date, (ii) if the Common Stock is not listed on such exchange, the highest and lowest sales prices per share of Common Stock for such date on (or on any composite index including) the principal United States of America securities exchange registered under the Exchange Act on which the Common Stock is listed or (iii) if the Common Stock is not listed on any such exchange, the highest and lowest sales prices per share of the Common Stock for such date on the National Association of Securities Dealers Automated Quotations System or any successor system then in use (*NASDAQ*). If there are no such sale price quotations for the date as of which Fair Market Value is to be determined but there are such sale price

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quotations within a reasonable period both before and after such date, then Fair Market Value shall be determined by taking a weighted average of the means between the highest and lowest sales prices per share of the Common Stock as so quoted on the nearest date before and the nearest date after the date as of which Fair Market Value is to be determined. The average should be weighted inversely by the respective numbers of trading days between the selling dates and the date as of which Fair Market Value is to be determined. If there are no such sale price quotations on or within a reasonable period both before and after the date as of which Fair Market Value is to be determined, then Fair Market Value of the Common Stock shall be the mean between the bona fide bid and asked prices per share of Common Stock as so quoted for such date on NASDAQ, or if none, the weighted average of the means between such bona fide bid and asked prices on the nearest trading date before and the nearest trading date after the date as of which Fair Market Value is to be determined, if both such dates are within a reasonable period. The average is to be determined in the manner described above in this definition. If the Fair Market Value of the Common Stock cannot be determined on the basis previously set forth in this definition on the date as of which Fair Market Value is to be determined, the Committee shall in good faith and in conformance with the requirements of Section 409A of the Code, to the extent applicable to an Award, determine the Fair Market Value of the Common Stock on such date. Fair Market Value shall be determined without regard to any restriction other than a restriction which, by its terms, will never lapse.

(j) Free-Standing SARs shall have the meaning set forth in Section 5.2.

(k) Participant means an eligible employee, other service provider or a non-employee director of the Corporation or any Subsidiary or affiliate who has received an Award under the Plan and any transferee or transferees of such persons to the extent the transfer is permitted under the Plan.

(l) Performance Goals means the performance goals, if any, established by the Committee in connection with the grant of restricted stock, restricted stock units, performance units or other Awards. In the case of Qualified Performance-Based Awards, the Performance Goals means such performance goals based on one or more of the following:

(i) The following criteria for the Corporation on a consolidated basis, one or more of its direct or indirect Subsidiaries, and/or one or more divisions of the foregoing, either in absolute terms or relative to the performance of (x) the Corporation, its Subsidiaries or divisions (for a different period), (y) one or more other companies or (z) an index covering multiple companies:

1. net income
2. economic value added (earnings less a capital charge)
3. EBITDA (earnings before interest, taxes, depreciation and amortization)
4. sales
5. costs
6. gross margin
7. operating margin
8. pre-tax profit or income

9. market share
10. return on net assets
11. return on assets
12. return on capital
13. return on invested capital

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14. cash flow
15. free cash flow
16. operating cash flow
17. operating income
18. earnings before interest and taxes
19. working capital
20. innovation as measured by a percentage of sales from new products
- (ii) The following criteria for the Corporation, either in absolute terms or relative to the performance of the Corporation (for a different period), one or more other companies or an index covering multiple companies:
 1. stock price
 2. return on shareholders' equity
 3. earnings per share
 4. cash flow per share
 5. total shareholder return (stock price appreciation plus dividends)
- (m) Qualified Performance-Based Award means an Award intended to qualify for the Section 162(m) Exemption, as provided in Section 12.
- (n) Rule 16b-3 means Rule 16b-3 under the Exchange Act, as amended from time to time, or any successor to such rule promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.
- (o) Subsidiary means any corporation, partnership, joint venture, limited liability company or other entity in an unbroken chain of entities beginning with the Corporation if each of the entities other than the last entity in the unbroken chain owns an equity interest possessing at least fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other entities in the chain.
- (p) Tandem SARs shall have the meaning set forth in Section 5.2.

SECTION 2

Administration

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2.1. *Committee.* The Plan shall be administered by the Board or a Committee. References hereinafter to the Committee shall mean the Compensation Committee of the Board (or other appointed committee) with respect to employee and other service provider Participants and the Board or the Corporate Governance Committee (or other appointed committee) with respect to non-employee director Participants. The Committee shall have plenary authority to interpret the Plan and prescribe such rules, regulations and procedures in connection with the operations of the Plan as it shall deem to be necessary and advisable for the administration of the Plan consistent with the purposes of the Plan. Without limitation of the foregoing, the Committee shall have the authority, subject to the terms and conditions of the Plan:

- (a) to select the Participants to whom Awards may be made;
- (b) to determine whether and to what extent Awards are to be granted hereunder;
- (c) to determine the terms and conditions of each Award made hereunder, based on such factors as the Committee shall determine;

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- (d) subject to Section 2.5, to modify, amend or adjust the terms and conditions of any previously granted and outstanding Award;
- (e) to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall from time to time deem advisable;
- (f) to interpret the terms and provisions of the Plan and any Award under the Plan (and any agreement under Section 2.5 relating thereto);
- (g) subject to Section 2.5 and Section 2.6, to accelerate the vesting or lapse of restrictions on any outstanding Award, other than a Qualified Performance-Based Award, based in each case on such considerations as the Committee in its sole discretion determines;
- (h) to decide all other matters that must be determined in connection with an Award;
- (i) to determine whether, to what extent and under what circumstances cash, shares of Common Stock and other property and other amounts payable with respect to an Award under this Plan shall be deferred either automatically or at the election of the Participant;
- (j) to establish any insider trading "blackout" period that the Committee in its sole discretion deems necessary or advisable; and
- (k) to otherwise administer the Plan.

In determining any Award to be made to any eligible employee, the Committee shall consider the position and the responsibilities of the employee being considered, the nature and value to the Corporation or a Subsidiary of his or her services, his or her present and/or potential contribution to the success of the Corporation or a Subsidiary and such other factors as the Committee may deem relevant. The Committee may, except to the extent prohibited by applicable law or the listing standards of the stock exchange which is the principal market for the Common Stock, allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any officers of the Corporation or committee of officers of the Corporation selected by it, except with respect to Awards (including Qualified Performance-Based Awards) to any covered employees as defined in Section 162(m)(3) of the Code ("Covered Employees"), persons subject to Section 16 of the Exchange Act, or non-employee directors.

2.2. Committee Action. The Committee shall keep records of action taken at its meetings. A majority of the Committee shall constitute a quorum at any meeting and the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by all members of the Committee, shall be the acts of the Committee.

2.3 Committee Discretion. Any determination made by the Committee or by an appropriately delegated officer pursuant to delegated authority under the provisions of the Plan with respect to any Award shall be made in the sole discretion of the Committee or such officer at the time of the Award or, unless in contravention of any express term of the Plan, at any time thereafter. All decisions made by the Committee or any appropriately delegated officer pursuant to the provisions of the Plan shall be final and binding on all persons, including the Corporation and the Participants eligible under the Plan.

