

Rometty Virginia M
Form 4
January 30, 2013

FORM 4

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

OMB APPROVAL

OMB Number: 3235-0287
Expires: January 31, 2015
Estimated average burden hours per response... 0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Rometty Virginia M

2. Issuer Name and Ticker or Trading Symbol
INTERNATIONAL BUSINESS MACHINES CORP [IBM]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)

Director 10% Owner
 Officer (give title below) Other (specify below)

Chairman, Pres. and CEO

IBM CORPORATION, ONE NEW ORCHARD ROAD

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)

Form filed by One Reporting Person
 Form filed by More than One Reporting Person

(Street)

ARMONK, NY 10504

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) | |
|---------------------------------|--------------------------------------|--|---------------------|---|---|------------|---|--|---|-------|
| | | | Code | V | Amount | (A) or (D) | | | | Price |
| Common Stock | 01/29/2013 | | M | | 30,369 | A | \$ 105.96 | 31,056.2256 | D | |
| Common Stock | 01/29/2013 | | S | | 100 | D | \$ 204.4093 | 30,956.2256 | D | |
| Common Stock | 01/29/2013 | | S | | 100 | D | \$ 204.66 | 30,856.2256 | D | |
| Common Stock | 01/29/2013 | | S | | 100 | D | \$ 204.665 | 30,756.2256 | D | |
| Common Stock | 01/29/2013 | | S | | 400 | D | \$ 204.675 | 30,356.2256 | D | |

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| | | | | | | | | | |
|--------------|------------|---|---|-------|---|------------|--------------|------------------|-------|
| Common Stock | 01/29/2013 | S | | 200 | D | \$ 204.685 | 30,156.2256 | D | |
| Common Stock | 01/29/2013 | S | | 6,268 | D | \$ 204.69 | 23,888.2256 | D | |
| Common Stock | 01/29/2013 | S | | 3,455 | D | \$ 204.7 | 20,433.2256 | D | |
| Common Stock | 01/29/2013 | S | | 2,595 | D | \$ 204.71 | 17,838.2256 | D | |
| Common Stock | 01/29/2013 | S | | 1,091 | D | \$ 204.72 | 16,747.2256 | D | |
| Common Stock | 01/29/2013 | S | | 932 | D | \$ 204.73 | 15,815.2256 | D | |
| Common Stock | 01/29/2013 | S | | 200 | D | \$ 204.74 | 15,615.2256 | D | |
| Common Stock | 01/29/2013 | S | | 3,073 | D | \$ 204.75 | 12,542.2256 | D | |
| Common Stock | 01/29/2013 | S | | 1,397 | D | \$ 204.76 | 11,145.2256 | D | |
| Common Stock | 01/29/2013 | S | | 700 | D | \$ 204.77 | 10,445.2256 | D | |
| Common Stock | 01/29/2013 | S | | 600 | D | \$ 204.78 | 9,845.2256 | D | |
| Common Stock | 01/29/2013 | S | | 400 | D | \$ 204.79 | 9,445.2256 | D | |
| Common Stock | 01/29/2013 | S | | 1,200 | D | \$ 204.8 | 8,245.2256 | D | |
| Common Stock | 01/29/2013 | S | | 500 | D | \$ 204.81 | 7,745.2256 | D | |
| Common Stock | 01/29/2013 | G | V | 150 | D | \$ 0 | 103,668.6661 | I ⁽¹⁾ | trust |
| Common Stock | 01/29/2013 | G | V | 125 | D | \$ 0 | 103,543.6661 | I ⁽¹⁾ | trust |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

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| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|
| Emp. Stock Option (right to buy) | \$ 105.96 | 01/29/2013 | | M | 30,369 | 02/24/2008 ⁽²⁾ 02/23/2014 | Common Stock 30,369 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---------------|-----------|-------------------------|-------|
| | Director | 10% Owner | Officer | Other |
| Rometty Virginia M IBM CORPORATION ONE NEW ORCHARD ROAD ARMONK, NY 10504 | X | | Chairman, Pres. and CEO | |

Signatures

D. Cummins on behalf of V. M. Rometty
 Signature: _____ Date: 01/30/2013

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The reporting person disclaims beneficial ownership of the securities, and this report shall not be deemed an admission that the reporting person is the beneficial owner of such securities for purposes of Section 16 or for any other purpose.
- (2) This grant vested in four equal annual installments; the last installment vested on the date shown above.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. IGN="bottom" ALIGN="right">49,908.95 * 0 *

David S. Powell

55,148.02 * 0 * 15,346.00 39,802.02 * 0 *

David W. Batson

13,640.69 * 0 * 2,965.00 10,675.69 * 0 *

David W. Kenny

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12,549.44 * 0 * 2,174.00 10,375.44 * 0 *

David W. Laier

64,711.43 * 0 * 14,068.00 50,643.43 * 0 *

Dean A. Stoutland

67,439.57 * 0 * 14,661.00 52,778.57 * 0 *

Dean Justin Smith

47,404.12 * 0 * 10,305.00 37,099.12 * 0 *

Deborah A. Iaquinto

67,439.57 * 0 * 14,661.00 52,778.57 * 0 *

Demetri Demopoulos

43,737.51 * 0 * 9,508.00 34,229.51 * 0 *

Dennis G. Arizin

34,614.62 * 0 * 7,525.00 27,089.62 * 0 *

Don C. Rountree

18,602.12 * 0 * 8,350.00 10,252.12 * 0 *

Donald B. Gaias

55,588.54 * 0 * 12,084.00 43,504.54 * 0 *

Donald L. Lowman

263,516.30 * 0 * 28,261.00 235,255.30 1.03% 0 *

Donald W. Hay

76,562.46 * 0 * 16,522.00 60,040.46 * 0 *

Douglas J. Collins

55,780.63 * 0 * 26,087.00 29,693.63 * 0 *

Douglas J. Friske

82,018.74 * 0 * 3,565.00 78,453.74 * 0 *

Duke Family Settlement (2010)

140,411.81 * 0 * 30,524.00 109,887.81 * 0 *

Edward M. Wrobel Jr

101,300.26 * 0 * 12,584.00 88,716.26 * 0 *

Edward S. Hochberg

Explanation of Responses:

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12,549.44 * 0 * 2,728.00 9,821.44 * 0 *

Elissa M. Sirovatka

9,821.30 * 0 * 2,135.00 7,686.30 * 0 *

Ellen L. Federman

9,821.30 * 0 * 2,135.00 7,686.30 * 0 *

Emmett O. Seaborn

155,591.17 * 0 * 33,824.00 121,767.17 * 0 *

Eric C. Larre

12,549.44 * 0 * 2,728.00 9,821.44 * 0 *

Eric Damours

37,342.75 * 0 * 8,118.00 29,224.75 * 0 *

Eric M. McMurray

51,921.92 * 0 * 11,287.00 40,634.92 * 0 *

Eric T. Duffelen

38,595.20 * 0 * 16,170.00 22,425.20 * 0 *

Eric T. Stoopler

55,588.54 * 0 * 12,084.00 43,504.54 * 0 *

Eric Wuithier

70,506.00 * 0 * 15,327.00 55,179.00 * 0 *

Fairway Trust Limited as Trustees of the Boschetti Trust

12,180.48 * 0 * 10,592.00 1,588.48 * 0 *

Fairway Trust Limited as Trustees of the Borghello Trust

31,886.48 * 0 * 6,932.00 24,954.48 * 0 *

Falco Robert Valkenburg

66,501.09 * 0 * 14,457.00 52,044.09 * 0 *

Felinto Sernache

76,562.46 * 0 * 16,644.00 59,918.46 * 0 *

Ferd L. Davis III

5,456.28 * 0 * 1,186.00 4,270.28 * 0 *

Fern Grace Whitehouse

Explanation of Responses:

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7,638.79 * 0 * 1,661.00 5,977.79 * 0 *

Fiona L. Macdonald

55,588.54 * 0 * 12,084.00 43,504.54 * 0 *

Florence Holden

9,821.30 * 0 * 2,135.00 7,686.30 * 0 *

Francis J. Giampietro Jr

16,368.83 * 0 * 2,174.00 14,194.83 * 0 *

Frederick L. Abbott

52,860.40 * 0 * 11,491.00 41,369.40 * 0 *

Freeman Family Settlement (2010)

55,588.54 * 0 * 12,084.00 43,504.54 * 0 *

Gail E. Hiestand

5,456.28 * 0 * 1,186.00 4,270.28 * 0 *

Table of Contents

| Name of Beneficial Owner | Beneficial Ownership Before Conversion and Before the Offering | | | | | Beneficial Ownership After the Offering | | | | | |
|--|---|-----------------|-------------|-----------------|-------------|---|----------------------------|-----------------|-------------|----------------------------|---------------------------------|
| | Class B Common Stock | % of Class B | | % of Class A | | Shares Being Offered | Class B Common Stock | % of Class B | | Class A Common Stock | % of Class A Common Stock |
| | | Common Stock | Outstanding | Common Stock | Outstanding | | | Common Stock | Outstanding | | |
| Gavin N. Palmer | 46,465.65 | * | 0 | * | 10,101.00 | 36,364.65 | * | 0 | * | | |
| Gavin S. Benjamin | 13,640.69 | * | 0 | * | 1,186.00 | 12,454.69 | * | 0 | * | | |
| Gayle M. Spear | 29,158.34 | * | 0 | * | 6,339.00 | 22,819.34 | * | 0 | * | | |
| George Joseph Daddario Jr | 7,638.79 | * | 0 | * | 1,661.00 | 5,977.79 | * | 0 | * | | |
| Gerard Silve | 7,638.79 | * | 0 | * | 1,661.00 | 5,977.79 | * | 0 | * | | |
| Gloria Gowens | 29,158.34 | * | 0 | * | 6,087.00 | 23,071.34 | * | 0 | * | | |
| Gordon Alec Marsh | 71,106.19 | * | 0 | * | 15,458.00 | 55,648.19 | * | 0 | * | | |
| Gordon L. Gould | 188,630.63 | * | 0 | * | 24,348.00 | 164,282.63 | * | 0 | * | | |
| Graham P. Goode | 23,702.06 | * | 0 | * | 5,153.00 | 18,549.06 | * | 0 | * | | |
| Gunton Family Settlement (2010) | 10,400.00 | * | 0 | * | 2,261.00 | 8,139.00 | * | 0 | * | | |
| Gus M. Bentivegna | 9,821.30 | * | 0 | * | 2,135.00 | 7,686.30 | * | 0 | * | | |
| Guy Delisle | 39,832.70 | * | 0 | * | 34,637.00 | 5,195.70 | * | 0 | * | | |
| Harriet Sebald | 7,638.79 | * | 0 | * | 1,661.00 | 5,977.79 | * | 0 | * | | |
| Heijo Hauser | 97,575.97 | * | 0 | * | 12,121.00 | 85,454.97 | * | 0 | * | | |
| Helen Judith Bennett Beedham | 1,280.00 | * | 0 | * | 278.00 | 1,002.00 | * | 0 | * | | |
| Henk J. Kriek | 47,404.12 | * | 0 | * | 10,305.00 | 37,099.12 | * | 0 | * | | |
| Howard Markman | 43,737.51 | * | 0 | * | 9,043.00 | 34,694.51 | * | 0 | * | | |
| Hugh F. Shanks | 82,447.30 | * | 0 | * | 21,739.00 | 60,708.30 | * | 0 | * | | |
| Hugo A. Kostelni | 31,741.75 | * | 0 | * | 3,248.00 | 28,493.75 | * | 0 | * | | |
| Ian B. Farr | 67,439.57 | * | 0 | * | 14,661.00 | 52,778.57 | * | 0 | * | | |
| Ian R. Mair | 31,886.48 | * | 0 | * | 6,932.00 | 24,954.48 | * | 0 | * | | |
| In Sung Yuh | 7,638.79 | * | 0 | * | 1,661.00 | 5,977.79 | * | 0 | * | | |
| Irina Perina Konstantinovsky | 7,638.79 | * | 0 | * | 1,661.00 | 5,977.79 | * | 0 | * | | |
| Isabelle A. Cote | 13,640.69 | * | 0 | * | 2,965.00 | 10,675.69 | * | 0 | * | | |
| Jack Borbely | 21,304.23 | * | 0 | * | 6,087.00 | 15,217.23 | * | 0 | * | | |
| Jack L. Gibson | 16,368.83 | * | 0 | * | 3,558.00 | 12,810.83 | * | 0 | * | | |
| Jaime L. Pludo | 31,886.48 | * | 0 | * | 6,932.00 | 24,954.48 | * | 0 | * | | |
| James A. Stewart | 9,821.30 | * | 0 | * | 2,135.00 | 7,686.30 | * | 0 | * | | |
| James B. Curtin Jr | 55,588.54 | * | 0 | * | 12,084.00 | 43,504.54 | * | 0 | * | | |
| James C. Archer | 5,456.28 | * | 0 | * | 1,186.00 | 4,270.28 | * | 0 | * | | |
| James D. Cummings | 7,638.79 | * | 0 | * | 1,661.00 | 5,977.79 | * | 0 | * | | |
| James M. Mc Nab | 13,640.69 | * | 0 | * | 2,965.00 | 10,675.69 | * | 0 | * | | |
| James M. Meacock | 38,281.23 | * | 0 | * | 8,322.00 | 29,959.23 | * | 0 | * | | |
| James P. Depre | 31,886.48 | * | 0 | * | 6,932.00 | 24,954.48 | * | 0 | * | | |
| James W. B. Hole | 43,737.51 | * | 0 | * | 9,508.00 | 34,229.51 | * | 0 | * | | |
| Jay Mitchell | 16,368.83 | * | 0 | * | 3,558.00 | 12,810.83 | * | 0 | * | | |
| Jean A. Moore | 46,465.65 | * | 0 | * | 5,217.00 | 41,248.65 | * | 0 | * | | |
| Jean C. Daly | 31,886.48 | * | 0 | * | 6,932.00 | 24,954.48 | * | 0 | * | | |
| Jean Francois Vernier | 29,158.34 | * | 0 | * | 6,339.00 | 22,819.34 | * | 0 | * | | |
| Jean Philippe Provost | 21,825.10 | * | 0 | * | 4,745.00 | 17,080.10 | * | 0 | * | | |
| Jean Remi Mayrand | 31,886.48 | * | 0 | * | 6,932.00 | 24,954.48 | * | 0 | * | | |
| Jean Robert Viguie | 114,920.08 | * | 0 | * | 24,983.00 | 89,937.08 | * | 0 | * | | |
| Jeanne Oc Wyand | 55,588.54 | * | 0 | * | 6,087.00 | 49,501.54 | * | 0 | * | | |
| Jennifer L. Biggs Trustee of the Jennifer L. Biggs Revocable Trust | 31,886.48 | * | 0 | * | 3,478.00 | 28,408.48 | * | 0 | * | | |
| Jennifer Lyn Brasher | 10,230.52 | * | 0 | * | 2,965.00 | 7,265.52 | * | 0 | * | | |
| Jennifer P. Johnson | 31,886.48 | * | 0 | * | 1,391.00 | 30,495.48 | * | 0 | * | | |
| Joanne Percoco Mooney | 41,009.37 | * | 0 | * | 8,915.00 | 32,094.37 | * | 0 | * | | |
| Joerg Peter Domschke | 45,361.86 | * | 0 | * | 35,097.00 | 10,264.86 | * | 0 | * | | |
| John A. Adams | 43,737.51 | * | 0 | * | 4,348.00 | 39,389.51 | * | 0 | * | | |
| John A. Mcintosh | 31,886.48 | * | 0 | * | 6,932.00 | 24,954.48 | * | 0 | * | | |
| John B. Egner | 99,664.34 | * | 0 | * | 21,666.00 | 77,998.34 | * | 0 | * | | |
| John Beedham | 1,280.69 | * | 0 | * | 278.00 | 1,002.69 | * | 0 | * | | |
| John C. Shea | 50,078.54 | * | 0 | * | 7,293.00 | 42,785.54 | * | 0 | * | | |
| John Carney Settlement (2010) | 119,206.04 | * | 0 | * | 43,478.00 | 75,728.04 | * | 0 | * | | |
| John D. England | 64,060.51 | * | 0 | * | 55,705.00 | 8,355.51 | * | 0 | * | | |
| John E. Marsteller | 13,640.69 | * | 0 | * | 2,965.00 | 10,675.69 | * | 0 | * | | |

Table of Contents

| Name of Beneficial Owner | Beneficial Ownership Before Conversion and Before the Offering | | | | | Beneficial Ownership After the Offering | | | | |
|--------------------------|---|-----------------|----------------------------|--------------------------------|----------------------------|---|--------------------------------|----------------------------|--------------------------------|--|
| | % of Class B | | % of Class A | | Shares Being Offered | % of Class B | | % of Class A | | |
| | Class B Common Stock Outstanding | Common Stock | Class A Common Stock | Common Stock Outstanding | | Class B Common Stock | Common Stock Outstanding | Class A Common Stock | Common Stock Outstanding | |
| John F. Butcher II | 9,821.30 | * | 0 | * | 2,135.00 | 7,686.30 | * | 0 | * | |
| John H. Mize | 51,921.92 | * | 0 | * | 11,287.00 | 40,634.92 | * | 0 | * | |
| John J. Toslosky | 7,638.79 | * | 0 | * | 1,661.00 | 5,977.79 | * | 0 | * | |
| John Kenneth Allen | 71,106.19 | * | 0 | * | 15,458.00 | 55,648.19 | * | 0 | * | |
| John M. Fenton | 91,043.13 | * | 0 | * | 5,444.00 | 85,599.13 | * | 0 | * | |
| John M. Mccoy | 42,461.15 | * | 0 | * | 36,923.00 | 5,538.15 | * | 0 | * | |
| John M. Nevers Jr | 43,737.51 | * | 0 | * | 9,508.00 | 34,229.51 | * | 0 | * | |
| John Michael Lochner | 31,886.48 | * | 0 | * | 1,739.00 | 30,147.48 | * | 0 | * | |
| John P. Davi | 12,277.57 | * | 0 | * | 713.00 | 11,564.57 | * | 0 | * | |
| John P. Woods III | 5,456.28 | * | 3,926 | * | 1,186.00 | 4,270.28 | * | 3,926 | * | |
| John R. Leigh | 13,640.69 | * | 0 | * | 2,965.00 | 10,675.69 | * | 0 | * | |
| John S. Clouston | 4,455.01 | * | 0 | * | 3,874.00 | 581.01 | * | 0 | * | |
| John W. Allen | 13,640.69 | * | 0 | * | 2,965.00 | 10,675.69 | * | 0 | * | |
| John W. Gift | 42,143.88 | * | 0 | * | 34,783.00 | 7,360.88 | * | 0 | * | |
| Jonathan D. Weinstein | 51,921.92 | * | 0 | * | 11,287.00 | 40,634.92 | * | 0 | * | |
| Joni T. Bierwirth | 67,439.57 | * | 0 | * | 14,661.00 | 52,778.57 | * | 0 | * | |
| Joseph Glinbizzi | 43,737.51 | * | 0 | * | 9,508.00 | 34,229.51 | * | 0 | * | |
| Julie J. Gebauer | 188,416.12 | * | 0 | * | 40,960.00 | 147,456.12 | * | 0 | * | |
| Julie M. Womack | 7,638.79 | * | 0 | * | 1,661.00 | 5,977.79 | * | 0 | * | |
| Karen M. Figueiredo | 55,588.54 | * | 0 | * | 12,084.00 | 43,504.54 | * | 0 | * | |
| Katharine Barnes | 31,886.48 | * | 0 | * | 3,478.00 | 28,408.48 | * | 0 | * | |
| Katharine J. Turner | 9,821.30 | * | 0 | * | 2,135.00 | 7,686.30 | * | 0 | * | |
| Kathleen A. Fitzpatrick | 12,549.44 | * | 0 | * | 2,728.00 | 9,821.44 | * | 0 | * | |
| Kathleen C. McClave | 10,366.92 | * | 0 | * | 2,254.00 | 8,112.92 | * | 0 | * | |
| Kathleen M. Drummond | 26,658.34 | * | 0 | * | 4,165.00 | 22,493.34 | * | 0 | * | |
| Keith Andrew Harrison | 85,685.36 | * | 0 | * | 18,627.00 | 67,058.36 | * | 0 | * | |
| Kenneth T. Ransby | 91,688.96 | * | 0 | * | 79,130.00 | 12,558.96 | * | 0 | * | |
| Kevin C. Young | 105,720.80 | * | 0 | * | 8,696.00 | 97,024.80 | * | 0 | * | |
| Kevin J. Aselstine | 95,659.43 | * | 0 | * | 20,796.00 | 74,863.43 | * | 0 | * | |
| Kevin J. Halfpenny | 5,456.28 | * | 0 | * | 1,186.00 | 4,270.28 | * | 0 | * | |
| Kevin M. Koonjy | 29,158.34 | * | 0 | * | 6,339.00 | 22,819.34 | * | 0 | * | |
| Kevin M. Mcdermott | 48,533.57 | * | 1,117 | * | 13,044.00 | 35,489.57 | * | 1,117 | * | |
| Kimberly A. Billeter | 9,821.30 | * | 0 | * | 2,135.00 | 7,686.30 | * | 0 | * | |
| Larry L. Parks | 44,421.85 | * | 340 | * | 5,340.00 | 39,081.85 | * | 340 | * | |
| Lawrence G. Frank | 67,796.88 | * | 0 | * | 3,684.00 | 64,112.88 | * | 0 | * | |
| Lawrence J. Moerke | 72,507.69 | * | 0 | * | 63,050.00 | 9,457.69 | * | 0 | * | |
| Lawrence M. Cantwell | 78,352.12 | * | 0 | * | 17,033.00 | 61,319.12 | * | 0 | * | |
| Lawrence Mitchell Oliver | 10,751.41 | * | 0 | * | 9,349.00 | 1,402.41 | * | 0 | * | |
| Lisa Bishop Sterling | 43,737.51 | * | 0 | * | 9,508.00 | 34,229.51 | * | 0 | * | |
| Lisa Ristani | 9,821.30 | * | 0 | * | 2,135.00 | 7,686.30 | * | 0 | * | |
| Lori A. Michels | 38,595.20 | * | 0 | * | 33,561.00 | 5,034.20 | * | 0 | * | |
| Lori G. Lanzelotti | 13,640.69 | * | 0 | * | 2,965.00 | 10,675.69 | * | 0 | * | |
| Louis E. Stavsky | 141,612.19 | * | 0 | * | 30,524.00 | 111,088.19 | * | 0 | * | |
| Louise Lessard | 55,588.54 | * | 0 | * | 10,435.00 | 45,153.54 | * | 0 | * | |
| Lucien Pouliot | 55,029.22 | * | 0 | * | 23,913.00 | 31,116.22 | * | 0 | * | |
| Lyle S. Teichman | 31,886.48 | * | 0 | * | 2,827.00 | 29,059.48 | * | 0 | * | |
| Marc R. Ullman | 13,640.69 | * | 0 | * | 2,965.00 | 10,675.69 | * | 0 | * | |
| Marcel R. Spaans | 40,070.89 | * | 0 | * | 8,711.00 | 31,359.89 | * | 0 | * | |
| Marcel Rottiers | 137,683.67 | * | 0 | * | 14,783.00 | 122,900.67 | * | 0 | * | |
| Marco Boschetti | 1,600.96 | * | 0 | * | 348.00 | 1,252.96 | * | 0 | * | |
| Margaret C. Ruiseal | 1,312.55 | * | 0 | * | 285.00 | 1,027.55 | * | 0 | * | |
| Margaret M. Mcdaniel | 61,044.82 | * | 0 | * | 8,870.00 | 52,174.82 | * | 0 | * | |
| Mark A. Dahlman | 67,439.57 | * | 0 | * | 14,661.00 | 52,778.57 | * | 0 | * | |
| Mark A. Toniatti | 63,424.43 | * | 0 | * | 6,456.00 | 56,968.43 | * | 0 | * | |
| Mark D. S. Byrne | 28,614.62 | * | 0 | * | 2,308.00 | 26,306.62 | * | 0 | * | |
| Mark J. Shelton | 5,456.28 | * | 0 | * | 1,186.00 | 4,270.28 | * | 0 | * | |
| Mark Reid | 10,017.72 | * | 0 | * | 8,711.00 | 1,306.72 | * | 0 | * | |
| Mark S. Angard | 39,645.30 | * | 0 | * | 11,491.00 | 28,154.30 | * | 0 | * | |
| Mark T. Dungan | 13,640.69 | * | 0 | * | 2,965.00 | 10,675.69 | * | 0 | * | |

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| | | | | | | | | | |
|--------------------|-----------|---|---|---|-----------|-----------|---|---|---|
| Mark W. Campbell | 36,118.32 | * | 0 | * | 21,842.00 | 14,276.32 | * | 0 | * |
| Martin A. Lewis | 25,368.78 | * | 0 | * | 22,060.00 | 3,308.78 | * | 0 | * |
| Martin B. Friedman | 43,737.51 | * | 0 | * | 9,508.00 | 34,229.51 | * | 0 | * |

Table of Contents

| Name of Beneficial Owner | Beneficial Ownership Before Conversion and Before the Offering | | | | | Beneficial Ownership After the Offering | | | | |
|--|---|--------------|-----------------|----------------------------|-------------|---|----------------------------|-------------|----------------------------|--|
| | Class B Common Stock | % of Class B | | % of Class A | | Shares Being Offered | % of Class B | | % of Class A | |
| | | Outstanding | Common Stock | Class A Common Stock | Outstanding | | Class B Common Stock | Outstanding | Class A Common Stock | |
| Martin Emmerich | 7,638.79 | * | 0 | * | 1,661.00 | 5,977.79 | * | 0 | * | |
| Martin Roffey | 23,702.06 | * | 0 | * | 5,153.00 | 18,549.06 | * | 0 | * | |
| Martine Anne Ferland | 54,650.06 | * | 0 | * | 11,880.00 | 42,770.06 | * | 0 | * | |
| Mary E. Malloy | 13,640.69 | * | 0 | * | 2,965.00 | 10,675.69 | * | 0 | * | |
| Mary G. Endress | 5,456.28 | * | 0 | * | 1,186.00 | 4,270.28 | * | 0 | * | |
| Mary L. Tavarozzi | 26,158.34 | * | 0 | * | 3,730.00 | 22,428.34 | * | 0 | * | |
| Mathieu J. Lussier | 7,638.79 | * | 0 | * | 1,661.00 | 5,977.79 | * | 0 | * | |
| Melinda A. Dearman | 31,886.48 | * | 0 | * | 6,087.00 | 25,799.48 | * | 0 | * | |
| Michael C. Fox | 96,492.66 | * | 0 | * | 16,738.00 | 79,754.66 | * | 0 | * | |
| Michael D. Poe | 43,737.51 | * | 0 | * | 4,754.00 | 38,983.51 | * | 0 | * | |
| Michael H. Kramarsch | 45,527.17 | * | 0 | * | 9,897.00 | 35,630.17 | * | 0 | * | |
| Michael Huston Trustee of the Mike Huston Trust | 93,624.41 | * | 0 | * | 81,413.00 | 12,211.41 | * | 0 | * | |
| Michael J. Thomas | 19,096.97 | * | 0 | * | 2,609.00 | 16,487.97 | * | 0 | * | |
| Michael J. Turk | 49,193.78 | * | 0 | * | 10,694.00 | 38,499.78 | * | 0 | * | |
| Michael L. Millns | 46,465.65 | * | 0 | * | 9,091.00 | 37,374.65 | * | 0 | * | |
| Michael P. Curran | 5,456.28 | * | 0 | * | 1,186.00 | 4,270.28 | * | 0 | * | |
| Michael P. Moran | 120,345.23 | * | 0 | * | 7,901.00 | 112,444.23 | * | 0 | * | |
| Michael R. Ternosky | 62,879.93 | * | 0 | * | 54,678.00 | 8,201.93 | * | 0 | * | |
| Michael T. Mulville | 37,342.75 | * | 0 | * | 8,118.00 | 29,224.75 | * | 0 | * | |
| Michel Tougas | 16,368.83 | * | 0 | * | 2,609.00 | 13,759.83 | * | 0 | * | |
| Mitchell J. Cole | 52,860.40 | * | 0 | * | 11,491.00 | 41,369.40 | * | 0 | * | |
| Monica L. Mcintosh | 61,044.82 | * | 0 | * | 10,662.00 | 50,382.82 | * | 0 | * | |
| Morse J. Wilkenfeld | 5,456.28 | * | 0 | * | 1,186.00 | 4,270.28 | * | 0 | * | |
| Murray C. Emerson | 35,553.10 | * | 0 | * | 7,729.00 | 27,824.10 | * | 0 | * | |
| Myrna S. Chao | 143,740.14 | * | 0 | * | 31,248.00 | 112,492.14 | * | 0 | * | |
| Nathan H. Slaff | 22,314.63 | * | 0 | * | 9,739.00 | 12,575.63 | * | 0 | * | |
| Nicola J. Gunton | 1,800.00 | * | 0 | * | 296.00 | 1,504.00 | * | 0 | * | |
| Nicolas P. Crook | 58,316.68 | * | 0 | * | 10,069.00 | 48,247.68 | * | 0 | * | |
| Nina R. Emery Trustee of the Jenny P. Emery Spousal Access Trust | 149,534.70 | * | 0 | * | 16,254.00 | 133,280.70 | * | 0 | * | |
| Nina R. Emery Trustee of the David W. Emery Spousal Access Trust | 149,534.70 | * | 0 | * | 16,254.00 | 133,280.70 | * | 0 | * | |
| Otten Family Settlement 2010 | 52,860.40 | * | 0 | * | 11,491.00 | 41,369.40 | * | 0 | * | |
| P. K. David Service | 127,971.50 | * | 0 | * | 19,540.00 | 108,431.50 | * | 0 | * | |
| Patricia A. Lombel | 4,726.42 | * | 0 | * | 4,110.00 | 616.42 | * | 0 | * | |
| Patricia A. Yearick | 8,463.92 | * | 0 | * | 4,348.00 | 4,115.92 | * | 0 | * | |
| Patricia B. Rawlins | 38,055.65 | * | 0 | * | 31,304.00 | 6,751.65 | * | 0 | * | |
| Patricia L. Guinn | 269,911.06 | 1.00% | 0 | * | 13,044.00 | 256,867.06 | 1.13% | 0 | * | |
| Paul E. Den Hartog | 7,638.79 | * | 0 | * | 1,661.00 | 5,977.79 | * | 0 | * | |
| Paul J. Matthews | 99,664.34 | * | 0 | * | 21,666.00 | 77,998.34 | * | 0 | * | |
| Paul James Mackay | 5,456.28 | * | 0 | * | 1,186.00 | 4,270.28 | * | 0 | * | |
| Paul Kelvin Schott | 12,549.44 | * | 0 | * | 2,728.00 | 9,821.44 | * | 0 | * | |
| Paul Martin Melody | 5,456.28 | * | 0 | * | 1,186.00 | 4,270.28 | * | 0 | * | |
| Paul T. Hansen | 71,156.34 | * | 0 | * | 61,875.00 | 9,281.34 | * | 0 | * | |
| Paul W. Conley | 31,886.48 | * | 0 | * | 6,932.00 | 24,954.48 | * | 0 | * | |
| Paula J. Todd | 52,532.69 | * | 0 | * | 28,261.00 | 24,271.69 | * | 0 | * | |
| Paula S. Wickland | 29,158.34 | * | 0 | * | 6,339.00 | 22,819.34 | * | 0 | * | |
| Paulo Ferreira | 47,404.12 | * | 0 | * | 10,305.00 | 37,099.12 | * | 0 | * | |
| Peter Anthony Routledge | 1,600.00 | * | 0 | * | 348.00 | 1,252.00 | * | 0 | * | |
| Peter Eric Thomas | 59,255.16 | * | 0 | * | 12,882.00 | 46,373.16 | * | 0 | * | |
| Peter James Allen | 48,376.41 | * | 0 | * | 42,066.00 | 6,310.41 | * | 0 | * | |
| Petra Knab Haegele | 13,640.69 | * | 0 | * | 2,965.00 | 10,675.69 | * | 0 | * | |
| Philip A. Morse | 31,886.48 | * | 0 | * | 6,062.00 | 25,824.48 | * | 0 | * | |
| Philip B. Davis | 29,158.34 | * | 0 | * | 6,339.00 | 22,819.34 | * | 0 | * | |
| Philip J. Roberts | 5,456.28 | * | 0 | * | 1,186.00 | 4,270.28 | * | 0 | * | |
| Philippe A. Poincloux | 198,815.78 | * | 0 | * | 43,221.00 | 155,594.78 | * | 0 | * | |

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| | | | | | | | | |
|----------------|-----------|---|---|-------------|-----------|---|---|---|
| Pierre Lemelin | 98,554.62 | * | 0 | * 33,526.00 | 65,028.62 | * | 0 | * |
| R. David Fitt | 13,640.69 | * | 0 | * 2,965.00 | 10,675.69 | * | 0 | * |