2.4 Cancellation; Suspension; Clawback. Any or all outstanding Awards to a Participant may at any time, in the Committee's sole discretion and subject to such terms and conditions established by the Committee, be cancelled, suspended, or required to be repaid, as the case may be, to the Corporation if the Participant (whether during employment or within eighteen (18) months after termination of employment or service with the Corporation and its Subsidiaries) (i) engages in the operation or management of a business (whether as owner, partner, officer, director, employee or otherwise) which is in competition with the Corporation or any of its Subsidiaries, (ii) induces or attempts to induce any customer, supplier, licensee or other individual, corporation or other business organization having a business relationship with the Corporation or any of its Subsidiaries to

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cease doing business with the Corporation or any of its Subsidiaries or in any way interferes with the relationship between any such customer, supplier, licensee or other person and the Corporation or any of its Subsidiaries, (iii) solicits any employee of the Corporation or any of its Subsidiaries to leave the employment thereof or in any way interferes with the relationship of such employee with the Corporation or any of its Subsidiaries, or (iv) makes any statements or comments, orally or in writing, of a defamatory or disparaging nature regarding the Corporation or any of its Subsidiaries (including but not limited to regarding any of their respective businesses, officers, directors, personnel, products or policies); *provided, however*, that this sentence shall not apply following the occurrence of a Section 11 Event (as defined in Section 11) unless the agreement under Section 2.5 specifically so provides; and *provided, further*, that to the extent that a Participant is a party to another agreement with the Corporation (such as an employment agreement) that includes covenants with respect to one or more of the activities described in subsections (i) through (iv) above, the terms of the covenants in such other agreement shall instead be used in determining the applicability of this Section 2.4 to the Participant. Whether a Participant has engaged in any such activities shall also be determined, in its sole discretion, by the Committee, and any such determination by the Committee shall be final and binding.

2.5 Agreements. The terms and conditions of each Award shall be set forth in a written (or electronic) agreement, which shall be delivered to the Participant receiving such Award upon, or as promptly as is reasonably practicable following, the making of such Award. The effectiveness of an Award shall be subject to the agreement being signed by the Corporation and the Participant receiving the Award unless otherwise provided in the agreement. Unless otherwise provided in the agreement, each agreement or amendment thereto shall be executed on behalf of the Corporation by the Chief Executive Officer (if other than the President), the President or any Vice President and by the Participant. The agreement confirming a stock option shall specify whether the stock option is an incentive stock option or a nonstatutory stock option. The provisions of such agreements need not be identical. Without the consent of the Participant, upon notice to the Participant thereof, the Committee may amend any Award to the Participant and the corresponding agreement in any respect not materially adverse to the Participant. All other amendments to the agreement shall be in writing (including electronic amendments) and executed on behalf of the Corporation and by the Participant. Any reference in the Plan to the agreement under Section 2.5 shall include any amendment to such agreement.

2.6 Certain Minimum Vesting Requirements. The Committee shall not be permitted to (a) make any Awards under Sections 6, 7 or 9 which do not, (i) in the case of time-based restrictions, contain a vesting period of less than three years, with no more frequent than ratable vesting over such period, and (ii) in the case of performance based restrictions, contain a measurement period of less than one year, or (b) accelerate the vesting of any such Award in a manner which would cause such Award to not comply with subsection (a) above, except in the case of the death, disability or retirement of a Participant or in the case of a Section 11 Event; *provided, however*, that the Committee shall be permitted to make such Awards, or accelerate such vesting, in a manner that does not comply with subsection (a) or subsection (b) above, up to an aggregate of ten percent (10%) of the number of shares authorized for issuance under this Plan, subject to adjustment as provided in Section 4.5.

SECTION 3

Eligibility

Those employees of the Corporation or any Subsidiary (including, but not limited to, Covered Employees) who share responsibility for the management, growth or protection of the business of the Corporation or any Subsidiary, other service providers and/or non-employee directors of the Corporation or any Subsidiary shall be eligible to receive Awards as described herein, provided however, that incentive stock options may be granted only to employees of the Corporation and Subsidiaries which are its subsidiaries within the meaning of Section 424(f) of the Code.

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SECTION 4

Shares Subject to the Plan

4.1 Number of Shares. Subject to adjustment as provided in Section 4.5, the maximum aggregate number of shares of the Common Stock for which Awards may be made under the Plan shall be 2,000,000 shares. The maximum number of shares of Common Stock that may be granted pursuant to options intended to be incentive stock options shall be 1,500,000 shares.

4.2 Individual Limit. The maximum number of shares of Common Stock as to which Awards other than performance units under Section 8 or Awards under Section 9 may be made under the Plan to any one Participant in any one calendar year is 500,000 shares, subject to adjustment and substitution as set forth in Section 4.5. For the purposes of this limitation, any adjustment or substitution made pursuant to Section 4.5 in a calendar year with respect to the maximum number of shares set forth in the preceding sentence shall also be made with respect to any shares subject to Awards previously granted under the Plan to such Participant in the same calendar year.

4.3 Share Counting.

(a) For purposes of the limit set forth in the first sentence of Section 4.1 (but not for purposes of any other limit in this Plan, including in Section 4.2), each share of Common Stock which is subject to an Award other than a stock option or a stock appreciation right shall be counted as 1.38 shares rather than one (1) share, *provided, however*, that in case of performance units and restricted stock units that have performance conditions, shares of Common Stock shall be counted as 1.38 shares rather than one (1) share for each actual share issued only at the time, if any, of the actual issuance of shares pursuant to the performance unit Award.

(b) Except in the case of Awards of performance units and restricted stock units that have performance conditions (where shares of Common Stock are counted only upon actual issuance of the shares pursuant to Section 4.3(a)), to the extent that any Award is forfeited, or any option and the Tandem SAR (if any) or any Free-Standing SAR terminates, expires or lapses without being exercised, or any Award is settled for cash, the shares of Common Stock subject to such Awards (and the number of shares counted against the limit set forth in the first sentence of Section 4.1 with respect to such Awards) shall again be available for Awards under the Plan under Section 4.1. However, shares of Common Stock subject to such Awards shall continue to be counted for purposes of Section 4.2 or Section 9, as applicable.

(c) If the exercise price of any option and/or the tax withholding obligations relating to any Awards are satisfied by delivering shares (either actually or through attestation) or withholding shares relating to such Award, the gross number of shares subject to the Award shall nonetheless be deemed to have been granted for purposes of Sections 4.1 and 4.2 and any shares which are delivered will not be added to the aggregate number of shares under Section 4.1 for which Awards may be made under the Plan.

(d) If a Tandem SAR is granted, each share of Common Stock subject to both the Tandem SAR and related stock option shall be counted as only one share of Common Stock for purposes of Sections 4.1 and 4.2.

(e) Each share of Common Stock subject to a stock option (with or without a Tandem SAR) or a Free-Standing SAR shall be counted as one share of Common Stock for purposes of Sections 4.1 and 4.2.

(f) All shares of Common Stock covered by a stock appreciation right, to the extent it is exercised and shares of Common Stock are actually issued upon exercise of the right, shall be counted for purposes of Sections 4.1 and 4.2, regardless of the number of shares used to settle the stock appreciation right upon exercise.

4.4 Common Stock. To the extent that the Corporation has such shares of Common Stock available to it and can issue such shares without violating any law or regulation, the Corporation will reserve Common Stock for

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issuance with respect to an Award payable in Common Stock. The shares of Common Stock which may be issued under the Plan may be either authorized but unissued shares or shares previously issued and thereafter acquired by the Corporation or partly each, as shall be determined from time to time by the Board.