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| Name of Beneficial Owner | Beneficial Ownership Before Conversion and Before the Offering | | | | | Beneficial Ownership After the Offering | | | | |
|---------------------------------------|---|-----------------|----------------------------|--------------------------------|----------------------------|---|-----------------|---|-----------------|--|
| | % of Class B | | % of Class A | | Shares Being Offered | % of Class B | | % of Class A | | |
| | Class B Common Stock Outstanding | Common Stock | Class A Common Stock | Common Stock Outstanding | | Class B Common Stock Outstanding | Common Stock | Class A Common Stock Outstanding | Common Stock | |
| Rachel Nuyts | 17,518.07 | * | 0 | * | 15,233.00 | 2,285.07 | * | 0 | * | |
| Randall Keith Lynn Sr | 148,934.51 | * | 0 | * | 32,377.00 | 116,557.51 | * | 0 | * | |
| Richard A. Furniss Jr | 89,832.71 | * | 0 | * | 17,391.00 | 72,441.71 | * | 0 | * | |
| Richard E. Forchetti | 22,198.60 | * | 0 | * | 19,303.00 | 2,895.60 | * | 0 | * | |
| Richard Gisonny | 73,234.14 | * | 0 | * | 15,920.00 | 57,314.14 | * | 0 | * | |
| Richard H. H. Batty | 192,082.74 | * | 0 | * | 41,757.00 | 150,325.74 | * | 0 | * | |
| Richard I. Jameson | 26,430.20 | * | 0 | * | 5,746.00 | 20,684.20 | * | 0 | * | |
| Richard J. Bannister Jr | 55,588.54 | * | 0 | * | 12,084.00 | 43,504.54 | * | 0 | * | |
| Richard J. Matinale | 99,326.05 | * | 0 | * | 21,593.00 | 77,733.05 | * | 0 | * | |
| Richard L. Rafferty | 43,737.51 | * | 0 | * | 8,696.00 | 35,041.51 | * | 0 | * | |
| Richard M. Shaw | 4,092.21 | * | 3,926 | * | 1,186.00 | 2,906.21 | * | 3,926 | * | |
| Richard W. Gunton | 1,440.69 | * | 0 | * | 296.00 | 1,144.69 | * | 0 | * | |
| Robert B. Bernier | 27,281.38 | * | 0 | * | 5,931.00 | 21,350.38 | * | 0 | * | |
| Robert B. Carmichael | 54,450.07 | * | 0 | * | 47,348.00 | 7,102.07 | * | 0 | * | |
| Robert Blais | 91,149.41 | * | 0 | * | 27,826.00 | 63,323.41 | * | 0 | * | |
| Robert C. Gore | 39,705.00 | * | 0 | * | 17,391.00 | 22,314.00 | * | 0 | * | |
| Robert D. Becker | 11,392.49 | * | 0 | * | 9,907.00 | 1,485.49 | * | 0 | * | |
| Robert V. Mustich | 31,886.48 | * | 0 | * | 6,932.00 | 24,954.48 | * | 0 | * | |
| Robert O. Donke | 79,094.18 | * | 0 | * | 22,926.00 | 56,168.18 | * | 0 | * | |
| Robin Anthony Ward | 38,281.23 | * | 0 | * | 8,322.00 | 29,959.23 | * | 0 | * | |
| Roland Pratte | 49,074.36 | * | 0 | * | 13,044.00 | 36,030.36 | * | 0 | * | |
| Ronald C. Mason | 52,860.40 | * | 0 | * | 11,491.00 | 41,369.40 | * | 0 | * | |
| Ronald C. Piacenti | 142,550.67 | * | 0 | * | 30,989.00 | 111,561.67 | * | 0 | * | |
| Ronald Doornbos | 7,638.79 | * | 0 | * | 1,661.00 | 5,977.79 | * | 0 | * | |
| Rose Marie Nelson | 7,638.79 | * | 0 | * | 870.00 | 6,768.79 | * | 0 | * | |
| Roselyn R. Feinsod | 15,277.57 | * | 0 | * | 3,321.00 | 11,956.57 | * | 0 | * | |
| Ross Charles Howard | 106,648.37 | * | 0 | * | 23,184.00 | 83,464.37 | * | 0 | * | |
| Routledge Family Settlement (2010) | 52,388.54 | * | 0 | * | 6,957.00 | 45,431.54 | * | 0 | * | |
| Rudo Grimm | 5,456.28 | * | 0 | * | 1,186.00 | 4,270.28 | * | 0 | * | |
| Ruiseal Family Settlement 2010 | 8,400.00 | * | 0 | * | 1,826.00 | 6,574.00 | * | 0 | * | |
| Russel L. Sutter | 31,553.10 | * | 0 | * | 2,609.00 | 28,944.10 | * | 0 | * | |
| Russell E. Hall | 120,427.77 | * | 0 | * | 17,702.00 | 102,725.77 | * | 0 | * | |
| Russell H. Greig Jr | 5,456.28 | * | 0 | * | 1,186.00 | 4,270.28 | * | 0 | * | |
| Sallyann Boschetti | 800.00 | * | 0 | * | 348.00 | 452.00 | * | 0 | * | |
| Sandra Oneal | 58,957.05 | * | 0 | * | 13,044.00 | 45,913.05 | * | 0 | * | |
| Scott P. Landis | 9,821.30 | * | 0 | * | 2,135.00 | 7,686.30 | * | 0 | * | |
| Sean C. Connelly | 7,638.79 | * | 0 | * | 1,661.00 | 5,977.79 | * | 0 | * | |
| Sheaf Family Settlement (2010) | 28,680.00 | * | 0 | * | 6,235.00 | 22,445.00 | * | 0 | * | |
| Simon East | 9,821.30 | * | 0 | * | 1,602.00 | 8,219.30 | * | 0 | * | |
| Stacey R. Thaler | 55,588.54 | * | 0 | * | 12,084.00 | 43,504.54 | * | 0 | * | |
| Stephen Allan | 6,274.44 | * | 0 | * | 1,364.00 | 4,910.44 | * | 0 | * | |
| Stephen Allen Douglas | 29,158.34 | * | 0 | * | 6,339.00 | 22,819.34 | * | 0 | * | |
| Stephen G. Mekenian | 72,895.85 | * | 0 | * | 15,847.00 | 57,048.85 | * | 0 | * | |
| Stephen H. Lynch | 43,737.51 | * | 0 | * | 9,508.00 | 34,229.51 | * | 0 | * | |
| Stephen J. Butterfield | 31,886.48 | * | 0 | * | 6,932.00 | 24,954.48 | * | 0 | * | |
| Stephen J. Pakela | 7,638.79 | * | 0 | * | 1,661.00 | 5,977.79 | * | 0 | * | |
| Stephen P. Bonnar | 73,631.34 | * | 0 | * | 8,696.00 | 64,935.34 | * | 0 | * | |
| Stephen P. Lowe | 243,830.06 | * | 0 | * | 26,087.00 | 217,743.06 | * | 0 | * | |
| Steven E. Riedl | 9,821.30 | * | 0 | * | 2,135.00 | 7,686.30 | * | 0 | * | |
| Steven J. Kerstein | 103,950.13 | * | 0 | * | 90,391.00 | 13,559.13 | * | 0 | * | |
| Steven L. Moran | 49,588.54 | * | 0 | * | 6,867.00 | 42,721.54 | * | 0 | * | |
| Stuart D. Schettler | 8,215.33 | * | 0 | * | 3,478.00 | 4,737.33 | * | 0 | * | |
| Sue Ellen Corning | 29,158.34 | * | 0 | * | 6,339.00 | 22,819.34 | * | 0 | * | |
| Susan C. Crown | 9,821.30 | * | 0 | * | 2,135.00 | 7,686.30 | * | 0 | * | |
| Susan D. Haslett | 52,860.40 | * | 0 | * | 11,491.00 | 41,369.40 | * | 0 | * | |
| Susan Fazo | 34,614.62 | * | 0 | * | 7,525.00 | 27,089.62 | * | 0 | * | |
| Susan M. Mc Namara | 13,981.71 | * | 0 | * | 9,565.00 | 4,416.71 | * | 0 | * | |
| Suzanne C. Mcandrew | 31,886.48 | * | 0 | * | 6,932.00 | 24,954.48 | * | 0 | * | |

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| | | | | | | | | | |
|-------------------|-----------|---|---|---|-----------|-----------|---|---|---|
| Sylvia Pozezanac | 63,772.95 | * | 0 | * | 13,864.00 | 49,908.95 | * | 0 | * |
| Tamara S. Mattson | 51,277.11 | * | 0 | * | 22,609.00 | 28,668.11 | * | 0 | * |

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| Name of Beneficial Owner | Beneficial Ownership Before Conversion and Before the Offering | | | | | Beneficial Ownership After the Offering | | | | | |
|---|---|--------------------------------|-----------------|--------------------------------|-----------------|---|----------------------------|--------------------------------|-----------------|----------------------------|---------------------------------|
| | Class B Common Stock | % of Class B | | % of Class A | | Shares Being Offered | Class B Common Stock | % of Class B | | Class A Common Stock | % of Class A Common Stock |
| | | Common Stock Outstanding | Common Stock | Common Stock Outstanding | Common Stock | | | Common Stock Outstanding | Common Stock | | |
| Tanya Ingrid Mayer | 35,553.10 | * | | 0 | * | 6,957.00 | 28,596.10 | * | | 0 | * |
| The Crawley Family Settlement (2010) | 41,009.37 | * | | 0 | * | 8,915.00 | 32,094.37 | * | | 0 | * |
| Thomas D. Matthews | 7,638.79 | * | | 0 | * | 1,661.00 | 5,977.79 | * | | 0 | * |
| Thomas G. Rogers | 5,456.28 | * | | 0 | * | 1,186.00 | 4,270.28 | * | | 0 | * |
| Thomas H. Twyford | 5,456.28 | * | | 0 | * | 1,186.00 | 4,270.28 | * | | 0 | * |
| Thomas L. Ghezzi | 140,411.81 | * | | 0 | * | 30,524.00 | 109,887.81 | * | | 0 | * |
| Thomas O. Davenport | 52,860.40 | * | | 0 | * | 11,491.00 | 41,369.40 | * | | 0 | * |
| Thomas P. Muench | 44,075.80 | * | | 0 | * | 5,652.00 | 38,423.80 | * | | 0 | * |
| Timothy J. Marnell | 44,613.84 | * | | 0 | * | 33,044.00 | 11,569.84 | * | | 0 | * |
| Timothy J. Robson | 88,336.01 | * | | 0 | * | 6,957.00 | 81,379.01 | * | | 0 | * |
| Timothy J. Willig | 67,439.57 | * | | 0 | * | 14,661.00 | 52,778.57 | * | | 0 | * |
| Timothy R. Bendall | 7,638.79 | * | | 0 | * | 1,661.00 | 5,977.79 | * | | 0 | * |
| Todd Byran Meck | 72,548.71 | * | | 0 | * | 20,000.00 | 52,548.71 | * | | 0 | * |
| Todd E. Netter | 38,055.65 | * | | 0 | * | 17,391.00 | 20,664.65 | * | | 0 | * |
| Todd Lippincott | 21,825.10 | * | | 0 | * | 4,745.00 | 17,080.10 | * | | 0 | * |
| Tomas Daire Maire Ruiseal | 1,200.00 | * | | 0 | * | 261.00 | 939.00 | * | | 0 | * |
| Ton Winkels | 7,638.79 | * | | 0 | * | 1,661.00 | 5,977.79 | * | | 0 | * |
| Ulrich Wiesenevsky | 5,456.28 | * | | 0 | * | 1,186.00 | 4,270.28 | * | | 0 | * |
| Valerie M. Vardy | 35,553.10 | * | | 0 | * | 3,865.00 | 31,688.10 | * | | 0 | * |
| Vincent F. Yezzi Jr | 9,821.30 | * | | 0 | * | 1,065.00 | 8,756.30 | * | | 0 | * |
| Virgil B. Williams | 31,886.48 | * | | 0 | * | 6,885.00 | 25,001.48 | * | | 0 | * |
| Virginia Olson | 53,059.11 | * | | 0 | * | 8,696.00 | 44,363.11 | * | | 0 | * |
| W. Perry Cannon | 16,368.83 | * | | 0 | * | 3,558.00 | 12,810.83 | * | | 0 | * |
| Wendy E. Inouye | 13,640.69 | * | | 0 | * | 1,304.00 | 12,336.69 | * | | 0 | * |
| William H. Eyre Jr | 241,788.02 | * | | 0 | * | 26,087.00 | 215,701.02 | * | | 0 | * |
| William J. Falk | 42,886.85 | * | | 0 | * | 13,044.00 | 29,842.85 | * | | 0 | * |
| William Jay Savan | 7,638.79 | * | | 0 | * | 1,661.00 | 5,977.79 | * | | 0 | * |
| William Randall Colbert | 43,737.51 | * | | 0 | * | 9,508.00 | 34,229.51 | * | | 0 | * |
| Total | | | | | | 4,279,233 | | | | | |

* Represents less than 1%.

- (1) Includes (i) 55,530 currently exercisable stock options with an exercise price of \$42.47 and (ii) 51,403 currently exercisable stock options with an exercise price of \$45.88.
- (2) All of these shares are held indirectly in a family trust.
- (3) Includes 772.20 restricted stock units that will vest within 60 days and be payable in that number of shares of Class A Common Stock.
- (4) Includes 772.20 restricted stock units that will vest within 60 days and be payable in that number of shares of Class A Common Stock. Also includes 51 shares of Class A Common Stock held indirectly in the Marilyn Gabarro Revocable Trust.
- (5) Includes 772.20 restricted stock units that will vest within 60 days and be payable in that number of shares of Class A Common Stock.
- (6) Does not include 29,723.54 shares of Restricted Class A Common Stock, one-third of which will vest on each of January 1, 2011, January 1, 2012 and January 1, 2013.
- (7) Includes 772.20 restricted stock units that will vest within 60 days and be payable in that number of shares of Class A Common Stock.
- (8) Includes 772.20 restricted stock units that will vest within 60 days and be payable in that number of shares of Class A Common Stock.
- (9) Includes 772.20 restricted stock units that will vest within 60 days and be payable in that number of shares of Class A Common Stock.
- (10) Includes 772.20 restricted stock units that will vest within 60 days and be payable in that number of shares of Class A Common Stock.
- (11) Includes 772.20 restricted stock units that will vest within 60 days and be payable in that number of shares of Class A Common Stock.
- (12) Does not include 111,180 shares of Restricted Class A Common Stock, one-third of which will vest on each of January 1, 2011, January 1, 2012 and January 1, 2013.
- (13) Includes (i) 13,042 currently exercisable stock options with an exercise price of \$42.47 and (ii) 12,073 currently exercisable stock options with an exercise price of \$45.88.
- (14) Includes (i) 10,908 currently exercisable stock options with an exercise price of \$42.47 and (ii) 10,097 currently exercisable stock options with an exercise price of \$45.88.
- (15) Based solely on a Schedule 13G filed with the SEC on August 9, 2010 by Artisan Partners Holdings LP, Artisan Investment Corporation, Artisan Partners Limited Partnership, Artisan Investments GP LLC, ZFIC, Inc., Andrew A. Ziegler, Carlene M. Ziegler and Artisan Funds, Inc. The stockholders reported that they have shared dispositive power over all 4,768,187 shares of Class A Common Stock and shared voting power with respect to 4,600,687 shares of Class A Common Stock. The principal business address of the stockholders is 875 East Wisconsin Avenue, Suite 800, Milwaukee, WI 53202.

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DESCRIPTION OF CAPITAL STOCK, CERTIFICATE OF INCORPORATION AND BYLAWS

Capital Stock

Towers Watson has the authority to issue an aggregate of 416,100,000 shares, of which:

414,000,000 are shares of voting common stock, \$0.01 par value, designated into classes and subclasses, as described below;

2,000,000 are shares of preferred stock, \$0.01 par value; and

100,000 are shares of Class F stock.

As of September 7, 2010, 74,236,615.86 shares of Towers Watson's voting common stock, 99,999.94 shares of Class F stock and no shares of Towers Watson's preferred stock are outstanding.

No holder of any class of stock of Towers Watson has any preemptive or preferential right of subscription to any shares of any class of stock of Towers Watson whether authorized now or at a future date, or to any obligation convertible into stock of Towers Watson, or any right of subscription for such securities, other than such rights, if any, as the Board of Directors in its discretion from time to time determines.

The following description of our capital stock and provisions of our certificate of incorporation and bylaws are summaries and are qualified by reference to our certificate of incorporation and bylaws, which have been filed with the SEC.

Common Stock

The shares of Towers Watson's voting common stock are duly authorized, validly issued, fully paid and nonassessable. Towers Watson's voting common stock is divided into the following classes (and subclasses):

Class A Common Stock, 300,000,000 shares authorized.

Class B Common Stock, 93,500,000 shares authorized, divided into four subclasses, as follows:

Class B-1 Common Stock, 31,000,000 shares authorized.

Class B-2 Common Stock, 25,000,000 shares authorized.

Class B-3 Common Stock, 25,000,000 shares authorized.

Class B-4 Common Stock, 12,500,000 shares authorized.

Towers Watson Class R Common Stock, 13,500,000 shares authorized.

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Towers Watson Class S Common Stock, 7,000,000 shares authorized.