4.5 Adjustment and Substitution of Shares. In the event of a merger, consolidation, stock rights offering, liquidation, separation, spinoff, disaffiliation of a Subsidiary from the Corporation, extraordinary dividend of cash or other property, or similar event affecting the Corporation or any of its Subsidiaries (each, a *Corporate Transaction*), or in the event of a stock dividend, stock split, reverse stock split, reorganization, share combination, or recapitalization or similar event affecting the capital structure of the Corporation (each, a *Share Change*), the Committee or the Board shall make such substitutions or adjustments as it deems appropriate and equitable to prevent the dilution or enlargement of the rights of Participants to (A) the aggregate number and kind of shares of Common Stock reserved for issuance and delivery under the Plan, (B) the various maximum limitations set forth in Sections 4.1 and 4.2 upon certain types of Awards and upon the Awards to individuals, (C) the number and kind of shares of Common Stock subject to outstanding Awards; and (D) the exercise price of outstanding Awards. In the case of Corporate Transactions, such adjustments may include, without limitation, (1) the cancellation of outstanding Awards in exchange for payments of cash, property or a combination thereof having an aggregate value equal to the value of such Awards, as determined by the Committee or the Board in its sole discretion (it being understood that in the case of a Corporate Transaction with respect to which shareholders of Common Stock receive consideration other than publicly-traded equity securities of the ultimate surviving entity, any such determination by the Committee that the value of an option or stock appreciation right shall for this purpose be deemed to equal the excess, if any, of the value of the consideration being paid for each share pursuant to such Corporate Transaction over the exercise price of such option or stock appreciation right shall conclusively be deemed valid); (2) the substitution of other property (including, without limitation, cash or other securities of the Corporation and securities of entities other than the Corporation) for the shares subject to outstanding Awards; and (3) in connection with any disaffiliation of a Subsidiary, arranging for the assumption of Awards, or replacement of Awards with new Awards based on other property or other securities (including, without limitation, other securities of the Corporation and securities of entities other than the Corporation), by the affected Subsidiary, or by the entity that controls such Subsidiary following such disaffiliation (as well as any corresponding adjustments to Awards that remain based upon Corporation securities). The Committee shall adjust the Performance Goals applicable to any Awards to reflect any unusual or non-recurring events and other extraordinary items, impact of charges for restructurings, discontinued operations, and the cumulative effects of accounting or tax changes, each as defined by generally accepted accounting principles or as identified in the Corporation's financial statements, notes to the financial statements, management's discussion and analysis or other of the Corporation's SEC filings; *provided, however*, that in the case of Performance Goals applicable to any Qualified Performance-Based Awards, such adjustment does not violate Section 162(m) of the Code or cause such Awards not to qualify for the Section 162(m) Exemption, as defined in Section 12.1. No adjustment or substitution provided in this Section 4.5 shall require the Corporation or any other entity to issue or sell a fraction of a share or other security.

4.6 Section 409A; Section 162(m); Incentive Stock Options. Notwithstanding the foregoing: (i) any adjustments made pursuant to Section 4.5 to Awards that are considered *deferred compensation* within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code; (ii) any adjustments made pursuant to Section 4.5 to Awards that are not considered *deferred compensation* subject to Section 409A of the Code shall be made in such a manner as to ensure that after such adjustment, the Awards either (A) continue not to be subject to Section 409A of the Code or (B) comply with the requirements of Section 409A of the Code; and (iii) in any event, neither the Committee nor the Board shall have the authority to make any adjustments pursuant to Section 4.5 to the extent the existence of such authority would cause an Award that is not intended to be subject to Section 409A of the Code at the grant date of the Award to be subject thereto. If any such adjustment or substitution provided for in Section 4.5 requires the approval of shareholders in order to enable the Corporation to grant incentive stock options or to comply with Section 162(m) of the Code, then no such adjustment or substitution shall be made without the required shareholder approval. Notwithstanding the foregoing, in the case of incentive stock options, if the effect of any

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such adjustment or substitution would be to cause the option to fail to continue to qualify as an incentive stock option or to cause a modification, extension or renewal of such option within the meaning of Section 424 of the Code, the Committee may determine that such adjustment or substitution not be made but rather shall use reasonable efforts to effect such other adjustment of each then outstanding incentive stock option as the Committee, in its sole discretion, shall deem equitable and which will not result in any disqualification, modification, extension or renewal (within the meaning of Section 424 of the Code) of such incentive stock option.

SECTION 5

Grant of Stock Options and Stock Appreciation Rights

5.1 Types of Options; Limit on Incentive Stock Options. The Committee shall have authority, in its sole discretion, to grant incentive stock options pursuant to Section 422 of the Code, to grant nonstatutory stock options (i.e., stock options which do not qualify under Sections 422 or 423 of the Code) or to grant both types of stock options (but not in tandem). Notwithstanding any other provision contained in the Plan or in any agreement under Section 2.5, but subject to the possible exercise of the Committee's discretion contemplated in the last sentence of this Section 5.1, the aggregate Fair Market Value on the date of grant of the shares with respect to which such incentive stock options are exercisable for the first time by a Participant during any calendar year under all plans of the corporation employing such Participant, any parent or subsidiary corporation of such corporation and any predecessor corporation of any such corporation shall not exceed \$100,000 or such other applicable amount as may from time to time be set forth in the Code. If the date on which one or more incentive stock options could first be exercised would be accelerated pursuant to any provision of the Plan or any agreement under Section 2.5 and the acceleration of such exercise date would result in a violation of the \$100,000 restriction set forth in the preceding sentence, then, notwithstanding any such provision, but subject to the provisions of the next succeeding sentence, the exercise dates of such incentive stock options shall be accelerated only to the extent, if any, that does not result in a violation of such restriction and, in such event, the exercise dates of the incentive stock options with the lowest option prices shall be accelerated to the earliest such dates. The Committee may, in its sole discretion, authorize the acceleration of the exercise date of one or more incentive stock options even if such acceleration would violate the \$100,000 restriction set forth in the second sentence of this Section 5.1 and even if one or more such incentive stock options are thereby converted in whole or in part to nonstatutory stock options.

5.2 Types and Nature of Stock Appreciation Rights. Stock appreciation rights may be tandem stock appreciation rights which are granted in conjunction with incentive stock options or nonstatutory stock options (Tandem SARs), or stock appreciation rights which are not granted in conjunction with options (Free-Standing SARs). Upon the exercise of a stock appreciation right, the Participant shall be entitled to receive an amount in cash, shares of Common Stock, or both, in value equal to the product of (i) the excess of the Fair Market Value of one share of Common Stock on the date of exercise of the stock appreciation right over, in the case of a Tandem SAR, the exercise price of the related option, or in the case of a Free-Standing SAR, the Base Price per share (the Spread), multiplied by (ii) the number of shares of Common Stock in respect of which the stock appreciation right has been exercised. Notwithstanding the foregoing, the Committee at the time it grants a stock appreciation right may provide that the Spread covered by such stock appreciation right may not exceed a lower specified amount. The applicable agreement under Section 2.5 governing the stock appreciation rights shall specify whether such payment is to be made in cash or Common Stock or both, or shall reserve to the Committee or the Participant the right to make that determination prior to or upon the exercise of the stock appreciation right. Tandem SARs may be granted at the grant date of the related stock options or, in the case of a related nonstatutory stock option, also at a later date. At the time a Tandem SAR is granted, the Committee may limit the exercise period for such Tandem SAR, before and after which period no Tandem SAR shall attach to the underlying stock option. In no event shall the exercise period for a Tandem SAR exceed the exercise period for the related stock option. A Tandem SAR shall be exercisable only at such time or times and to the extent that the

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related option is exercisable in accordance with the provisions of this Section 5. A Tandem SAR shall terminate or be forfeited upon the exercise or forfeiture of the related stock option, and the related stock option shall terminate or be forfeited upon the exercise or forfeiture of the Tandem SAR. Any Tandem SAR granted with a related incentive stock option shall be exercisable only when the Fair Market Value of a share of Common Stock exceeds the exercise price for a share of Common Stock under the related incentive stock option.