Class A Common Stock

Voting Rights. At every meeting of the stockholders of Towers Watson in connection with the election of directors and all other matters submitted to a vote of stockholders, every holder of shares of Class A Common Stock is entitled to one vote in person or by proxy for each share of Class A Common Stock registered in the name of the holder on the transfer books of Towers Watson. Except as otherwise required by law, the holders of

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shares of Class A Common Stock vote together as a single class, subject to any right that may be conferred upon holders of preferred stock to vote together with holders of voting common stock on all matters submitted to a vote of stockholders of Towers Watson. No holder of shares of Class A Common Stock may cumulate votes in voting for directors.

Reclassifications, Subdivisions and Combinations. No shares of Class A Common Stock may be reclassified, subdivided or combined unless the reclassification, subdivision or combination occurs simultaneously and in the same proportion for all shares of Class A Common Stock, except that Class A Common Stock and Class B Common Stock may be reclassified as a single class of common stock at any time following the fourth anniversary of January 1, 2010.

Dividends and Other Distributions. Subject to the rights of the holders of preferred stock, holders of each class of voting common stock of Towers Watson are entitled to receive such dividends and other distributions in cash, stock of any corporation (other than common stock) or property of Towers Watson as may be declared on such class of common stock by our Board of Directors from time to time out of assets or funds of Towers Watson legally available for such purpose and shall share equally on a per share basis in all such dividends and other distributions. In the case of dividends or other distributions payable in common stock, including distributions pursuant to stock splits or divisions of common stock, only shares of Class A Common Stock are paid or distributed with respect to Class A Common Stock, only shares of Class B Common Stock are paid or distributed with respect to Class B Common Stock, only shares of Towers Watson Class R Common Stock are paid or distributed with respect to Towers Watson Class R Common Stock and only shares of Towers Watson Class S Common Stock are paid or distributed with respect to Towers Watson Class S Common Stock; provided that if a dividend or other distribution is paid with respect to one class or series of common stock, a proportionate dividend or distribution shall be paid with respect to each other class or series of common stock.

Liquidation, Dissolution and Winding Up. In the event of any liquidation, dissolution or winding up of the affairs of Towers Watson, whether voluntary or involuntary, after payment in full of the amounts required to be paid to the holders of preferred stock, the remaining assets and funds of Towers Watson will be distributed pro rata to the holders of shares of Towers Watson common stock. The voluntary sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the assets of Towers Watson or a consolidation or merger of Towers Watson with one or more other corporations (whether or not Towers Watson is the corporation surviving the consolidation or merger) shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary.

Exchange Listing. Shares of Class A Common Stock are listed on the NYSE and NASDAQ under the ticker symbol TW .

Transfer Agent. The transfer agent and registrar for Towers Watson s capital stock is American Stock Transfer & Trust Company, LLC.

Anti-Takeover Considerations. Delaware law contains, and Towers Watson s certificate of incorporation and bylaws contain, a number of provisions which may have the effect of discouraging transactions that involve an actual or threatened change of control of Towers Watson.

Class B Common Stock

Except as provided below, Class B Common Stock generally have the same relative powers, preferences, limitations and restrictions as Class A Common Stock.

Automatic Conversion into Class A Common Stock. Shares of Class B Common Stock will convert into shares of Class A Common Stock as set forth below:

Class B-1 Common Stock automatically converts into shares of Class A Common Stock on January 1, 2011;

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Class B-2 Common Stock automatically converts into shares of Class A Common Stock on January 1, 2012;

Class B-3 Common Stock automatically converts into shares of Class A Common Stock on January 1, 2013; and

Class B-4 Common Stock automatically converts into shares of Class A Common Stock on January 1, 2014.

Discretionary Conversion into Class A Common Stock. Our certificate of incorporation provides that the Board of Directors may, in its discretion, accelerate the conversion of shares of Class B Common Stock into Class A Common Stock. Previously, the Board of Directors was limited to accelerating the conversion of no more than five percent, in the aggregate, of the total shares of Class B Common issued pursuant to the Merger Agreement. As described in a proxy statement filed with the SEC on July 30, 2010, at a special meeting held on September 9, 2010, our stockholders approved a proposal to eliminate the restriction on the number of shares of Class B Common Stock that the Board of Directors can convert into shares of Class A Common Stock.

Acceleration. The shares of Class B Common Stock also automatically convert into unrestricted and freely transferable shares of Class A Common Stock upon consummation of any change in control transaction, which generally includes (i) a merger of Towers Watson in which Towers Watson's holders of record do not immediately after such merger hold a majority of the voting power of the surviving corporation, (ii) any transaction in which 50% or more of Towers Watson's voting power is transferred, (iii) a sale of all or substantially all of the assets of Towers Watson, or (iv) a change in the composition of our Board of Directors that results in persons other than continuing directors comprising a majority of the board.

If a former Towers Perrin stockholder who did not make a valid Class R election in the merger between Towers Perrin and Watson Wyatt is terminated without cause (as defined below) on or before the January 1, 2012, then upon termination:

Each share of Class B-1 Common Stock then held will automatically be transferred to Towers Watson in exchange for one unrestricted and freely transferable share of Class A Common Stock;

Each share of Class B-2 Common Stock then held will automatically be transferred to Towers Watson in exchange for one share of Class B-1 Common Stock;

Each share of Class B-3 Common Stock then held will automatically be transferred to Towers Watson in exchange for one share of Class B-2 Common Stock; and

Each share of Class B-4 Common Stock then held will automatically be transferred to Towers Watson in exchange for one share of Class B-3 Common Stock;

provided, that this will not apply to the voluntary termination by, or a termination for cause of, such associate. Solely for the purposes above, the term cause generally means any of the following: (i) theft, embezzlement, any other act of dishonesty relating to the associate's employment; (ii) conviction of, or pleading guilty or *nolo contendere* to, a felony or to any lesser crime having as its predicate element fraud, dishonesty, misappropriation or moral turpitude; (iii) commission of an act in the performance of duties amounting to negligence or willful misconduct; (iv) breach of a written policy of Towers Watson or any subsidiary; or (v) failure to perform his or her job functions satisfactorily.

Transfer. Towers Watson's certificate of incorporation contains provisions restricting the transfer of Class B Common Stock. For example, holders of shares of Class B Common Stock cannot transfer such securities except to Towers Watson or to permitted family members (or trusts for their benefit), provided that the

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transferor provides Towers Watson with at least five business days prior written notice. In addition, upon the holder's death, all shares of Class B Common Stock will automatically convert into an equal number of unrestricted and freely transferable shares of Class A Common Stock.

Towers Watson Class R Common Stock

Towers Watson Class R Common Stock is non-transferable, except for transfers to permitted family members or trusts for the benefit of family members, Towers Watson, or a deceased holder's executors, administrators, testamentary trustees, legatees and beneficiaries, and has the same relative powers, preferences, limitations and restrictions as Class A Common Stock subject to the foregoing, except that the Towers Watson Class R Common Stock was automatically redeemed by Towers Watson on January 2, 2010.

Towers Watson Class S Common Stock

Towers Watson Class S Common Stock is non-transferable, except for transfers to permitted family members, Towers Watson, or a deceased holder's executors, administrators, testamentary trustees, legatees and beneficiaries, and has the same relative powers, preferences, limitations and restrictions as Class A Common Stock subject to the foregoing.

Preferred Stock

To the fullest extent permitted under Delaware law, our Board of Directors is authorized by resolution to divide and issue shares of preferred stock in series and to fix the voting powers and any designations, preferences, and relative, participating, optional or other special rights of any such series of preferred stock and any qualifications, limitations or restrictions of such series as are stated and expressed in the resolution or resolutions providing for the issue of such stock adopted by our Board of Directors.

Towers Watson Class F Stock

Towers Watson Class F stock is non-transferable, except for transfers to permitted family members, Towers Watson, or a deceased holder's executors, administrators, testamentary trustees, legatees and beneficiaries, and has no rights, powers or preferences (such as the right to vote or receive dividends) other than the right to receive, upon the automatic exchange of the shares of Towers Watson Class F stock promptly following January 1, 2013, a number of shares (proportionally to each holder of Class F stock based on the number of shares of Class F stock then held by such holder) of Class A Common Stock equal to the number of shares of forfeited restricted shares of Class A Common Stock (together with a number of additional shares of Class A Common Stock with a value equal to the amount of dividends, without interest, paid with respect to such forfeited shares).

Delaware Law

We have not opted out of the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date on which the person becomes an interested stockholder, unless (i) prior to the time that the stockholder becomes an interested stockholder, the board of directors approves the business combination or the transaction which resulted in the stockholder becoming an interested stockholder, (ii) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the stockholder owns at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (excluding shares held by directors who are also officers, and excluding shares held in employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer), or (iii) at or subsequent to the time the stockholder becomes an interested stockholder, the business combination is approved

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by the board of directors and by two-thirds of the outstanding voting stock of the corporation, excluding shares held by the interested stockholder, at a meeting of stockholders (and not by written consent). For purposes of Section 203, business combinations include mergers, asset sales and certain other transactions resulting in a financial benefit to a stockholder. An interested stockholder is a person who, together with affiliates and associates, owns (or within the past three years, has owned) 15% or more of the corporation's voting stock.

The Delaware General Corporation Law contains provisions enabling a corporation to avoid Section 203's restrictions if stockholders holding a majority of the corporation's voting stock approve an amendment to the corporation's certificate of incorporation or bylaws electing not to be governed by Section 203.

Certificate of Incorporation and Bylaws

Various provisions of our certificate of incorporation and bylaws, as in effect immediately prior to the closing of this offering, may be deemed to have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interest, including those attempts that might result in a premium over the market price for the shares held by stockholders.

No Cumulative Voting. The Delaware General Corporation Law provides that stockholders are denied the right to cumulate votes in the election of directors unless our certificate of incorporation provides otherwise. Our certificate of incorporation does not expressly address cumulative voting.

Calling of Special Meetings of Stockholders. Our certificate of incorporation and bylaws provide that special meetings of our stockholders, subject to the rights of holders of any series of preferred stock, may only be called by the Chief Executive Officer, by the President or by the Board of Directors pursuant to resolution adopted by the Board of Directors.

Stockholder Action by Written Consent. Our certificate of incorporation expressly prohibits stockholders from taking action by written consent, except that the holders of any series of our preferred stock will be entitled to take action by written consent to such extent, if any, as may be provided in the terms of such series.

Amendment of the Bylaws. Our certificate of incorporation and bylaws provide that the Board of Directors may adopt, amend or repeal our bylaws. Our certificate of incorporation also permits our stockholders to adopt, amend or repeal the bylaws upon the vote of the holders of at least 67% of the voting power of the common stock entitled to vote generally in an election of the directors.

Limits on Ability of Stockholders to Elect Directors. Our certificate of incorporation provides that the number of directors constituting the whole Board of Directors may only be fixed by the Board of Directors. In addition, our certificate of incorporation and bylaws provide that, subject to the rights of holders of any one or more series of preferred stock then outstanding, vacancies and newly created directorships resulting from any increase in the authorized number of directors or from any other cause (other than vacancies which the holders of any class or classes of stock or series of stock are entitled by the certificate of incorporation to fill) shall, unless otherwise required by resolution of the Board of Directors, be filled by, and only by, the Board of Directors pursuant to a resolution adopted by a majority of the directors then in office, even if less than a quorum, or by the sole remaining director.

Limits on Ability of Stockholders to Remove Directors. Our certificate of incorporation provides that any director may be removed, with or without cause, by the stockholders only with the affirmative vote of the holders of not less than 67% of the voting power of all outstanding shares of stock of the Company entitled to vote generally in the election of directors.

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Limitations on Liability and Indemnification of Officers and Directors. The Delaware General Corporation Law authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors fiduciary duties. Our certificate of incorporation includes a provision that eliminates the personal liability of directors for monetary damages for breaches of fiduciary duty as a director, except for liability:

for any breach of a director's duty of loyalty to the Company or its stockholders;

for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

under Section 174 of the Delaware General Corporation Law; or

for any transaction from which a director derived an improper personal benefit.

Our certificate of incorporation and bylaws provide for the indemnification by us of any person serving as a director, officer, employee or other agent to the fullest extent permissible under the Delaware General Corporation Law. In addition, we have purchased a directors' and officers' insurance policy covering our officers and directors for liabilities that they may incur as a result of any action, or failure to act, in their capacity as officers and directors. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and officers.

The limitation of liability and indemnification provisions in our certificate of incorporation and bylaws may discourage a stockholder from bringing a lawsuit against our directors for breach of their fiduciary duties. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might benefit us and our stockholders.

As described in Note 11, Debt, Commitments and Contingent Liabilities, of the Notes to the Towers Watson Consolidated Financial Statements contain herein, certain former Towers Perrin shareholders have commenced legal proceedings against Towers Watson, Towers Perrin, members of the Towers Perrin board of directors, and certain members of Towers Perrin senior management. In accordance with the Merger Agreement, Towers Watson will indemnify the defendant Towers Perrin directors and officers in connection with these legal proceedings to the fullest extent permitted under pre-existing Towers Perrin charter, bylaw and indemnification agreement provisions.

Authorized But Unissued Shares. Our authorized but unissued shares of common stock and preferred stock will be available for future issuance without the approval of holders of common stock. We may use these additional shares for a variety of corporate purposes, including future offerings to raise additional capital, corporate acquisitions and employee benefit plans. We could also issue preferred stock pursuant to a stockholder rights plan in order to deter a takeover attempt.

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MATERIAL UNITED STATES FEDERAL INCOME AND ESTATE TAX CONSEQUENCES FOR NON-U.S. STOCKHOLDERS

The following discussion is a general summary of material U.S. federal income and estate tax considerations with respect to your acquisition, ownership and disposition of our common stock if you are a Non-U.S. Holder (as defined below). This summary is based on current provisions of the Internal Revenue Code of 1986, as amended (the Code), Treasury regulations, judicial opinions, published positions of the Internal Revenue Service (the IRS), and all other applicable authorities. All of these authorities are subject to change, possibly with retroactive effect. This summary applies if you (i) purchase our common stock in this offering, (ii) will hold the common stock as a capital asset within the meaning of Section 1221 of the Code and (iii) are a Non-U.S. Holder. You are a Non-U.S. Holder if you are a beneficial owner of shares of our common stock other than:

a citizen or resident, as defined for U.S. federal income tax purposes, of the United States;

a corporation or other entity taxable as a corporation created or organized in, or under the laws of, the United States, any state thereof or the District of Columbia;

a partnership (or an entity or arrangement classified as a partnership for U.S. federal income tax purposes);

an estate, the income of which is subject to U.S. federal income taxation regardless of its source;

a trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust; or

a trust that has a valid election in place to be treated as a U.S. person for U.S. federal income tax purposes.

This summary does not address all of the U.S. federal income and estate tax considerations that may be relevant to you in light of your particular circumstances or if you are a beneficial owner subject to special treatment under U.S. federal income tax laws (such as a company that accumulates earnings to avoid U.S. federal income tax, tax-exempt organization, financial institution, broker or dealer in securities, insurance company, person who holds our common stock as part of a hedging or conversion transaction or as part of a short-sale or straddle, or former U.S. citizen or resident). This summary does not discuss non-income taxes (except U.S. federal estate tax), any aspect of the U.S. federal alternative minimum tax or state, local or non-U.S. taxation.

If a partnership (or an entity or arrangement classified as a partnership for U.S. federal income tax purposes) holds our common stock, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our common stock, you should consult your tax advisor.

WE URGE PROSPECTIVE NON-U.S. HOLDERS TO CONSULT THEIR TAX ADVISORS REGARDING THE UNITED STATES FEDERAL, STATE, LOCAL AND NON-UNITED STATES INCOME AND OTHER TAX CONSIDERATIONS OF ACQUIRING, HOLDING AND DISPOSING OF SHARES OF COMMON STOCK.

Dividends

In general, any distributions we make to you with respect to your shares of common stock that constitute dividends for U.S. federal income tax purposes will be subject to U.S. withholding tax at a rate of 30% of the

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gross amount, unless you are eligible for a reduced rate of withholding tax under an applicable income tax treaty and you provide proper certification of your eligibility for such reduced rate. A distribution will constitute a dividend for U.S. federal income tax purposes to the extent of our current or accumulated earnings and profits as determined for U.S. federal income tax purposes. Any distribution not constituting a dividend will be treated first as a tax-free reduction of your adjusted basis in your shares of common stock and, to the extent it exceeds your adjusted basis, as capital gain, subject to the tax treatment described below in **Sale or Other Disposition of Our Common Stock**.

Dividends we pay to you that are effectively connected with your conduct of a trade or business within the United States (and, if certain income tax treaties apply, are attributable to a U.S. permanent establishment maintained by you) generally will not be subject to U.S. withholding tax if you comply with applicable certification and disclosure requirements. Instead, such dividends generally will be subject to U.S. federal income tax, net of certain deductions, at the same graduated individual or corporate rates applicable to U.S. persons. If you are a corporation, effectively connected income may also be subject to a branch profits tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty). Dividends that are effectively connected with your conduct of a trade or business but that under an applicable income tax treaty are not attributable to a U.S. permanent establishment maintained by you may be eligible for a reduced rate of U.S. withholding tax under such treaty, provided you comply with certification and disclosure requirements necessary to obtain treaty benefits.

Sale or Other Disposition of Our Common Stock

You generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of your shares of our common stock unless:

the gain is effectively connected with your conduct of a trade or business within the United States (and, under certain income tax treaties, is attributable to a permanent establishment you maintain in the U.S.);

you are an individual, you are present in the United States for 183 days or more in the taxable year of disposition and you meet other conditions, and you are not eligible for relief under an applicable income tax treaty; or

we are or have been a United States real property holding corporation for U.S. federal income tax purposes (which we believe we are not and have never been, and do not anticipate we will become) and you hold or have held, directly or indirectly, at any time within the shorter of the five-year period ending on the date of disposition or your holding period for your shares of our common stock, more than 5% of our common stock.

Gain that is effectively connected with your conduct of a trade or business within the United States generally will be subject to U.S. federal income tax, net of certain deductions, at the same rates applicable to U.S. persons. If you are a corporation, the branch profits tax also may apply to such effectively connected gain. If the gain from the sale or disposition of your shares is effectively connected with your conduct of a trade or business in the United States but, under an applicable income tax treaty, is not attributable to a permanent establishment you maintain in the United States, your gain may be exempt from U.S. federal income tax under the treaty. If you are described in the second bullet point above, you generally will be subject to U.S. federal income tax at a rate of 30% on the gain realized, although the gain may be offset by certain U.S. source capital losses realized during the same taxable year.

New Legislation Regarding Withholding Taxes

Newly enacted legislation would impose a 30% withholding tax on dividends and the gross proceeds from the sale or other disposition of common stock paid after December 31, 2012 to a foreign financial institution (as defined in the legislation), unless such institution enters into an agreement with the U.S. Treasury

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to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent the institution from complying with these reporting and other requirements. In addition, the legislation will impose a 30% withholding tax on the same types of payments paid after December 31, 2012 to a foreign entity that is not a foreign financial institution unless such entity certifies that it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner. You are encouraged to consult with your own tax advisors regarding the possible implications of this legislation on your investment in our common stock.

Information Reporting and Backup Withholding Requirements

We must report annually to the IRS the amount of any dividends or other distributions we pay to you on your shares of our common stock and the amount of tax we withhold on these distributions regardless of whether withholding is required. The IRS may make copies of the information returns reporting those distributions and amounts withheld available to the tax authorities in the country in which you reside pursuant to the provisions of an applicable income tax treaty or exchange of information treaty.

The United States imposes a backup withholding tax on any dividends and certain other types of payments to U.S. persons. You will not be subject to backup withholding tax on dividends you receive on your shares of our common stock if you provide proper certification of your status as a Non-U.S. Holder or are an exempt recipient.

Information reporting and backup withholding generally are not required with respect to the amount of any proceeds from the sale of your shares of our common stock outside the United States through a foreign office of a foreign broker that does not have certain specified connections to the United States. If you sell your shares of common stock through a U.S. broker or the U.S. office of a foreign broker, however, the broker will be required to report the amount of proceeds paid to you to the IRS and also backup withhold on that amount unless you provide appropriate certification to the broker of your status as a Non-U.S. Holder or you are an exempt recipient. Information reporting will also apply if you sell your shares of our common stock through a foreign broker deriving more than a specified percentage of its income from U.S. sources or having certain other connections to the United States, unless such broker has documentary evidence in its records that you are a Non-U.S. Holder and certain other conditions are met or you are an exempt recipient.

Any amounts withheld with respect to your shares of our common stock under the backup withholding rules will be refunded to you or credited against your U.S. federal income tax liability, if any, by the IRS if the required information is furnished in a timely manner.

U.S. Federal Estate Tax

Common stock owned or treated as owned by an individual who is not a citizen or resident (as defined for U.S. federal estate tax purposes) of the United States at the time of his or her death will be included in the individual's gross estate for U.S. federal estate tax purposes and therefore may be subject to U.S. federal estate tax unless an applicable treaty provides otherwise.

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SHARES ELIGIBLE FOR FUTURE SALE

As of September 7, 2010, we had 47,208,686 shares of Class A Common Stock outstanding. As of September 7, 2010, 291,857 shares of Class A Common Stock were reserved for issuance upon the exercise of equity awards pursuant to our equity plans under which options to purchase 234,581 shares of Class A Common Stock with a weighted average exercise price of \$44.05 per share were outstanding. As of September 7, 2010, 6,649,460 shares of Class A Common Stock were reserved for issuance pursuant to our employee stock purchase plan.

Upon completion of this offering, we will have outstanding 51,487,919 shares of our Class A Common Stock, assuming that there are no exercises of outstanding options after September 7, 2010. All of the shares sold in this offering will be freely tradable in the public market without restriction or further registration under the Securities Act, unless these shares are held by our affiliates, as that term is defined in Rule 144 under the Securities Act. Shares purchased by our affiliates may not be resold except pursuant to an effective registration statement or an exemption from registration, including an exemption under Rule 144 of the Securities Act, as described below.

Immediately after this offering, 4,029,911.506 shares of our Class A Common Stock held by existing stockholders will be restricted securities, as that term is defined in Rule 144 under the Securities Act. These restricted securities may be sold in the public market only if they are registered or if they qualify for an exemption from registration under Rule 144 of the Securities Act. In addition, transfer restrictions on restricted shares of Class A Common Stock received by holders of Towers Perrin restricted stock units lapse over the course of a three-year vesting schedule (or such other vesting schedule as may be set forth in the holder's Towers Perrin restricted stock unit award agreement) beginning on January 1, 2011.

After this offering, we will have 6,256,394.16 shares of Class B-1 Common Stock, 5,561,630.05 shares of Class B-2 Common Stock, 5,561,630.05 shares of Class B-3 Common Stock, and 5,369,042.6 shares of Class B-4 Common outstanding. Pursuant to our certificate of incorporation, our Board of Directors had the discretion to accelerate the conversion of any shares of Class B Common Stock into shares of freely tradable Class A Common Stock, provided that the total number of shares so converted did not exceed, in the aggregate, five percent of the total shares of Class B Common Stock. On July 30, 2010, we filed a proxy statement with the SEC regarding a special meeting of stockholders held on September 9, 2010. At the special meeting, stockholders approved a proposal to amend our certificate of incorporation to eliminate the restriction on the number of shares of Class B Common Stock that the Board of Directors can convert into shares of Class A Common Stock. The amendment to our certificate of incorporation provides us with the flexibility to release converted shares of Class B Common Stock into the public market, if our Board of Directors determined that such action were advisable.

Lock-Up Agreements

In connection with this offering, our directors, executive officers and the selling stockholders, who together held an aggregate of 1.5 percent of the outstanding shares of our Class A Common Stock as of September 7, 2010 have agreed, subject to limited exceptions, not to directly or indirectly sell or dispose of any shares of Class A Common Stock or any securities convertible into or exchangeable or exercisable for shares of Class A Common Stock for a period of 90 days after the date of this prospectus without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated. In the event that either (x) during the last 17 days of the lock-up period referred to above, we issue an earnings release or material news or a material event relating to us occurs or (y) prior to the expiration of the lock-up period, we announce that we will release earnings results or become aware that material news or a material event will occur during the 16-day period beginning on the last day of the lock-up period, the restrictions described above shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. For additional information, see Underwriting.

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Rule 144

In general, a person who has beneficially owned restricted shares of our Class A Common Stock (or Class B Common Stock subsequently converted into Class A Common Stock) for at least six months is entitled to sell the shares provided that such person is not deemed to have been one of our affiliates at the time of, or at any time during the 90 days preceding, a sale. Persons who have beneficially owned restricted shares of our Class A Common Stock for at least six months but who are our affiliates at the time of, or any time during the 90 days preceding, a sale, are subject to additional restrictions, by which such persons would be entitled to sell within any three-month period only a number of shares that does not exceed the greater of either of the following:

1% of the number of shares of our Class A Common Stock then outstanding, which equals approximately 472,087 shares based on the number of shares of our Class A Common Stock outstanding as of September 7, 2010; or

the average weekly trading volume of our Class A Common Stock on NYSE during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Such sales both by affiliates and by non-affiliates must also comply with the manner of sale, current public information and notice provisions of Rule 144.

Stock Plans

On January 4, 2010, we filed two registration statements on Form S-8 to register shares of our Class A Common Stock subject to options outstanding or reserved for issuance under the Towers Watson & Co. Employee Stock Purchase Plan, the Towers Watson & Co. 2009 Long Term Incentive Plan and the Watson Wyatt & Company Holdings 2000 Long-Term Incentive Plan. The shares covered by these registration statements are eligible for sale in the public markets, subject to vesting restrictions, the lock-up agreements described above and Rule 144 limitations applicable to affiliates.

Table of Contents**UNDERWRITING**

Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co. are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in a purchase agreement among us, the selling stockholders and the underwriters, the selling stockholders have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from the selling stockholders, the number of shares of Class A Common Stock set forth opposite its name below.

| Underwriter | Number of Shares |
|---|---------------------|
| Merrill Lynch, Pierce, Fenner & Smith Incorporated | 1,583,320 |
| Goldman, Sachs & Co. | 1,369,354 |
| J.P. Morgan Securities LLC | 470,715 |
| Robert W. Baird & Co. Incorporated | 213,961 |
| Citigroup Global Markets Inc. | 213,961 |
| Stifel, Nicolaus & Company, Incorporated | 213,961 |
| SunTrust Robinson Humphrey, Inc. | 213,961 |
| Total | 4,279,233 |

Subject to the terms and conditions set forth in the purchase agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the purchase agreement if any of these shares are purchased. If an underwriter defaults, the purchase agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreement may be terminated.

We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the purchase agreement, such as the receipt by the underwriters of officers' certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representatives have advised us and the selling stockholders that the underwriters propose initially to offer the shares to the public at the public offering price set forth on the cover page of this prospectus and to dealers at that price less a concession not in excess of \$1.24 per share. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

The following table shows the public offering price, underwriting discount and proceeds to the selling stockholders. The information assumes either no exercise or full exercise by the underwriters of their overallotment option.

| | Per Share | Without Option | With Option |
|--------------------------------------|-----------|----------------|----------------|
| Public offering price | \$46.00 | \$196,844,718 | \$ 226,366,046 |
| Underwriting discount | \$2.07 | \$8,858,012 | \$10,186,472 |
| Proceeds to the selling stockholders | \$43.93 | \$187,986,706 | \$ 216,179,574 |

The expenses of the offering, not including underwriting discount, are estimated at \$863,325 and are payable by us.

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Overallotment Option

The selling stockholders have granted an option to the underwriters to purchase up to 641,768 additional shares at the public offering price, less the underwriting discount. The underwriters may exercise this option for 30 days from the date of this prospectus solely to cover any overallotments. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the purchase agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

No Sales of Similar Securities

We and the selling stockholders, our executive officers and directors have agreed not to sell or transfer any Class A Common Stock or securities convertible into, exchangeable for, exercisable for, or repayable with Class A Common Stock, for 90 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated. Specifically, we and these other persons have agreed, with certain limited exceptions, not to directly or indirectly

offer, pledge, sell or contract to sell any Class A Common Stock;

sell any option or contract to purchase any Class A Common Stock;

purchase any option or contract to sell any Class A Common Stock;

grant any option, right or warrant for the sale of any Class A Common Stock;

otherwise dispose of or transfer any Class A Common Stock;

request or demand that we file a registration statement related to the Class A Common Stock; or

enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any Class A Common Stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to Class A Common Stock and to securities convertible into or exchangeable or exercisable for or repayable with Class A Common Stock. It also applies to Class A Common Stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition. In the event that either (x) during the last 17 days of the lock-up period referred to above, we issue an earnings release or material news or a material event relating to us occurs or (y) prior to the expiration of the lock-up period, we announce that we will release earnings results or become aware that material news or a material event will occur during the 16-day period beginning on the last day of the lock-up period, the restrictions described above shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. As previously disclosed, our Chief Executive Officer, John J. Haley, has adopted a 10b5-1 plan. Shares may be sold pursuant to this plan during the lock-up period without restriction.

New York Stock Exchange and NASDAQ Global Market Listing

The shares of Class A Common Stock are listed on the New York Stock Exchange and the NASDAQ Global Market under the symbol TW.

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Price Stabilization, Short Positions

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our Class A Common Stock. However, the representatives may engage in transactions that stabilize the price of the Class A Common Stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our Class A Common Stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the underwriters' over-allotment option described above. The underwriters may close out any covered short position by either exercising their over-allotment option or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. Naked short sales are sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our Class A Common Stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of Class A Common Stock made by the underwriters in the open market prior to the completion of the offering.

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our Class A Common Stock or preventing or retarding a decline in the market price of our Class A Common Stock. As a result, the price of our Class A Common Stock may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on the New York Stock Exchange, the NASDAQ Global Market, in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our Class A Common Stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Passive Market Making

In connection with this offering, underwriters and selling group members may engage in passive market making transactions in the common stock on the NASDAQ Global Market in accordance with Rule 103 of Regulation M under the Exchange Act during a period before the commencement of offers or sales of common stock and extending through the completion of distribution. A passive market maker must display its bid at a price not in excess of the highest independent bid of that security. However, if all independent bids are lowered below the passive market maker's bid, that bid must then be lowered when specified purchase limits are exceeded. Passive market making may cause the price of our common stock to be higher than the price that otherwise would exist in the open market in the absence of those transactions. The underwriters and dealers are not required to engage in passive market making and may end passive market making activities at any time.

Electronic Offer, Sale and Distribution of Shares

In connection with the offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail. In addition, Merrill Lynch, Pierce, Fenner & Smith Incorporated may facilitate Internet distribution for this offering to certain of its Internet subscription customers.

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Merrill Lynch, Pierce, Fenner & Smith Incorporated may allocate a limited number of shares for sale to its online brokerage customers. An electronic prospectus is available on the Internet web site maintained by Merrill Lynch, Pierce, Fenner & Smith Incorporated. Other than the prospectus in electronic format, the information on the Merrill Lynch, Pierce, Fenner & Smith Incorporated web site is not part of this prospectus.

Other Relationships

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. In addition, certain affiliates of the underwriters act as lenders under our revolving credit facility, for which they receive customary fees. Certain of the underwriters or their affiliates act as lenders or agents under our \$500 million revolving credit facility, including Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, Citigroup Global Markets Inc. and SunTrust Robinson Humphrey, Inc.

Notice to Prospective Investors in the EEA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a Relevant Member State) an offer to the public of any shares which are the subject of the offering contemplated by this prospectus may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;
- (c) by the underwriters to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

Any person making or intending to make any offer of shares within the EEA should only do so in circumstances in which no obligation arises for us or any of the underwriters to produce a prospectus for such offer. Neither we nor the underwriters have authorized, nor do they authorize, the making of any offer of shares through any financial intermediary, other than offers made by the underwriters which constitute the final offering of shares contemplated in this prospectus.

For the purposes of this provision, the expression an offer to the public in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase any shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

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Each person in a Relevant Member State who receives any communication in respect of, or who acquires any shares under, the offer of shares contemplated by this prospectus will be deemed to have represented, warranted and agreed to and with us and each underwriter that:

- (A) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and
- (B) in the case of any shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the shares acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors (as defined in the Prospectus Directive), or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or (ii) where shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those shares to it is not treated under the Prospectus Directive as having been made to such persons.

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are qualified investors (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the Order) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Notice to Prospective Investors in Switzerland

This document as well as any other material relating to the shares which are the subject of the offering contemplated by this prospectus does not constitute an issue prospectus pursuant to Articles 652a and/or 1156 of the Swiss Code of Obligations. The shares will not be listed on the SIX Swiss Exchange and, therefore, the documents relating to the shares, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of the SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange. The shares are being offered in Switzerland by way of a private placement, i.e. to a small number of selected investors only, without any public offer and only to investors who do not purchase the shares with the intention to distribute them to the public. The investors will be individually approached by the issuer from time to time. This document as well as any other material relating to the shares is personal and confidential and does not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without the express consent of the issuer. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

Notice to Prospective Investors in the Dubai International Financial Centre

This document relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (DFSA). This document is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this document nor taken steps to verify the information set forth herein and has no responsibility for the document. The shares to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this document you should consult an authorized financial advisor.

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VALIDITY OF CLASS A COMMON STOCK

The validity of the shares of our Class A Common Stock offered in the offering will be passed upon for us by Gibson, Dunn & Crutcher LLP, New York, New York, and for the underwriters by Cleary Gottlieb Steen & Hamilton LLP, New York, New York.