5.3 Exercise Price and Base Price. The exercise price per share of Common Stock subject to an option and any Tandem SAR, and the base price per share for any Free-Standing SAR (the "Base Price"), shall be determined by the Committee and set forth in the applicable agreement under Section 2.5, and shall be not less than the Fair Market Value of a share of the Common Stock on the applicable grant date, except that in the case of an incentive stock option granted to a Participant who, immediately prior to such grant, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Corporation or any Subsidiary which is a corporation (a "Ten Percent Participant"), the exercise price shall be not less than one hundred ten percent (110%) of the Fair Market Value on the date of grant. For purposes of this Section 5.3, an individual (i) shall be considered as owning not only shares of stock owned individually but also all shares of stock that are at the time owned, directly or indirectly, by or for the spouse, ancestors, lineal descendants and brothers and sisters (whether by the whole or half blood) of such individual and (ii) shall be considered as owning proportionately any shares owned, directly or indirectly, by or for any corporation, partnership, estate or trust in which such individual is a shareholder, partner or beneficiary. In no event may any option or stock appreciation right granted under this Plan, other than pursuant to Section 4.5, be amended to decrease the exercise price or Base Price thereof, be cancelled in conjunction with the grant of any new option or stock appreciation right with a lower exercise price or Base Price, be cancelled or repurchased for cash, property, or another Award at a time when the exercise price or Base Price is greater than the Fair Market Value of the underlying Common Stock, or otherwise be subject to any action that would be treated, for accounting purposes, as a repricing of such option or stock appreciation right, unless such amendment, cancellation, or action is approved by the Corporation's shareholders.

5.4 Term; Vesting and Exercisability. The expiration date of each option and each stock appreciation right shall be fixed by the Committee, but shall not exceed ten years from the date of grant (five years in the case of an incentive stock option granted to a Ten Percent Participant). Except as otherwise provided herein, options and stock appreciation rights shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee and may be exercisable commencing with the grant date.

5.5 Method of Exercise. Subject to the provisions of this Section 5, options and stock appreciation rights may be exercised, in whole or in part (unless otherwise specified by the Committee in its sole discretion), at any time prior to their expiration date by giving written notice of exercise to the Corporation specifying the number of shares of Common Stock as to which the option or stock appreciation rights is being exercised. In the case of the exercise of an option, such notice shall be accompanied by payment in full of the exercise price in United States of America dollars. If approved by the Committee (at the time of grant in the case of an incentive stock option or at any time in the case of a nonstatutory stock option), payment, in full or in part, may also be made as follows:

(a) Payment may be made in the form of unrestricted shares of Common Stock (by delivery of such shares or by attestation) of the same class as the Common Stock subject to the option already owned by the Participant (based on the Fair Market Value of the Common Stock on the date the option is exercised) provided however, that any portion of the exercise price representing a fraction of a share shall be paid in cash;

(b) To the extent permitted by applicable law, payment may be made by delivering a properly executed exercise notice to the Corporation, together with a copy of irrevocable instructions to a broker to deliver promptly to the Corporation the amount of sale or loan proceeds necessary to pay the exercise price, and, if requested, the amount of any federal, state, local or foreign withholding taxes. To facilitate the foregoing, the Corporation may, to the extent permitted by applicable law, enter into agreements for coordinated

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procedures with one or more brokerage firms. In the event the broker sells any shares on behalf of a Participant, the broker shall be acting solely as the agent of the Participant, and the Corporation disclaims any responsibility for the actions of the broker in making any such sales; and/or

(c) With such other instrument as approved by the Committee, including Corporation loans, to the extent permitted by applicable law.

5.6 Delivery; Rights of Shareholders. No shares shall be delivered pursuant to the exercise of an option until the exercise price for the option has been fully paid and applicable taxes have been withheld. Unless otherwise specified by the Committee, the applicable Participant shall have all of the rights of a shareholder of the Corporation holding Common Stock with respect to the shares of Common Stock to be issued upon the exercise of the option or stock appreciation right (including the right to vote the applicable shares and the right to receive dividends), when the Participant (i) has given written notice of exercise in accordance with the procedures established by the Committee, (ii) if requested, has given the representation described in Section 10, and (iii) in the case of an option, has paid in full the exercise price for such shares.

5.7 Nontransferability of Options and Stock Appreciation Rights. Unless the Committee shall otherwise determine in the case of nonstatutory stock options and stock appreciation rights and limited to a transfer without the payment of value or consideration to the Participant, (i) no option or stock appreciation right shall be transferable by a Participant other than by will, or if the Participant dies intestate, by the laws of descent and distribution of the state of domicile of the Participant at the time of death, and (ii) all stock options and stock appreciation rights shall be exercisable during the lifetime of the Participant only by the Participant (or the Participant's guardian or legal representative). Any Tandem SAR shall be transferable only when the related stock option is transferable and then only with the related stock option.

5.8 Termination of Employment. Unless the Committee, in its sole discretion, shall otherwise determine at the time of grant of the Award or, other than in the case of incentive stock options, thereafter, but subject to the provisions of Section 5.1 in the case of incentive stock options:

(a) If the employment or engagement of a Participant who is not disabled within the meaning of Section 422(c)(6) of the Code (a Disabled Participant) is voluntarily terminated with the consent of the Corporation or a Subsidiary, any then outstanding incentive stock option held by such Participant shall be exercisable by the Participant (but only to the extent exercisable by the Participant immediately prior to the termination of employment) at any time prior to the expiration date of such incentive stock option or within three months after the date of termination of employment, whichever is the shorter period;

(b) If the employment or engagement of a Participant who is not a Disabled Participant is voluntarily terminated with the consent of the Corporation or a Subsidiary, any then outstanding nonstatutory stock option or stock appreciation right held by such Participant shall be exercisable by the Participant (but only to the extent exercisable by the Participant immediately prior to the termination of employment) at any time prior to the expiration date of such nonstatutory stock option or stock appreciation right or within one year after the date of termination of employment, whichever is the shorter period;

(c) If the employment or engagement of a Participant who is a Disabled Participant is voluntarily terminated with the consent of the Corporation or a Subsidiary, or a Participant retires at normal retirement age (not early retirement) under any retirement plan of the Corporation, any then outstanding stock option or stock appreciation right held by such Participant shall be exercisable in full (whether or not so exercisable by the Participant immediately prior to the termination of employment) by the Participant at any time prior to the expiration date of such stock option or stock appreciation right or within one year after the date of termination of employment, whichever is the shorter period;

(d) Following the death of a Participant either during or after the termination of employment or engagement, any outstanding stock option or stock appreciation right held by the Participant at the time of death shall be exercisable in full (whether or not so exercisable by the Participant immediately prior to the

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death of the Participant) by the person entitled to do so under the will of the Participant, or, if the Participant shall fail to make testamentary disposition of the stock option or stock appreciation right or shall die intestate, by the legal representative of the Participant at any time prior to the expiration date of such stock option or stock appreciation right or within one year after the date of death, whichever is the shorter period; and

(e) Unless the exercise period of a stock option or stock appreciation right following termination of employment or engagement has been extended as provided in Section 11.3, if the employment or engagement of a Participant terminates for any reason other than voluntary termination with the consent of the Corporation or a Subsidiary, retirement under any retirement plan of the Corporation or a Subsidiary or death, all outstanding stock options and stock appreciation rights held by the Participant at the time of such termination of employment or engagement shall automatically terminate.

Whether termination of employment or engagement is a voluntary termination with the consent of the Corporation or a Subsidiary, whether a retirement is at normal retirement age under a retirement plan of the Corporation, and whether a Participant is a Disabled Participant shall be determined in each case, in its sole discretion, by the Committee (or, in the case of Participants who are not (i) Covered Employees as of the end of the Corporation's immediately preceding fiscal year or (ii) the Chief Executive Officer of the Corporation, by such Chief Executive Officer, in his sole discretion) and any such determination by the Committee or such Chief Executive Officer shall be final and binding. Without limitation of the foregoing, a termination of employment or engagement by the Participant shall not be a voluntary termination with the consent of the Corporation unless the Committee or, if applicable, such Chief Executive Officer, in its or his sole discretion, specifically consents to the termination of employment or engagement in writing.