EXPERTS

The financial statements of Towers Watson & Co. and subsidiaries as of June 30, 2010 and 2009, and for each of the three years in the period ended June 30, 2010 and the related financial statement schedule included in this prospectus, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein (which report expresses an unqualified opinion on the financial statements and financial statement schedule and includes an explanatory paragraph referring to the adoption of the provisions of Accounting for Uncertain Income Tax Positions, ASC 740-10 *Income Taxes*). Such financial statements and financial statement schedule have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statements of Towers, Perrin, Forster & Crosby, Inc. as of and for the year ended December 31, 2009 incorporated in this prospectus by reference have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference. Such financial statements have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statements of Towers, Perrin, Forster & Crosby, Inc. as of December 31, 2008 and for the years ended December 31, 2008 and 2007 incorporated in this prospectus by reference have been audited by KPMG LLP, independent auditors, as stated in their report, which is incorporated herein by reference. Such financial statements have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1, including exhibits and schedules, under the Securities Act of 1933, as amended, with respect to the Class A Common Stock to be sold in the offering. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules that are part of the registration statement. Any statements made in this prospectus as to the contents of any contract, agreement or other document are not necessarily complete. With respect to each such contract, agreement or other document filed as an exhibit to the registration statement, we refer you to the exhibit for a more complete description of the matter involved, and each statement in this prospectus shall be deemed qualified in its entirety by this reference.

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and file annual, quarterly and current reports, proxy statements and other information with the SEC. You can find our SEC filings at the SEC's website at www.sec.gov. This information may also be accessed on the Investor Relations page of our website at www.towerswatson.com. The information on our website is not part of this prospectus, and you should not rely on any such information in deciding to invest in shares of our Class A Common Stock.

To receive copies of public records not posted to the SEC's website at prescribed rates you may complete an online form at www.sec.gov, send a fax to (202) 772-9337 or submit a written request to the SEC, Office of FOIA/PA Operations, 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at (202) 551-8300 for more information.

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The SEC allows us to incorporate by reference into this prospectus the information that we file with the SEC. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is deemed to be part of this prospectus. We incorporate by reference the documents set forth below, which we already have filed with the SEC:

Our Annual Report on Form 10-K for the fiscal year ended June 30, 2010.

Our Proxy Statement filed on July 30, 2010 and additional materials filed on August 12, 2010 and August 30, 2010.

Our Current Reports on Form 8-K filed on July 19, 2010, July 20, 2010 and September 7, 2010.

We will provide, upon written or oral request, to each person, including any beneficial owner, to whom a prospectus is delivered, a copy of any or all of the reports or documents that have been incorporated by reference (other than exhibits to such documents unless such exhibits are specifically incorporated by reference in any such documents) at no cost. We can be contacted at the address, phone number, fax number and e-mail address indicated below:

Investor Relations

Towers Watson & Co.

901 N. Glebe Road

Arlington, VA 22203

Tel: 703-258-8000

Fax: 703-258-8585

investor.relations@towerswatson.com

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Towers Watson & Co.

New York, New York

We have audited the accompanying consolidated balance sheets of Towers Watson & Co. and subsidiaries (the Company) as of June 30, 2010 and 2009, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Towers Watson & Co. and subsidiaries at June 30, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 and 15 to the consolidated financial statements, effective July 1, 2007, the Company adopted the provisions of Accounting for Uncertain Income Tax Positions, ASC 740-10 *Income Taxes*.

/s/ DELOITTE & TOUCHE LLP

McLean, Virginia

September 7, 2010

Table of Contents**TOWERS WATSON & CO.****Consolidated Statements of Operations**

(Thousands of U.S. dollars, except share and per share data)

| | 2010 | Year Ended June 30, 2009 | 2008 |
|---|--------------|-----------------------------|--------------|
| Revenue | \$ 2,387,829 | \$ 1,676,029 | \$ 1,760,055 |
| Costs of providing services: | | | |
| Salaries and employee benefits | 1,540,417 | 1,029,299 | 1,052,992 |
| Professional and subcontracted services | 163,848 | 119,323 | 138,983 |
| Occupancy | 109,454 | 72,566 | 83,255 |
| General and administrative expenses | 220,937 | 172,010 | 185,624 |
| Depreciation and amortization | 101,084 | 73,448 | 72,428 |
| Transaction and integration expenses | 87,644 | | |
| | 2,223,384 | 1,466,646 | 1,533,282 |
| Income from operations | 164,445 | 209,383 | 226,773 |
| (Loss)/income from affiliates | (1,274) | 8,350 | 2,325 |
| Interest income | 2,950 | 2,022 | 5,584 |
| Interest expense | (7,508) | (2,778) | (5,977) |
| Other non-operating income | 11,304 | 4,926 | 464 |
| Income before income taxes | 169,917 | 221,903 | 229,169 |
| Provision for income taxes | 50,907 | 75,276 | 73,470 |
| Net income before non-controlling interests | 119,010 | 146,627 | 155,699 |
| Net (loss)/income attributable to non-controlling interests | (1,587) | 169 | 258 |
| Net income attributable to controlling interests | \$ 120,597 | \$ 146,458 | \$ 155,441 |
| Earnings per share: | | | |
| Net income attributable to controlling interests basic | \$ 2.04 | \$ 3.43 | \$ 3.65 |
| Net income attributable to controlling interests diluted | \$ 2.03 | \$ 3.42 | \$ 3.50 |
| Weighted average shares of common stock, basic (000) | 59,257 | 42,690 | 42,577 |
| Weighted average shares of common stock, diluted (000) | 59,372 | 42,861 | 44,381 |

See accompanying notes to the
consolidated financial statements

Table of Contents**TOWERS WATSON & CO.****Consolidated Balance Sheets**

(Thousands of U.S. dollars, except share data)

| | 2010 | June 30, 2009 |
|---|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 600,466 | \$ 209,832 |
| Short-term investments | 51,009 | |
| Receivables from clients: | | |
| Billed, net of allowances of \$7,975 and \$4,452 | 421,602 | 190,991 |
| Unbilled, at estimated net realizable value | 215,912 | 111,419 |
| | 637,514 | 302,410 |
| Other current assets | 156,312 | 53,358 |
| Total current assets | 1,445,301 | 565,600 |
| Fixed assets, net | 227,802 | 174,857 |
| Deferred income taxes | 333,950 | 111,912 |
| Goodwill | 1,727,165 | 542,754 |
| Intangible assets, net | 683,487 | 186,233 |
| Other assets | 155,745 | 44,963 |
| Total Assets | \$ 4,573,450 | \$ 1,626,319 |
| Liabilities | | |
| Accounts payable, accrued liabilities and deferred income | \$ 409,141 | \$ 281,946 |
| Reinsurance payables | 164,539 | |
| Notes payable | 201,967 | |
| Other current liabilities | 189,966 | 51,716 |
| Total current liabilities | 965,613 | 333,662 |
| Revolving credit facility | | |
| Accrued retirement benefits | 1,061,557 | 292,555 |
| Professional liability claims reserve | 335,034 | 43,229 |
| Other noncurrent liabilities | 246,574 | 102,237 |
| Total Liabilities | 2,608,778 | 771,683 |
| Commitments and contingencies | | |
| Stockholders Equity | | |
| Class A Common Stock \$.01 par value: | | |
| 300,000,000 shares authorized; 47,160,497 and 0 issued and 47,160,497 and 0 outstanding | 472 | |
| Class A Common Stock \$.01 par value: | | |
| 99,000,000 shares authorized; 0 and 43,813,451 issued and 0 and 42,657,431 outstanding | | 438 |
| Class B Common Stock \$.01 par value: | | |
| 93,500,000 shares authorized; 27,043,196 and 0 issued and 27,043,196 and 0 outstanding | 270 | |
| Additional paid-in capital | 1,679,624 | 452,938 |
| Treasury stock, at cost 0 and 1,156,020 shares | | (63,299) |
| Retained earnings | 711,570 | 608,634 |
| Accumulated other comprehensive loss | (436,329) | (145,073) |

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| | | |
|---|--------------|--------------|
| Total Stockholders Equity | 1,955,607 | 853,638 |
| Non-controlling interest | 9,065 | 998 |
| Total Equity | 1,964,672 | 854,636 |
| Total Liabilities and Total Equity | \$ 4,573,450 | \$ 1,626,319 |

See accompanying notes to the
consolidated financial statements

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Table of Contents**TOWERS WATSON & CO.****Consolidated Statements of Cash Flows**

(Thousands of U.S. dollars)

| | Year ended June 30, | | |
|--|---------------------|------------|------------|
| | 2010 | 2009 | 2008 |
| Cash flows (used in)/from operating activities: | | | |
| Net income | \$ 119,010 | \$ 146,627 | \$ 155,699 |
| Adjustments to reconcile net income to net cash from operating activities: | | | |
| Provision for doubtful receivables from clients | 11,759 | 5,355 | 11,207 |
| Depreciation | 69,684 | 59,556 | 56,031 |
| Amortization of intangible assets | 31,400 | 13,892 | 16,397 |
| (Benefit)/Provision for deferred income taxes | (5,134) | 14,205 | 11,550 |
| Equity from affiliates | 869 | (8,080) | (2,324) |
| Stock-based compensation | 52,953 | 932 | 4,054 |
| Other, net | (9,975) | (2,474) | 4,586 |
| Changes in operating assets and liabilities (net of business acquisitions) | | | |
| Receivables from clients | (41,339) | 57,991 | (22,057) |
| Other current assets | (2,205) | 3,279 | 443 |
| Other noncurrent assets | 50,854 | (3,497) | 37,080 |
| Accounts payable, accrued liabilities and deferred income | (295,402) | (28,717) | 66,431 |
| Reinsurance payables | 49,756 | | |
| Accrued retirement benefits | (71,292) | (42,069) | (54,230) |
| Professional liability claims reserves | 16,171 | (5,900) | (195) |
| Other current liabilities | 20,874 | 4,138 | 5,112 |
| Other noncurrent liabilities | (24,050) | 10,631 | (1,083) |
| Income tax related accounts | (8,801) | 1,678 | (4,969) |
| Cash flows (used in)/from operating activities: | (34,868) | 227,547 | 283,732 |
| Cash flows from/(used in) investing activities: | | | |
| Cash paid for business acquisitions | (200,025) | (1,185) | (138,830) |
| Cash acquired from business acquisitions | 721,708 | | |
| Purchases of fixed assets | (25,752) | (39,195) | (38,694) |
| Capitalized software costs | (19,632) | (23,374) | (21,904) |
| Purchases of available-for-sale securities | (17,789) | | |
| Redemption of available-for-sale securities | 16,191 | | |
| Investment in affiliates | | (2,302) | (3,316) |
| Increase in restricted cash | | | (2,331) |
| Proceeds from sale of investments | 10,749 | | |
| Contingent proceeds from divestitures | 4,486 | 4,926 | 464 |
| Cash flows from/(used in) investing activities: | 489,936 | (61,130) | (204,611) |
| Cash flows used in financing activities: | | | |
| Borrowings under credit facility | 126,333 | 267,912 | 172,841 |
| Repayments under credit facility | (125,650) | (267,912) | (277,841) |
| Financing of credit facility | (5,679) | | |
| Dividends paid | (15,249) | (12,785) | (12,768) |
| Repurchases of common stock | (34,922) | (77,443) | (82,031) |
| Issuances of common stock and excess tax benefit | 6,068 | 6,509 | 11,046 |
| Cash flows used in financing activities: | (49,099) | (83,719) | (188,753) |
| Effect of exchange rates on cash | (15,335) | 2,502 | (13,922) |
| Increase/(decrease) in cash and cash equivalents | 390,634 | 85,200 | (123,554) |

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| | | | |
|--|--------------|------------|------------|
| Cash and cash equivalents at beginning of period | 209,832 | 124,632 | 248,186 |
| Cash and cash equivalents at end of period | \$ 600,466 | \$ 209,832 | \$ 124,632 |
| Supplemental disclosures: | | | |
| Cash paid for interest | \$ 2,595 | \$ 2,780 | \$ 5,951 |
| Cash paid for income taxes, net of refunds | \$ 58,624 | \$ 66,480 | \$ 76,234 |
| Notes payable issued in connection with the Merger | \$ 200,000 | \$ | \$ |
| Notes payable issued in connection with the tender offer | \$ 98,469 | \$ | \$ |
| Issuance of stock in connection with the Merger | \$ 1,357,379 | \$ | \$ |

See accompanying notes to the
consolidated financial statements

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Table of Contents**TOWERS WATSON & CO.****Consolidated Statement of Changes in Stockholders' Equity****(In Thousands of U.S. dollars and Number of Shares in Thousands)**

| | Class A Common Stock Outstanding | Class A Common Stock | Class B Common Stock Outstanding | Class B Common Stock | Additional Paid-in Capital | Treasury Stock, at Cost | Retained Earnings | Accumulated Other Comprehensive Loss | Total |
|---|---|-------------------------------|---|-------------------------------|----------------------------------|-------------------------------|----------------------|---|------------|
| Balance at June 30, 2007 | 42,299 | \$ 428 | | \$ | \$ 395,521 | \$ (22,251) | \$ 336,101 | \$ 77,720 | \$ 787,519 |
| Adoption of FIN 48 | | | | | | | (3,813) | | (3,813) |
| Comprehensive income: | | | | | | | | | |
| Net income | | | | | | | 155,441 | | 155,441 |
| Additional minimum pension liability, net of tax | | | | | | | | (32,368) | (32,368) |
| Foreign currency translation adjustment | | | | | | | | 20,185 | 20,185 |
| Total comprehensive income | | | | | | | | | 143,258 |
| Cash dividends declared | | | | | | | (12,768) | | (12,768) |
| Repurchases of common stock | (1,586) | | | | | (82,031) | | | (82,031) |
| Issuances of common stock acquisitions and contingent consideration | 2,176 | 10 | | | 52,694 | 57,999 | | | 110,703 |
| Issuances of common stock and excess tax benefit | 689 | | | | 8,466 | 33,061 | | | 41,527 |
| Balance at June 30, 2008 | 43,578 | \$ 438 | | \$ | \$ 456,681 | \$ (13,222) | \$ 474,961 | \$ 65,537 | \$ 984,395 |
| Comprehensive loss: | | | | | | | | | |
| Net income | | | | | | | 146,458 | | 146,458 |
| Additional minimum pension liability, net of tax | | | | | | | | (79,835) | (79,835) |
| Foreign currency translation adjustment | | | | | | | | (130,775) | (130,775) |
| Total comprehensive loss | | | | | | | | | (64,152) |
| Cash dividends declared | | | | | | | (12,785) | | (12,785) |
| Repurchases of common stock | (1,418) | | | | | (77,443) | | | (77,443) |
| Issuances of common stock and excess tax benefit | 497 | | | | (3,743) | 27,366 | | | 23,623 |

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| | Class A Common Stock Outstanding | Class A Common Stock | Class B Common Stock Outstanding | Class B Common Stock | Additional Paid-in Capital | Treasury Stock, at Cost | Retained Earnings | Accumulated Other Comprehensive Loss | Total |
|--|---|-------------------------------|---|-------------------------------|----------------------------------|-------------------------------|----------------------|---|--------------|
| Balance at June 30, 2009 | 42,657 | \$ 438 | | \$ | \$ 452,938 | \$ (63,299) | \$ 608,634 | \$ (145,073) | \$ 853,638 |
| Comprehensive loss: | | | | | | | | | |
| Net income | | | | | | | 62,468 | | 62,468 |
| Foreign currency translation adjustment | | | | | | | | (50,218) | (50,218) |
| Total comprehensive income | | | | | | | | | 12,250 |
| Class A Common Stock Watson Wyatt | | | | | | | | | |
| Cash dividends declared | | | | | | | (6,364) | | (6,364) |
| Repurchases of common stock | (792) | | | | | (34,922) | | | (34,922) |
| Issuances of common stock and excess tax benefit | 337 | | | | (2,090) | 17,640 | | | 15,550 |
| Stock-based compensation | | | | | 69 | | | | 69 |
| Retirement of treasury stock | | (16) | | | (80,565) | 80,581 | | | |
| Balance at December 31, 2009 | 42,202 | \$ 422 | | \$ | \$ 370,352 | \$ | \$ 664,738 | \$ (195,291) | \$ 840,221 |
| Merger of Towers Perrin and Watson Wyatt | | | | | | | | | |
| Class A Common Stock Towers Watson | | | | | | | | | |
| Stock issued for consideration of Merger: | | | | | | | | | |
| Issuance of Class A Restricted shares | 4,249 | 43 | | | 43,686 | | | | 43,729 |
| Issuance of Class B1-B4 shares | | | 29,483 | 294 | 1,313,356 | | | | 1,313,650 |
| Cash dividends declared | | | | | | | (11,297) | | (11,297) |
| Issuances of common stock and excess tax benefit | 536 | 7 | | | (2,210) | | | | (2,203) |
| Stock-based compensation | | | | | 52,884 | | | | 52,884 |
| Repurchases of Class B-1 shares from tender offer | | | (2,267) | (24) | (98,444) | | | | (98,468) |
| Acceleration of Class B shares to Class A shares | 173 | | (173) | | | | | | |
| Comprehensive Income: | | | | | | | | | |
| Net income | | | | | | | 58,129 | | 58,129 |
| Additional minimum pension liability, net of tax | | | | | | | | (163,105) | (163,105) |
| Hedge effectiveness, net of tax | | | | | | | | (1,986) | (1,986) |
| Unrealized gain on available-for-sale securities, net of tax | | | | | | | | 98 | 98 |
| Foreign currency translation adjustment | | | | | | | | (76,045) | (76,045) |
| Total comprehensive loss | | | | | | | | | (182,909) |
| Balance at June 30, 2010 | 47,160 | \$ 472 | 27,043 | \$ 270 | \$ 1,679,624 | \$ | \$ 711,570 | \$ (436,329) | \$ 1,955,607 |

See accompanying notes to the
consolidated financial statements

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TOWERS WATSON & CO.

Notes to the Consolidated Financial Statements

(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)

Note 1 Summary of Significant Accounting Policies

On January 1, 2010, pursuant to the Agreement and Plan of Merger, as amended by Amendment No. 1 (the Merger Agreement), Watson Wyatt Worldwide, Inc. (Watson Wyatt) and Towers, Perrin, Forster & Crosby, Inc. (Towers Perrin) combined their businesses through two simultaneous mergers (the Merger) and became wholly owned subsidiaries of Jupiter Saturn Holding Company, which subsequently changed its name to Towers Watson & Co. (Towers Watson, the Company or we). Since the consummation of the Merger, Towers Perrin changed its name to Towers Watson Pennsylvania Inc., and Watson Wyatt changed its name to Towers Watson Delaware Holdings Inc. However, for ease of reference, we continue to use the legacy Towers Perrin and Watson Wyatt names throughout this prospectus.

Although the business combination of Watson Wyatt and Towers Perrin was a merger of equals, generally accepted accounting principles require that one of the combining entities be identified as the acquirer by reviewing facts and circumstances as of the acquisition date. Watson Wyatt was determined to be the accounting acquirer. This conclusion is primarily supported by the facts that Watson Wyatt shareholders owned approximately 56 percent of all Towers Watson Common Stock after the redemption of Towers Watson Class R Common Stock and that Watson Wyatt's Chief Executive Officer became the Chief Executive Officer of Towers Watson. Watson Wyatt is the accounting predecessor in the Merger and as such, the historical results of Watson Wyatt through December 31, 2009 have become those of the new registrant, Towers Watson. Towers Watson's consolidated financial statements for the fiscal year ended June 30, 2010 include the results of Towers Perrin's operations beginning January 1, 2010.

Nature of the Business Towers Watson is a leading global professional services firm focused on providing consulting and other professional services related to employee benefits, human capital and risk and financial management. We provide advisory services on critical human capital management issues to help our clients effectively manage their costs, talent and risk. Our fiscal year ends on June 30th.

Principles of Consolidation Our consolidated financial statements include our accounts and those of our majority-owned and controlled subsidiaries after elimination of intercompany accounts and transactions. Investments in affiliated companies over which we have the ability to exercise significant influence are accounted for using the equity method.

Use of Estimates The preparation of consolidated 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, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates. Estimates are used when accounting for revenue recognition, allowances for billed and unbilled receivables from clients, discretionary compensation, income taxes, pension and post-retirement assumptions, incurred but not reported claims, and goodwill and intangible assets.

Cash and Cash Equivalents We consider primarily all instruments that are readily convertible to known amounts of cash and near their maturity to present insignificant interest rate risk to changes in value to be cash equivalents. Included in cash are amounts payable to reinsurance carriers or clients, net of our earned commissions. As agents for various reinsurance carriers, we hold these funds and are permitted to invest this cash pending remittance to carriers or clients.

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TOWERS WATSON & CO.

Notes to the Consolidated Financial Statements (Continued)

(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)

Marketable Securities Our investments are classified at the time of purchase as either available-for-sale or held-to-maturity, and reassessed as of each balance sheet date. Our marketable securities consist of available-for-sale securities, and are marked-to-market based on prices provided by our investment advisors, with unrealized gains and temporary unrealized losses reported as a component of other comprehensive income net of tax, until realized. When realized, we recognize gains and losses on the sales of the securities on a specific identification method and includes the realized gains or losses in other income, net, in the consolidated statements of operations. We include interest, dividends, and amortization of premium or discount on securities classified as available-for-sale in other income, net in the consolidated statements of operations. We also evaluate our available-for-sale securities to determine whether a decline in fair value of a security below the amortized cost basis is other than temporary. Should the decline be considered other than temporary, we write down the cost of the security and include the loss in earnings. In making this determination we consider such factors as the reason for and significance of the decline, current economic conditions, the length of time for which there has been an unrealized loss, the time to maturity, and other relevant information. Available-for-sale securities are classified as either short-term or long-term based on management's intention of when to sell the securities.

Receivables from Clients Billed receivables from clients are presented at their billed amount less an allowance for doubtful accounts. Billed receivables includes reinsurance intermediary amounts due to us and reinsurance advances. Reinsurance advances represent instances where we advance premiums, refunds or claims to reinsurance underwriters or parties to reinsurance contracts prior to collection. Unbilled receivables are stated at net realizable value less an allowance for unbillable amounts. Allowance for doubtful accounts related to billed receivables was \$8.0 million and \$4.5 million as of June 30, 2010 and 2009, respectively. Allowance for unbilled receivables was \$11.7 million and \$9.1 million as of June 30, 2010 and 2009, respectively.

Revenue Recognition Revenue includes fees primarily generated from consulting services provided. We recognize revenue from these consulting engagements when hours are worked, either on a time-and-expense basis or on a fixed-fee basis, depending on the terms and conditions defined at the inception of an engagement with a client. We have engagement letters with our clients that specify the terms and conditions upon which the engagements are based. These terms and conditions can only be changed upon agreement by both parties. Individual consultants' billing rates are principally based on a multiple of salary and compensation costs.

Revenue for fixed-fee arrangements, which span multiple months, is based upon the percentage of completion method. We typically have three types of fixed-fee arrangements: annual recurring projects, projects of a short duration, and non-recurring system projects. Annual recurring projects and the projects of short duration are typically straightforward and highly predictable in nature. As a result, the project manager and financial staff are able to identify, as the project status is reviewed and bills are prepared monthly, the occasions when cost overruns could lead to the recording of a loss accrual.

We have non-recurring system projects that are longer in duration and subject to more changes in scope as the project progresses. We evaluate at least quarterly, and more often as needed, project managers' estimates-to-complete to assure that the projects' current status is accounted for properly. Certain subscription contracts generally provide that if the client terminates a contract, we are entitled to payment for services performed through termination.

Revenue recognition for fixed-fee engagements is affected by a number of factors that change the estimated amount of work required to complete the project such as changes in scope, the staffing on the engagement and/or the level of client participation. The periodic engagement evaluations require us to make judgments and estimates regarding the overall profitability and stage of project completion that, in turn, affect

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TOWERS WATSON & CO.

Notes to the Consolidated Financial Statements (Continued)

(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)

how we recognize revenue. We recognize a loss on an engagement when estimated revenue to be received for that engagement is less than the total estimated direct and indirect costs associated with the engagement. Losses are recognized in the period in which the loss becomes probable and the amount of the loss is reasonably estimable. We have experienced certain costs in excess of estimates from time to time. Management believes that it is rare, however, for these excess costs to result in overall project losses.

We have developed various software programs and technologies that we provide to clients in connection with consulting services. In most instances, such software is hosted and maintained by us and ownership of the technology and rights to the related code remain with us. Software developed to be utilized in providing services to a client, but for which the client does not have the contractual right to take possession, is capitalized in accordance with generally accepted accounting principles as capitalized software. Revenue associated with the related contract, together with amortization of the related capitalized software, is recognized over the service period. As a result, we do not recognize revenue during the implementation phase of a software engagement.

In connection with the Merger, we acquired the reinsurance brokerage business of Towers Perrin. In our capacity as a reinsurance broker, we collect premiums from reinsureds and, after deducting our brokerage commissions, we remit the premiums to the respective reinsurance underwriters on behalf of reinsureds. In general, compensation for reinsurance brokerage services is earned on a commission basis. Commissions are calculated as a percentage of a reinsurance premium as stipulated in the reinsurance contracts with our clients and reinsurers. We recognize brokerage services revenue on the later of the inception date or billing date of the contract. In addition, we hold cash needed to settle amounts due reinsurers or reinsureds, net of any commissions due to us, pending remittance to the ultimate recipient. We are permitted to invest these funds in high quality liquid instruments.

Revenue recognized in excess of billings is recorded as unbilled accounts receivable. Cash collections and invoices generated in excess of revenue recognized are recorded as deferred revenue until the revenue recognition criteria are met. Client reimbursable expenses, including those relating to travel, other out-of-pocket expenses and any third-party costs, are included in revenue, and an equivalent amount of reimbursable expenses are included in professional and subcontracted services as a cost of revenue.

Income Taxes We account for income taxes in accordance with Accounting Standards Codification (ASC) 740, *Income Taxes*, which prescribes the use of the asset and liability approach to the recognition of deferred tax assets and liabilities related to the expected future tax consequences of events that have been recognized in our financial statements or income tax returns. 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. Valuation allowances are established, when necessary, to reduce deferred tax assets when it is more likely than not that a portion or all of a given deferred tax asset will not be realized. In accordance with ASC 740, income tax expense includes (i) deferred tax expense, which generally represents the net change in the deferred tax asset or liability balance during the year plus any change in valuation allowances and (ii) current tax expense, which represents the amount of tax currently payable to or receivable from a taxing authority plus amounts accrued for expected tax contingencies (including both tax and interest). ASC 740 prescribes a recognition threshold of more-likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those positions to be recognized in the financial statements. We continually review tax laws, regulations and related guidance in order to properly record any uncertain tax liabilities positions. We adjust these reserves in light of changing facts and circumstances, such as the outcome of tax audits. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate.

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TOWERS WATSON & CO.

Notes to the Consolidated Financial Statements (Continued)

(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)

Foreign Currency Translation Gains and losses on foreign currency transactions, including settlement of intercompany receivables and payables, are recognized currently in the general and administrative expenses line of our consolidated statements of operations. Assets and liabilities of our subsidiaries outside the United States are translated into the reporting currency, the U.S. dollar, based on exchange rates at the balance sheet date. Revenue and expenses of our subsidiaries outside the United States are translated into U.S. dollars at weighted average exchange rates. Gains and losses on translation of our equity interests in our subsidiaries outside the United States and on intercompany notes are reported separately as accumulated other comprehensive income within stockholders' equity in the consolidated balance sheets, since we do not plan or anticipate settlement of such balances in the foreseeable future.

Fair Value of Financial Instruments The carrying amount of our cash and cash equivalents, receivables from clients and notes and accounts payable approximates fair value because of the short maturity and liquidity of those instruments. The investments are available-for-sale securities held at estimated fair value with maturities of less than three years. There were no borrowings outstanding under our revolving credit agreement at June 30, 2010.

Concentration of Credit Risk Financial instruments that potentially subject us to concentrations of credit risk consist principally of certain cash and cash equivalents, and receivables from clients. We invest our excess cash in financial instruments that are rated in the highest short-term rating category by major rating agencies. Concentrations of credit risk with respect to receivables from clients are limited due to our large number of clients and their dispersion across many industries and geographic regions.

Correction of Statements of Cash Flows In fiscal year 2010, we corrected the presentation of borrowings and repayments under the credit facility for each of the prior years presented. Related amounts had previously been presented on a net basis, rather than on a gross basis in accordance with ASC 230. The correction had no effect on net cash used in financing activities.

Incurred But Not Reported (IBNR) Claims We accrue for IBNR professional liability claims that are probable and estimable, and for which we have not yet contracted for insurance coverage. We use actuarial assumptions to estimate and record a liability for IBNR professional liability claims. Our estimated IBNR liability is based on long-term trends and averages, and considers a number of factors, including changes in claim reporting patterns, claim settlement patterns, judicial decisions, and legislation and economic decisions, but excludes the effect of claims data for large cases due to the insufficiency of actual experience with such cases. Our estimated IBNR liability will fluctuate if claims experience changes over time. This liability was \$222.3 million and \$36.6 million at June 30, 2010 and 2009, respectively.

Stock-based Compensation During fiscal years 2010, 2009 and 2008, we recognized compensation expense of \$58.0 million or \$0.98 per diluted share, \$1.0 million or \$0.02 per diluted share and \$4.8 million or \$0.11 per diluted share, respectively, in connection with our stock-based compensation plans. This does not include any expense related to the 2001 Deferred Stock Unit Plan for Selected Employees, as expense related to shares awarded under this plan is recorded as a component of our accrual for discretionary compensation.

The total income tax benefit recognized in the income statement for the exercise of non-qualified stock options, vesting of restricted stock units and the award of stock purchase plan shares was \$28 thousand, \$37 thousand and \$2.2 million for fiscal years 2010, 2009 and 2008, respectively.

Earnings per Share (EPS) We adopted guidance under ASC 260, *Earnings per Share*, relating to the two-class method of presenting EPS. This guidance addresses whether awards granted in share-based transactions are participating securities prior to vesting and therefore need to be included in the earning allocation

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TOWERS WATSON & CO.

Notes to the Consolidated Financial Statements (Continued)

(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)

in computing earnings per share using the two-class method. ASC 260-10-45-60 requires non-vested share-based payment awards that have non-forfeitable rights to dividends or dividend equivalents to be treated as a separate class of securities in calculating earnings per share. Our participating securities include non-vested restricted stock. The adoption had no impact on previously reported basic or diluted EPS.

Goodwill and Intangible Assets In applying the purchase method of accounting for business combinations, amounts assigned to identifiable assets and liabilities acquired were based on estimated fair values as of the date of the acquisitions, with the remainder recorded as goodwill. Intangible assets are initially valued at fair market value using generally accepted valuation methods appropriate for the type of intangible asset. Intangible assets with definite lives are amortized over their estimated useful lives and are reviewed for impairment if indicators of impairment arise. Intangible assets with indefinite lives are tested for impairment annually as of June 30. The fair value of the intangible assets is compared with their carrying value and an impairment loss would be recognized for the amount by which the carrying amount exceeds the fair value. Goodwill is tested for impairment annually as of June 30, and whenever indicators of impairment exist.

The evaluation is a two-step process whereby the fair value of the reporting unit is compared with its carrying amount, including goodwill. In estimating the fair value of a reporting unit, we used valuation techniques that fall under income or market approaches. Under the discounted cash flow method, an income approach, the business enterprise value is determined by discounting to present value the terminal value which is calculated using debt-free after-tax cash flows for a finite period of years. Key estimates in this approach are internal financial projection estimates prepared by management, business risk, and expected rate of return on capital. The guideline company method, a market approach, develops valuation multiples by comparing our reporting units to similar publicly traded companies. Key estimates and selection of valuation multiples rely on the selection of similar companies, obtaining estimates of forecasted revenue and EBITDA estimates for the similar companies and selection of valuation multiples as they apply to the reporting unit characteristics. Under the similar transactions method, a market approach, actual transaction prices and operating data from companies deemed reasonably similar to the reporting units is used to develop valuation multiples as an indication of how much a knowledgeable investor in the marketplace would be willing to pay for the business units. As the fair value of our reporting units exceeds their carrying value, we do not perform step two to determine the impairment loss. In the event that a reporting unit's carrying value exceeded its fair value, we would determine the implied fair value of the reporting unit used in step one to all the assets and liabilities of that reporting unit (including any recognized or unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. Then the implied fair value of goodwill would be compared to the carrying amount of goodwill to determine if goodwill is impaired. For the fiscal year ended June 30, 2010, we did not record any impairment losses of goodwill or intangibles.

Recent Accounting Pronouncements

Adopted

ASC 715-10-50, *Employers' Disclosures about Postretirement Benefit Plan Assets*, provides guidance on the objectives an employer should consider when providing detailed disclosures about assets of a defined benefit pension plan or other postretirement plan. These disclosure objectives include investment policies and strategies, categories of plan assets, significant concentrations of risk and the inputs and valuation techniques used to measure the fair value of plan assets. These provisions are effective for our fiscal year ending June 30, 2010. This adoption did not have a material impact on our financial position or results of operations.

In June 2009, the Financial Accounting Standards Board (FASB) issued its final Statement of Financial Accounting Standards (SFAS) No. 168 *The FASB Accounting Standards Codification and the Hierarchy of*

Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)**

Generally Accepted Accounting Principles a replacement of FASB Statement No. 162. SFAS No. 168 made the FASB Accounting Standards Codification (the Codification) the single source of U.S. GAAP used by nongovernmental entities in the preparation of financial statements, except for rules and interpretive releases of the SEC under authority of federal securities laws, which are sources of authoritative accounting guidance for SEC registrants. The Codification is meant to simplify user access to all authoritative accounting guidance by reorganizing U.S. GAAP pronouncements into roughly 90 accounting topics within a consistent structure; its purpose is not to create new accounting and reporting guidance. The Codification supersedes all existing non-SEC accounting and reporting standards and was effective for us beginning July 1, 2009. Following SFAS No. 168, the Board will not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts; instead, it will issue Accounting Standards Updates.