5.9 Termination of Service. In the case of Participants who are non-employee directors, unless the Committee, in its sole discretion, shall otherwise determine at the time of grant of the Award or thereafter:

(a) If the service of a Participant is terminated for reasons other than removal for cause, any then outstanding stock option or stock appreciation right held by such Participant shall be exercisable by the Participant (but only to the extent exercisable by the Participant immediately prior to the termination of service) at any time prior to the expiration date of such stock option or stock appreciation right or within one year after the date of termination of service, whichever is the shorter period;

(b) Following the death of a Participant either during or after the termination of service, any outstanding stock option or stock appreciation right held by the Participant at the time of death shall be exercisable in full (whether or not so exercisable by the Participant immediately prior to the death of the Participant) by the person entitled to do so under the will of the Participant, or, if the Participant shall fail to make testamentary disposition of the stock option or stock appreciation right or shall die intestate, by the legal representative of the Participant at any time prior to the expiration date of such stock option or stock appreciation right or within one year after the date of death, whichever is the shorter period; and

(c) Unless the exercise period of a stock option or stock appreciation right following termination of service has been extended as provided in Section 11.3, if the service of a Participant terminates due to a removal for cause, all outstanding stock options and stock appreciation rights held by the Participant at the time of such termination of service shall automatically terminate.

Whether termination of service due to a removal for cause shall be determined in each case, in its sole discretion, by the Committee and any such determination by the Committee shall be final and binding.

5.10 Other Terms and Conditions. Subject to the foregoing provisions of this Section 5 and the other provisions of the Plan, any stock option or stock appreciation right granted under the Plan may be exercised at such times and in such amounts and be subject to such restrictions and other terms and conditions, if any, as shall be determined, in its sole discretion, by the Committee and set forth in the agreement under Section 2.5.

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SECTION 6

Restricted Stock

6.1 *Restricted Stock Awards; Certificates.* Shares of restricted stock are actual shares of Common Stock issued to a Participant, and shall be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of one or more stock certificates. Any certificate issued in respect of shares of restricted stock shall be registered in the name of the applicable Participant and, unless held by or on behalf of the Corporation in escrow or custody until the restrictions lapse or the shares are forfeited, shall bear an appropriate conspicuous legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Calgon Carbon Corporation 2008 Equity Incentive Plan and a corresponding agreement. Copies of such Plan and agreement are on file at the offices of Calgon Carbon Corporation, 400 Calgon Carbon Drive, Pittsburgh, PA 15205.

The Committee may require that the certificates evidencing such shares be held in escrow or custody by or on behalf of the Corporation until the restrictions thereon shall have lapsed or the shares are forfeited and that, as a condition of any Award of restricted stock, the applicable Participant deliver to the Corporation a stock power, endorsed in blank, relating to the Common Stock covered by such Award.

6.2 *Terms and Conditions.* Shares of restricted stock shall be subject to the following terms and conditions:

(a) Subject to Section 2.6, the Committee shall, prior to or at the time of grant, condition the vesting of an Award of restricted stock upon (i) the continued service of the applicable Participant, (ii) the attainment of Performance Goals, or (iii) the attainment of Performance Goals and the continued service of the applicable Participant. The Committee shall establish at the time the restricted stock is granted the performance periods during which any Performance Goals specified by the Committee with respect to the restricted stock Award are to be measured. In the event that the Committee conditions the vesting of an Award of restricted stock upon the attainment of Performance Goals or the attainment of Performance Goals and the continued service of the applicable Participant, the Committee may, prior to or at the time of grant, designate an Award of restricted stock as a Qualified Performance-Based Award. The conditions for vesting and the other provisions of restricted stock Awards (including without limitation any applicable Performance Goals) need not be the same with respect to each recipient, and shall be established by the Committee in its sole discretion. Except in the case of a Qualified Performance-Based Award, the Committee at any time after the date of grant, in its sole discretion, may modify or waive any of the conditions applicable to an Award of restricted stock.

(b) Subject to the provisions of this Plan (including Section 6.3) and the applicable agreement under Section 2.5, during the period, if any, set by the Committee, commencing with the date of such restricted stock Award for which such vesting restrictions apply (the "Restriction Period"), and until the expiration of the Restriction Period, the Participant shall not be permitted to sell, assign, transfer, pledge or otherwise encumber shares of such restricted stock. A restricted stock Award may vest in part on a pro rata basis prior to the expiration of any Restriction Period.

(c) Except as provided in this Section 6 and in the applicable agreement under Section 2.5, the applicable Participant shall have, with respect to the shares of restricted stock, all of the rights of a shareholder of the Corporation holding the Common Stock that is the subject of the restricted stock, including, if applicable, the right to vote the shares and the right to receive any cash dividends. If so determined by the Committee and set forth in the applicable agreement under Section 2.5 and subject to Section 15.4, cash dividends on the Common Stock that is the subject of the restricted stock Award may be (i) automatically deferred and reinvested in additional restricted stock, and held subject to the same vesting and forfeiture conditions of the underlying restricted stock, or (ii) held by the Corporation in cash (without

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any payment of interest thereon) subject to the same vesting and forfeiture conditions of the restricted stock with respect to which the dividends are payable. Unless otherwise determined by the Committee and set forth in the applicable agreement under Section 2.5, any Common Stock or other securities payable with respect to any restricted stock as a result of or pursuant to Section 4.5, shall be held subject to the same vesting and forfeiture conditions of the underlying restricted stock.

(d) As soon as practicable after the applicable Restriction Period has ended, the Committee shall determine and certify (in writing in the case of Qualified Performance-Based Awards) whether and the extent to which the service period and/or the Performance Goals were met for the applicable restricted stock. If the vesting condition or conditions applicable to the restricted stock are not satisfied by the time the Restriction Period has expired, such restricted stock shall be forfeited. If and when the Restriction Period expires without a prior forfeiture of the shares of restricted stock (i) if legended certificates have been issued, unlegended certificates for such shares shall be delivered to the Participant upon surrender of the legended certificates, (ii) if legended certificates have not yet been issued, unlegended certificates (and any related blank stock powers previously executed by the Participant) shall be delivered to the Participant, and (iii) any cash dividends held by the Corporation pursuant to Section 6.2(c) shall be delivered to the Participant.

6.3 Permitted Transfers. Neither this Section 6 nor any other provision of the Plan shall preclude a Participant from transferring or assigning restricted stock, without the payment of value or consideration to the Participant, to (i) the trustee of a trust that is revocable by such Participant alone, both at the time of the transfer or assignment and at all times thereafter prior to such Participant's death or (ii) the trustee of any other trust to the extent approved in advance by the Committee, in its sole discretion, in writing. A transfer or assignment of restricted stock from such trustee to any person other than such Participant shall be permitted only to the extent approved in advance by the Committee, in its sole discretion, in writing, and restricted stock held by such trustee shall be subject to all of the conditions and restrictions set forth in the Plan and in the applicable agreement under Section 2.5 as if such trustee were a party to such agreement.

SECTION 7

Restricted Stock Units

7.1 Restricted Stock Unit Awards. Restricted stock units are Awards denominated in shares of Common Stock that will be settled, subject to the terms and conditions of the restricted stock units and at the sole discretion of the Committee, in an amount in cash, shares of Common Stock, or both, based upon the Fair Market Value of a specified number of shares of Common Stock.

7.2 Terms and Conditions. Restricted stock units shall be subject to the following terms and conditions:

(a) Subject to Section 2.6, the Committee shall, prior to or at the time of grant, condition the vesting of restricted stock units upon (i) the continued service of the applicable Participant, (ii) the attainment of Performance Goals or (iii) the attainment of Performance Goals and the continued service of the applicable Participant. In the event that the Committee conditions the vesting of restricted stock units upon the attainment of Performance Goals or the attainment of Performance Goals and the continued service of the applicable Participant, the Committee may, prior to or at the time of grant, designate the restricted stock units as a Qualified Performance-Based Awards. The Committee shall determine the performance period(s) during which any Performance Goals are to be achieved. The conditions for grant or vesting and the other provisions of restricted stock units (including without limitation any applicable Performance Goals) need not be the same with respect to each recipient. An Award of restricted stock units shall be settled as and when the restricted stock units vest, as determined and certified (in writing in the case of Qualified Performance-Based Awards) by the Committee, or at a later time specified by the Committee or in accordance with an election of the Participant, if the Committee so permits. Except in the case of a Qualified Performance-Based Award, the Committee at any time after the date of grant, in its sole discretion, may modify or waive any of the conditions applicable to an Award of restricted stock units.

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(b) Subject to the provisions of the Plan and the applicable agreement under Section 2.5, during the period, if any, set by the Committee, commencing with the date of grant of such restricted stock units for which such vesting restrictions apply (the Units Restriction Period), and until the expiration of the Units Restriction Period, the Participant shall not be permitted to sell, assign, transfer, pledge or otherwise encumber restricted stock units. A restricted stock unit may vest in part prior to the expiration of any Units Restriction Period.

(c) Participants granted restricted stock units shall not be entitled to any dividends payable on the Common Stock unless the agreement under Section 2.5 for restricted stock units specifies to what extent and on what terms and conditions the applicable Participant shall be entitled to receive current or deferred payments of cash, Common Stock or other property corresponding to the dividends payable on the Common Stock (subject to Section 15.4 below). Restricted stock units shall not have any voting rights, and holders of restricted stock units shall not be shareholders of the Corporation unless and until shares of Common Stock are issued by the Corporation (in book-entry form or otherwise).

SECTION 8

Performance Units

Performance units may be granted hereunder to eligible Participants, for no cash consideration or for such minimum consideration as may be required by applicable law, either alone or in addition to other Awards granted under the Plan. The Committee shall establish at the time the performance unit is granted the performance period(s) during which any Performance Goals specified by the Committee with respect to the Award are to be measured. The Performance Goals to be achieved during any performance period(s) and the length of the performance period(s) shall be determined by the Committee upon the grant of each performance unit. The Committee may, in connection with the grant of performance units, designate them as Qualified Performance-Based Awards. The conditions for grant or vesting and the other provisions of performance units (including without limitation any applicable Performance Goals) need not be the same with respect to each Participant. Performance units may be paid in cash, shares of Common Stock, other property or any combination thereof, in the sole discretion of the Committee as set forth in the applicable agreement under Section 2.5. Performance units shall not have any voting rights, and holders of performance units shall not be shareholders of the Corporation unless and until shares of Common Stock are issued by the Corporation (in book-entry form or otherwise). The Performance Goals to be achieved for each performance period, whether the Performance Goals have been achieved, and the amount of the Award to be distributed shall be conclusively determined and certified (in writing in the case of Qualified Performance-Based Awards) by the Committee. Performance units may be paid in a lump sum or in installments following the close of the performance period(s). The Participant shall not be permitted to sell, assign, transfer, pledge or otherwise encumber performance units. The maximum value of the property, including cash, that may be paid or distributed to any Participant pursuant to a grant of performance units made in any one calendar year shall be five million United States of America dollars (\$5,000,000).

SECTION 9

Other Stock-Based Awards

The Committee may award Common Stock and other Awards that are valued in whole or in part by reference to, or are otherwise based upon, Common Stock, including but not limited to, unrestricted stock or dividend equivalents. Any such Award shall be subject to such terms and conditions as established by the Committee, and may include Qualified Performance-Based Awards. The maximum value of Common Stock and other property, including cash, that may be paid or distributed to any Participant pursuant to this Section 9 (and not pursuant to other sections of the Plan) in any one calendar year shall be five million United States of America dollars (\$5,000,000).

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SECTION 10

Issuance of Shares

The Committee may require each person purchasing or receiving shares of Common Stock pursuant to an Award to represent to and agree with the Corporation 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 which the Committee deems appropriate to reflect any restrictions on transfer. The obligation of the Corporation to issue shares of Common Stock under the Plan shall be subject to (i) the effectiveness of a registration statement under the Securities Act of 1933, as amended, with respect to such shares, if deemed necessary or appropriate by counsel for the Corporation, (ii) the condition that the shares shall have been listed (or authorized for listing upon official notice of issuance) upon each stock exchange, if any, on which the shares of Common Stock may then be listed, (iii) all other applicable laws, regulations, rules and orders which may then be in effect and (iv) obtaining any other consent, approval, or permit from any state or federal governmental agency which the Committee shall, in its sole discretion, determine to be necessary or advisable.

SECTION 11

Additional Rights in Certain Events

11.1 Definitions.

For purposes of this Section 11, the following terms shall have the following meanings:

(a) *Section 11 Event* shall mean the date upon which any of the following events occurs:

(i) The acquisition by any individual, entity or group (a *Person*) (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) 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 of the Corporation (the *Outstanding Corporation Common Stock*) or (B) the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the *Outstanding Corporation Voting Securities*); *provided, however*, that, for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control: (x) any acquisition directly from the Corporation, (y) any acquisition by the Corporation or (z) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation;

(ii) Any time at which individuals who, as of the date hereof, constitute the Board (the *Incumbent Board*) cease for any reason to constitute at least two-thirds (2/3) of the Board; *provided, however*, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Corporation's stockholders, 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, *provided*, that for this purpose, the Incumbent Board shall not include 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 (any individual not included in the Incumbent Board by reason of this proviso shall be excluded permanently for purposes of determining whether the Incumbent Board has at any time ceased for any reason to constitute at least two-thirds (2/3) of the Board);

(iii) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Corporation or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Corporation, or the acquisition of assets or stock of another entity by the Corporation or any of its subsidiaries (each, a *Business Combination*),

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in each case unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Corporation Common Stock and the Outstanding Corporation Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of 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 that, as a result of such transaction, owns such voting power of the shares of the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Corporation Common Stock and the Outstanding Corporation Voting Securities, as the case may be, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Corporation 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 two-thirds (2/3) of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(iv) Approval by the stockholders of the Corporation of a complete liquidation or dissolution of the Corporation.

(b) *Covered Change of Control Termination* shall mean (i) the termination of Participant's employment by the Corporation other than for Cause during the one-year period after a Section 11 Event or (ii) the termination of Participant's employment by Participant during the one-year period after a Section 11 Event, in the case in which the Corporation has required the Participant to be based at a location in excess of thirty-five miles from the location of Participant's principal job location or office immediately prior to such change.

(c) *Cause* shall mean Participant's (i) willful misconduct in the performance of his or her duties (other than for Disability); (ii) dishonesty or breach of trust by Participant which is demonstrably injurious to the Corporation or its Subsidiaries; (iii) conviction for or plea of *nolo contendere* to a felony; (iv) insubordination or failure to follow directives issued by a superior at the Corporation or by the Board of Directors; (v) actions which cause a breach or violation of securities laws (including the Sarbanes-Oxley Act or any rules or regulations related thereto); or (vi) material violations of a Corporation policy.

11.2 Acceleration of the Exercise Date of Stock Options and Stock Appreciation Rights. Subject to the provisions of Section 5 in the case of incentive stock options and Section 11.6, unless the agreement under Section 2.5 shall otherwise provide, and notwithstanding any other provision contained in the Plan other than Section 11.7, in case any Covered Change of Control Termination occurs with respect to a Participant, all outstanding stock options and stock appreciation rights of such Participant shall become immediately and fully exercisable whether or not otherwise exercisable by their terms.

11.3 Extension of the Expiration Date of Stock Options and Stock Appreciation Rights. Subject to the provisions of Section 5 in the case of incentive stock options and Section 11.6, unless the agreement under Section 2.5 shall otherwise provide, and notwithstanding any other provision contained in the Plan other than Section 11.7, all stock options and stock appreciation rights held by a Participant whose employment with the Corporation or a Subsidiary terminates by a Covered Change of Control Termination shall be exercisable for a period of three months from the date of such termination of employment, but in no event after the expiration date of the stock option or stock appreciation right.

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11.4 Lapse of Restrictions on Restricted Stock Awards. Unless the agreement under Section 2.5 shall otherwise provide, and notwithstanding any other provision contained in the Plan other than Section 11.6 and Section 11.7, if any Covered Change of Control Termination occurs with respect to a Participant prior to the scheduled lapse of all restrictions applicable to restricted stock Awards of such Participant under the Plan (including but not limited to Qualified Performance-Based Awards), all such restrictions shall lapse upon the occurrence of any such Covered Change of Control Termination regardless of the scheduled lapse of such restrictions.

11.5 Vesting of Restricted Stock Units and Performance Units. Unless the agreement under Section 2.5 shall otherwise provide, and notwithstanding any other provision contained in the Plan other than Section 11.6 and Section 11.7, if any Covered Change of Control Termination occurs with respect to a Participant, all restricted stock units and performance units (including but not limited to Qualified Performance-Based Awards) of such Participant shall be considered to be earned and payable in full, any vesting conditions shall be considered to have been satisfied, and such restricted stock units and performance units shall be settled in cash as promptly as is practicable.

11.6 Code Section 409A. Notwithstanding the foregoing, if any Award is subject to Section 409A of the Code, this Section 11 shall be applicable only to the extent specifically provided in the agreement under Section 2.5 applicable to the Award and permitted pursuant to Section 12.2.

11.7 Other Agreements. Notwithstanding anything in this Plan to the contrary, to the extent that a Participant is a party to an agreement with the Corporation (such as an employment agreement) that has change in control provisions which provide for the acceleration of equity awards owned by the Participant, the provisions of such agreement and not the provisions herein shall control the acceleration and exercisability of such Participant's equity awards.

SECTION 12

Qualified Performance-Based Awards; Section 409A

12.1 Qualified Performance-Based Awards.

(a) The provisions of this Plan are intended to ensure that all options and stock appreciation rights granted hereunder to any Participant who is or may be a Covered Employee in the tax year in which such option or stock appreciation right is expected to be deductible to the Corporation qualify for the exemption from the limitation on deductions imposed by Section 162(m) of the Code (the "Section 162(m) Exemption"), and all such Awards shall therefore be considered Qualified Performance-Based Awards and this Plan shall be interpreted and operated consistent with that intention. When granting any Award other than an option or stock appreciation right, the Committee may designate such Award as a Qualified Performance-Based Award, based upon a determination that (i) the recipient is or may be a Covered Employee with respect to such Award, and (ii) the Committee wishes such Award to qualify for the Section 162(m) Exemption, and the terms of any such Award (and of the grant thereof) shall be consistent with such designation. Within 90 days after the commencement of a performance period or, if earlier, by the expiration of 25% of a performance period, the Committee will designate one or more performance periods, determine the Participants for the performance periods and establish the Performance Goals for the performance periods.

(b) Each Qualified Performance-Based Award (other than an option or stock appreciation right) shall be earned, vested and/or payable (as applicable) upon certification in writing by the Committee of the achievement of one or more Performance Goals, together with the satisfaction of any other conditions, such as continued employment, as previously established by the Committee with respect to such Award.

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(c) Notwithstanding any provision in the Plan or in any agreement under Section 2.5, to the extent that any such provision or action of the Committee would cause any Qualified Performance-Based Award not to qualify for the Section 162(m) Exemption, such provision or action shall be null and void as it relates to Covered Employees, to the extent permitted by law and deemed advisable by the Committee.

12.2 Code Section 409A. It is the intention of the Corporation that no Award shall be deferred compensation subject to Section 409A of the Code, unless and to the extent that the Committee specifically determines otherwise as provided in the immediately following sentence, and the Plan and the terms and conditions of all Awards shall be interpreted accordingly. The terms and conditions governing any Awards that the Committee determines will be subject to Section 409A of the Code, including any rules for elective or mandatory deferral of the delivery of cash or shares of Common Stock pursuant thereto and any rules regarding treatment of such Awards in the event of a Section 11 Event, shall be set forth in the applicable agreement under Section 2.5, and shall comply in all respects with Section 409A of the Code.

SECTION 13

Effect of the Plan on the Rights of Participants

Neither the adoption of the Plan nor any action of the Board or the Committee pursuant to the Plan shall be deemed to give any Participant any right to be granted any Award under the Plan. Nothing in the Plan, in any Award under the Plan or in any agreement under Section 2.5 providing for any Award under the Plan shall confer any right to any Participant to continue in the employ or service of the Corporation or any Subsidiary or interfere in any way with the rights of the Corporation or any Subsidiary or shareholders to terminate the employment or service of such Participant at any time or adjust his or her compensation at any time.

SECTION 14

Amendment or Termination

The right to amend the Plan at any time and from time to time and the right to terminate the Plan are hereby specifically reserved to the Board; provided that no such amendment of the Plan shall, without shareholder approval (a) increase the maximum aggregate number of shares of Common Stock for which Awards may be made under Section 4.1 of the Plan, (b) increase the maximum aggregate number of shares of Common Stock as to which incentive stock options may be granted under Section 4.1 of the Plan, (c) make any changes in the class of Participants eligible to receive Awards under the Plan, (d) change the maximum number of shares of Common Stock as to which Awards may be made to any Participant under Section 4.2 of the Plan, or the maximum amount that may be paid or distributed to any Participant pursuant to a grant of performance units or other stock-based Awards made in any one calendar year under Section 8 or 9 of the Plan, respectively, (e) change the exercise price or Base Price permitted under Section 5.3 of the Plan or the restrictions regarding repricing under Section 5.3 of the Plan, (f) be made if shareholder approval of the amendment is at the time required for Awards under the Plan to qualify for the exemption from Section 16(b) of the Exchange Act provided by Rule 16b-3 or by the rules of the New York Stock Exchange or any stock exchange on which the Common Stock may then be listed or (g) be made to the extent such approval is needed for Qualified Performance-Based Awards to qualify for the Section 162(m) Exemption. No amendment or termination of the Plan shall, without the written consent of the holder of an Award under the Plan, adversely affect the rights of such holder with respect thereto.

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SECTION 15

General Provisions

15.1 *Additional Compensation Arrangements.* Nothing contained in the Plan shall prevent the Corporation or any Subsidiary from adopting other or additional compensation arrangements for its Participants.

15.2 *Tax Withholding.* No later than the date as of which an amount first becomes includible in the gross income of a Participant for federal, state, local or foreign income or employment or other tax purposes with respect to any Award under the Plan, such Participant shall pay to the Corporation (or, if applicable, a Subsidiary), or make arrangements satisfactory to the Corporation (or, if applicable, a Subsidiary) regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Committee, withholding obligations may be settled with Common Stock, including Common Stock that is part of the Award that gives rise to the withholding requirement, having a Fair Market Value on the date of withholding equal to the minimum amount (and not any greater amount unless otherwise determined by the Committee) required to be withheld for tax purposes, all in accordance with such procedures as the Committee establishes, and provided that any fractional share amount must be paid in cash or withheld from compensation otherwise due to the Participant. The obligations of the Corporation under the Plan shall be conditional on such payment or arrangements, and the Corporation and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to such Participant. The Committee may establish such procedures as it deems appropriate, including making irrevocable elections, for the settlement of withholding obligations with Common Stock.

15.3 *Limitation of Liability.* The grant of any Award shall not:

- (a) give a Participant any rights except as expressly set forth in the Plan or in the agreement under Section 2.5;
- (b) create any fiduciary or other obligation of the Corporation or any Subsidiary to take any action or provide to the Participant any assistance or dedicate or permit the use of any assets of the Corporation or any Subsidiary that would permit the Participant to be able to attain any Performance Goals associated with any Award;
- (c) create any trust, fiduciary or other duty or obligation of the Corporation or any Subsidiary to engage in any particular business, continue to engage in any particular business, engage in any particular business practices or sell any particular product or products; or
- (d) create any obligation of the Corporation or any Subsidiary that shall be greater than the obligation of the Corporation or that Subsidiary to any of their general unsecured creditors.

15.4 *Limitation on Dividend Reinvestment and Dividend Equivalents.* Reinvestment of dividends in additional restricted stock at the time of any dividend payment, and the payment of shares with respect to dividends to Participants holding Awards of restricted stock units, shall only be permissible if authorized by the Committee and if sufficient shares of Common Stock are available under Section 4 for such reinvestment or payment (taking into account then outstanding Awards). In the event that sufficient shares of Common Stock are not available for such reinvestment or payment, such reinvestment or payment shall be made in the form of a grant of restricted stock units equal in number to the shares of Common Stock that would have been obtained by such payment or reinvestment, the terms of which restricted stock units shall provide for settlement in cash and for dividend equivalent reinvestment in further restricted stock units on the terms contemplated by this Section 15.4.

15.5 *Governing Law and Interpretation.* To the extent not inconsistent with federal law, 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 Pennsylvania, without reference to principles of conflict of laws. The captions of this Plan are not part of the provisions hereof and shall have no force or effect.

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15.6 Dispute Resolution. Since Awards are granted in Western Pennsylvania, records relating to the Plan and Awards are located in Western Pennsylvania, and the Plan and Awards are administered in Western Pennsylvania, the Corporation and the Participant to whom an Award is granted, for themselves and their heirs, representatives, successors and assigns (collectively, the Parties) irrevocably submit to the exclusive and sole jurisdiction and venue of the state courts of Allegheny County, Pennsylvania and the federal courts of the Western District of Pennsylvania with respect to any and all disputes arising out of or relating to the Plan, the subject matter of the Plan or any Awards under the Plan, including but not limited to any disputes arising out of or relating to the interpretation and enforceability of any Awards or the terms and conditions of the Plan. To achieve certainty regarding the appropriate forum in which to prosecute and defend actions arising out of or relating to the Plan, and to ensure consistency in application and interpretation of the governing law under Section 15.5 of the Plan, the Parties agree that (a) sole and exclusive appropriate venue for any such action shall be the Pennsylvania courts described in the immediately preceding sentence, and no other, (b) all claims with respect to any such action shall be heard and determined exclusively in such Pennsylvania courts, and no other, (c) such Pennsylvania courts shall have sole and exclusive jurisdiction over the Parties and over the subject matter of any dispute relating hereto and (d) the Parties waive any and all objections and defenses to bringing any such action before such Pennsylvania courts, including but not limited to those relating to lack of personal jurisdiction, improper venue or *forum non conveniens*.

15.7 Non-Transferability. Except as otherwise specifically provided in the Plan or by the Committee and limited to a transfer without the payment of value or consideration to the Participant, Awards under the Plan are not transferable except by will or by laws of descent and distribution of the state of domicile of the Participant at the time of death.

15.8 Deferrals. The Committee shall be authorized to establish procedures pursuant to which the payment of any Award may be deferred, provided that any such deferral is consistent with all aspects of Section 409A of the Code. Subject to the provisions of this Plan and any agreement under Section 2.5, the recipient of an Award (including, without limitation, any deferred Award) may, if so determined by the Committee, be entitled to receive, currently or on a deferred basis, interest or dividends, or interest or dividend equivalents, with respect to the number of shares covered by the Award, as determined by the Committee, in its sole discretion, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional shares or otherwise reinvested.

15.9 Integration. The Plan and any written agreements executed by Participants and the Corporation under Section 2.5 contain all of the understandings and representations between the parties and supersede any prior understandings and agreements entered into between them regarding the subject matter within. There are no representations, agreements, arrangements or understandings, oral or written, between the parties relating to the subject matter of the Plan which are not fully expressed in the Plan and the written agreements.

15.10 Foreign Employees and Foreign Law Considerations. The Committee may grant Awards to eligible employees who are foreign nationals, who are located outside the United States of America or who are not compensated from a payroll maintained in the United States of America, or who are otherwise subject to (or could cause the Corporation to be subject to) legal or regulatory provisions of countries or jurisdictions outside the United States of America, on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan, and, in furtherance of such purposes, the Committee may make such modifications, amendments, procedures, or subplans as may be necessary or advisable to comply with such legal or regulatory provisions.

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SECTION 16

Effective Date and Duration of Plan

The effective date and date of adoption of the Plan shall be March 25, 2008, the date of adoption of the Plan by the Board, provided that the Plan is approved by a majority of the votes cast at a meeting of shareholders duly called, convened and held on or prior to March 25, 2009, at which a quorum representing a majority of the outstanding voting stock of the Corporation is, either in person or by proxy, present and voting on the Plan. No stock option or stock appreciation right granted under the Plan on or after March 25, 2008 may be exercised until after such approval and any restricted stock, restricted stock units, performance units or other Award awarded under the Plan shall be forfeited to the Corporation on March 25, 2009 if such approval has not been obtained on or prior to that date. No Award under the Plan may be made subsequent to March 25, 2018.

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CALGON CARBON CORPORATION

Proxy Solicited on Behalf of the Board of Directors of

the Company for Annual Meeting of the Stockholders May 1, 2008

P John S. Stanik and Leroy Ball, or either of them, are hereby appointed for the undersigned, with full power of substitution,
R to vote all the shares of Common Stock of Calgon Carbon Corporation (the Company) which the undersigned may be
O entitled to vote at the Annual Meeting of Stockholders of the Company scheduled for May 1, 2008, and at any
X adjournment thereof, as directed on the reverse side of this proxy card and, in their discretion on any matters which may
Y properly come before the meeting.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS and will be voted as specified on the reverse side hereof. If not specified, the shares represented by this proxy will be voted FOR proposals 1, 2 and 3.

Please mark, sign and date this proxy card on the reverse side hereof and return it in the enclosed envelope.

SEE REVERSE SIDE

Annual Meeting of Stockholders

of

Calgon Carbon Corporation

May 1, 2008

1:00 P.M.

Company's Office

400 Calgon Carbon Drive

Pittsburgh, Pennsylvania

Please mark

x votes as in
this example.

This proxy when properly executed will be voted in the manner directed herein. If no direction is made, this proxy will be voted FOR proposals 1, 2 and 3.

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The Board of Directors recommends a vote FOR proposals 1, 2 and 3.

		FOR		WITHHELD	
1. To elect three Directors for the class of 2011. The nominees are					
Randall Dearth		..		..
Timothy G. Rupert		..		..
Seth E. Schofield		..		..
For, except vote withheld from the following nominee(s):					
		FOR		AGAINST	
				ABSTAIN	
2. To approve the Adoption of the Company's 2008 Equity Incentive Plan		..		..
		FOR		AGAINST	
				ABSTAIN	
3. Ratification of Deloitte & Touche LLP as independent auditors for 2008.		..		..
Mark box at right if you plan to attend the Annual Meeting		..			
Signatures: _____		Date: _____			

NOTE: Please sign exactly as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.

Calgon Carbon Corporation

Please sign, date and return your proxy in the enclosed envelope