ASC 805, *Business Combinations* which is a revision of accounting provisions that changes the application of the acquisition method in a number of significant aspects. Acquisition costs will generally be expensed as incurred; noncontrolling interests will be valued at fair value at the acquisition date; restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; contingent consideration will be recognized at its fair value on the acquisition date and, for certain arrangements, changes in fair value will be recognized in earnings until settled, and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. ASC 350-30-35-1, *Determination of the Useful Life of Intangible Assets* amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of recognized intangible assets under ASC 350, *Goodwill and Other Intangible Assets*. ASC 805-20-25-18A, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies* which amends and clarifies the accounting for acquired contingencies and is effective upon the adoption of ASC 805, *Business Combinations*. We adopted these provisions on July 1, 2009 and as a result, expensed to transaction and integration expenses \$6.0 million of capitalized transaction expenses incurred before adoption.

ASC 810, *Noncontrolling Interests in Consolidated Financial Statements* an amendment of ARB No. 51 requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income. It also amends certain consolidation procedures for consistency with the requirements of ASC 805, *Business Combinations*. The provisions also include expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. We adopted these provisions on July 1, 2009. As a result, our non-controlling interest of \$1.0 million as of June 30, 2009, which was previously included in other non-current liabilities, was reclassified to non-controlling interest in total equity. In addition, our non-controlling interest of \$169 thousand and \$258 thousand for the fiscal year ended June 30, 2009 and 2008, which was previously including in (loss)/income from affiliates, was reclassified to net (loss)/income attributable to non-controlling interests in our results of operations.

ASC 815-10-50, *SFAS 161, Disclosures About Derivative Instruments and Hedging Activities* an Amendment of FASB Statement No. 133 gives financial statement users better information about the reporting entity's hedges by providing for qualitative disclosures about the objectives and strategies for using derivatives, quantitative data about the fair value of and gains and losses on derivative contracts, and details of credit-risk-related contingent features in their hedged positions. We adopted these provisions on July 1, 2009.

ASC 820, *Fair Value Measurements* defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. We adopted these provisions for financial assets and liabilities on July 1, 2008 and for nonfinancial assets and liabilities on July 1, 2009. These adoptions did not have a material impact on our financial position or results of operations.

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TOWERS WATSON & CO.

Notes to the Consolidated Financial Statements (Continued)

(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)

Not yet adopted

ASC 810 *Amendments to FASB Interpretation No. 46 (R)* which amends the evaluation criteria to identify the primary beneficiary of a variable interest entity provided by FASB Interpretation 46(R), *Consolidation of Variable Interest Entities An Interpretation of ARB No. 51*. Additionally, the provisions require ongoing assessment of whether an enterprise is the primary beneficiary of the variable interest entity. We will adopt these provisions on July 1, 2010 and we do not anticipate that the adoption of these provisions will have a material impact on our financial position or results of operations.

Note 2 Merger with Towers Perrin

The strategic reason for the Merger of Watson Wyatt and Towers Perrin to form Towers Watson was to combine the strengths and a strong set of complementary services of the legacy firms to drive growth and result in a larger global presence and market share gains across all of our business lines.

Consideration Exchanged

The consummation of the Merger resulted in the following:

Each share of Watson Wyatt Class A common stock, par value \$0.01 per share issued and outstanding immediately prior to the Merger was converted into the right to receive one (1) share of Towers Watson Class A Common Stock, par value \$0.01 per share (the Class A Common Stock). In addition, outstanding deferred rights to receive Watson Wyatt Class A common stock were converted into the right to receive an equal number of shares of Towers Watson Class A Common Stock, and outstanding options to purchase Watson Wyatt Class A common stock were assumed by Towers Watson and converted on a one-for-one basis into fully vested options to purchase shares of Towers Watson Class A Common Stock with the same exercise price as the underlying Watson Wyatt options.

Each share of Towers Perrin common stock, par value \$0.50 per share, issued and outstanding immediately prior to the Merger was converted into the right to receive 545.627600377 fully paid and nonassessable shares of Towers Watson Common Stock, which ratio was determined at the time of the Merger in accordance with the Merger Agreement. Shares of Towers Watson Common Stock issued to Towers Perrin shareholders (other than 209,013 shares issued to Towers Perrin shareholders located in certain countries (as detailed below) and other than shares issued to Towers Perrin shareholders who elected to receive a portion of their Merger Consideration as shares of Towers Watson's Class R Common Stock, par value \$0.01 per share) have been divided among four series of non-transferable Towers Watson Common Stock, Classes B-1, B-2, B-3 and B-4, each with a par value of \$0.01 per share. Outstanding shares of Towers Watson Class B Common Stock generally will automatically convert on a one-for-one basis into shares of freely transferable shares of Towers Watson Class A Common Stock on the following timetable:

Class B-1 Common Stock January 1, 2011

Class B-2 Common Stock January 1, 2012

Class B-3 Common Stock January 1, 2013

Class B-4 Common Stock January 1, 2014

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In accordance with the Merger Agreement, to provide immediate liquidity to certain Towers Perrin shareholders located in countries where the Merger consideration may be subject to current tax,

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Notes to the Consolidated Financial Statements (Continued)

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such Towers Perrin shareholders received a portion of their merger consideration in the form of unrestricted shares of Towers Watson Class A Common Stock instead of shares of Towers Watson Class B Common Stock.

Certain Towers Perrin shareholders who met defined age and service criteria elected to terminate their employment no later than January 31, 2010 (except as extended by Towers Watson's executive committee) and receive a portion of their Merger consideration in shares of Towers Watson Class R Common Stock, which subsequently were automatically redeemed for equal amounts of cash and subordinated one-year promissory notes (such election, a Class R Election). The amount of cash and principal amount of Towers Watson notes issued in exchange for each share of Towers Watson Class R Common Stock was determined based on the Exchange Ratio and the average closing price per share of Watson Wyatt common stock for the 10 trading days ending on December 28, 2009, the second trading day immediately prior to the closing of the Merger, which was \$46.79. Class R Elections were prorated so that the amount of cash and notes payable on the automatic conversion of the shares of Towers Watson Class R Common Stock would not exceed \$400 million, shareholders who made valid Class R Elections received shares of Towers Watson Class B-1 Common Stock in exchange for their shares of Towers Perrin common stock that were not exchanged for shares of Towers Watson Class R Common Stock due to proration or because the Towers Perrin shareholder elected to receive less than 100 percent of his or her Merger consideration in the form of Towers Watson Class R Common Stock. As noted above, shares of Towers Watson Class B-1 Common Stock will automatically convert into freely tradable shares of Towers Watson Class A Common Stock on January 1, 2011.

Prior to the Merger, Towers Perrin issued awards of restricted stock units to certain Towers Perrin employees, which were exchanged in the Merger for shares of Towers Watson Class A Common Stock, generally subject to a three-year contractual vesting schedule and other restrictions (Restricted Towers Watson Class A Common Stock). At the time of the Merger, the restricted stock units were converted using the Merger Agreement exchange ratio (545.627600377) into Towers Watson Restricted Class A Common Stock. The restriction on the underlying shares lapses over the service period for the employees, which is from grant date in October 2009 to January 1, 2011 through 2013, annually. The Towers Watson Restricted Class A Common Stock is held by an administrator or in a trust and the dividends accrue and the shares are voted in blocks according to provisions in the Merger Agreement.

In summary, as a result of closing of the Merger, all outstanding Towers Perrin and Watson Wyatt common stock, restricted stock units and derivative securities were converted into the right to receive the following forms of consideration:

46,911,275 shares of Towers Watson Class A Common Stock (less a number of shares that were withheld for tax purposes in respect of Watson Wyatt deferred stock units and deferred shares), including 4,248,984 shares of Restricted Towers Watson Class A Common Stock;

29,483,008 shares of Towers Watson Class B Common Stock, including:

12,798,118 shares of Class B-1 Common Stock;

5,561,630 shares of Class B-2 Common Stock;

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Notes to the Consolidated Financial Statements (Continued)

(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)

5,561,630 shares of Class B-3 Common Stock; and

5,561,630 shares of Class B-4 Common Stock;

8,548,835 shares of Towers Watson Class R Common Stock, which subsequently were redeemed automatically in exchange for the right to receive:

\$200 million in cash (subject to applicable tax withholding and gross-up adjustments); and

Towers Watson Notes in an aggregate principal amount of \$200 million.

In addition, on January 1, 2010, Towers Watson issued shares of Class F stock, no par value, pro rata to all holders of Towers Perrin common stock, which shares represent only the contingent right to receive, three years after the Merger, a pro rata portion of a number of shares of Towers Watson Class A Common Stock equal to the number of shares of Restricted Towers Watson Class A Common Stock forfeited by former Towers Perrin employees plus a number of shares of Towers Watson Class A Common Stock with a value equivalent to the amount of dividends attributed to such forfeited shares.

The Towers Watson Common Stock and Towers Watson Notes issued in conjunction with the Merger were registered under the Securities Act of 1933, as amended, pursuant to Towers Watson's Registration Statement on Form S-4/A (Registration No. 333-161705) filed with the SEC, and declared effective on November 9, 2009. The Class A Common Stock is listed on The New York Stock Exchange and The NASDAQ Global Select Market under the ticker symbol **TW**, and began trading on January 4, 2010.

Fair Value of Consideration

The Merger has been accounted for using the acquisition method of accounting as prescribed in ASC 805, *Business Combinations*. The total consideration of \$1.8 billion is comprised of \$200 million of cash and \$200 million of notes payable to Class R shareholders and of stock consideration for the following: Class A shares for certain foreign shareholders of \$9.9 million, Restricted Class B-1, B-2, B-3 and B-4 shares of \$1.3 billion and Restricted Class A shares of \$43.7 million.

The consideration given in the form of cash and notes payable was measured in the amount of cash paid and notes payable issued. According to ASC 805 the fair value of the securities traded in the market the day before the merger is consummated is used to determine the fair value of the equity consideration. As accounting predecessor, Watson Wyatt's closing share price on the NYSE on December 31, 2009 of \$47.52 was used to determine the fair value of equity consideration. The equity consideration for the Class A shares to certain foreign shareholders of \$9.9 million is valued at \$47.52 multiplied by 209,013, the shares issued. The estimated fair value of the restricted Class B1-B4 shares of \$1.3 billion was calculated at \$47.52 multiplied by 29,483,008, the shares issued and using a discount to approximate the fair value of the one-, two-, three- and four-year period of restriction lapse until the shares are converted into freely tradable Towers Watson Class A Common Stock. The estimated fair value of the Restricted Class A shares of \$43.7 million includes (i) the vested portion of the Towers Perrin restricted stock units, which was earned by employees related to the service condition from grant date in October 2009 until January 1, 2010, the date of the Merger, valued at \$47.52 per share and (ii) 10 percent of the unvested portion of the Towers Perrin restricted stock units, which is the estimate of forfeitures that will result from employees not fulfilling the service condition during the three year vesting post-Merger, which will be proportionately distributed to Class F shareholders, the Towers Perrin shareholders as of the Merger date.

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Notes to the Consolidated Financial Statements (Continued)

(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)

PCIC

As of December 31, 2009, Towers Perrin and Watson Wyatt each owned a 36.4 percent equity investment in Professional Consultants Insurance Company (PCIC). PCIC is a captive insurance company that provides professional liability insurance on a claims-made basis. Watson Wyatt applied the equity method of accounting for its investment in PCIC through December 31, 2009. As of December 31, 2009, Watson Wyatt's investment in PCIC was \$13.7 million. Towers Watson's financial statements as of and for fiscal year ended June 30, 2010, included herein, reflect Watson Wyatt's equity method of accounting for PCIC for the six month period ended December 31, 2009, which resulted in a recording a loss from affiliates of \$113 thousand.

As a result of the Merger, Towers Watson has a majority ownership interest in PCIC and consequently retained a majority of the economic risks and rewards of PCIC. As a result, Towers Watson now consolidates PCIC's financial position and results of operations in its consolidated financial statements beginning January 1, 2010. All intercompany accounts and transactions have been eliminated in consolidation.

Fair value of net assets acquired and intangibles

According to ASC 805, the assets acquired and liabilities of Towers Perrin assumed by Towers Watson were recorded at their respective fair values as of the Merger, January 1, 2010. The valuation and determination of estimated fair value include significant estimates and assumptions. Management also evaluated the methodology and valuation models to determine the estimated useful lives and amortization method.

Customer relationships

Customer relationship intangible was identified separate from goodwill based on determination of the length, strength and contractual nature of the relationship that Towers Perrin shared with its clients. This customer relationship information was analyzed via the application of the multi-period excess earnings method, an income approach. Significant assumptions used in the income approach are revenue growth, retention rate, operating expenses, charge for contributory assets and trade name and the discount rate used to calculate the present value of the cash flows. The customer relationship, valued at \$140.8 million, is amortized on an accelerated amortization basis over the estimated useful life of 12 years which correlated to the years of material results included in the income approach model.

Trademarks and trade names

The Towers Perrin trade name was identified separate from goodwill based on evaluation of the importance of the Towers Perrin trade name to the Towers Perrin business through understanding the brand recognition in the market, importance of the trade name to the customer, and the amount of revenue associated with the trade name. In developing the estimated fair value, the trade name was valued utilizing the relief from royalty method, an income approach. Significant assumptions used in the relief from royalty method were revenue growth, royalty rate, and discount rate used to calculate the present value of cash flows. The Towers Perrin trade name, valued at \$275.5 million, has an estimated indefinite lived asset and is not amortized but tested annually for impairment or if factors exist to indicate impairment.

Developed technology

Developed technology identified separately from goodwill consists of intellectual property such as proprietary software used internally for revenue producing activities or by clients. Developed technology can

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Notes to the Consolidated Financial Statements (Continued)

(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)

provide significant advantages to the owner in terms of product differentiation, cost advantages and other competitive advantages. Three external-use technologies of Towers Perrin: MoSes, EVALUE and the Global Compensation technology are offered for sale or subscription and have associated revenue streams. In addition, 22 internally developed technology applications were identified as primary applications used in Towers Perrin's business but did not have associated revenue streams. The external-use technologies, for which revenue sources were directly identified, were valued by applying the multi-period excess earnings method, an income approach. The internal-use technologies were valued by applying the cost to replicate method, a cost approach. Significant assumptions used in the multi-period excess earnings method were revenue growth, decay rate, cost of revenue, operating expenses, charge for use of contributory assets and trade name and discount rate used to calculate the present value of the cash flows. The external-use technology, valued at \$58.2 million, is amortized on an accelerated basis over a weighted-average useful life of 3.6 years. Significant assumptions used in the cost to replicate method were cost to replace including the number and skill level of man hours and cost per hour based on fully burdened salary of staff; profit margin if the work were performed by a third party; and obsolescence factor. The internal-use technology, valued at \$67.2 million, is amortized on a straight-line basis over the weighted-average estimated useful life of 4.2 years.

Favorable and unfavorable lease contracts

Assets and liabilities for favorable and unfavorable lease contracts were identified separately from goodwill related to 39 of Towers Perrin's real estate leases agreements. The assets and liabilities were valued by comparing cash obligations for lease agreements to the estimated market rent at the time of the transactions. The resulting favorable or unfavorable positions are recorded gross as assets or liabilities on the balance sheet. Significant assumptions used in the valuation were market rent, annual escalation percentages based on current inflation rates and a discount rate used to calculate the present value of the cash flows. Both the assets for favorable lease agreements, valued at \$11.1 million, and the liabilities for unfavorable lease agreements, valued at \$28.6 million, are amortized on a straight-line basis over the life of the respective lease to occupancy costs. The weighted-average estimated useful life for the leases is 7.3 years.

As of the date of the filing of this prospectus, the initial accounting for this business combination is not yet complete. In particular, we are currently performing an assessment of the key internally developed and developed technology software for internal use and for sale acquired from Towers Perrin. The assessment will involve decisions regarding duplicate, overlapping systems or preferred technology of the two legacy companies, which could lead to a decision to cease-use of a system. In addition, the fair value of fixed assets are currently being evaluated. Although we do not anticipate any significant adjustments, to the extent that the estimates used need to be refined, we will do so upon making that determination but not later than one year from the business combination date.

Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)**

The table below sets forth a preliminary estimate of the Merger consideration transferred to Towers Perrin shareholders and the preliminary estimate of tangible and intangible net assets received in the Merger:

| | January 1, 2010 |
|---|--|
| | (In thousands, except share and per share data) |
| <i>Calculation of Consideration Transferred</i> | |
| Cash paid | \$ 200,000 |
| Notes payable issued to Towers Perrin shareholders | 200,000 |
| Towers Perrin shares converted to Towers Watson shares | 42,489,840 |
| Less Class R shares | (8,548,835) |
| Less 10% of consideration in RSUs | (4,248,984) |
| Shares of Towers Watson stock issued | 29,692,021 |
| Closing price of Watson Wyatt stock, December 31, 2009 | \$ 47.52 |
| Average discount for restricted stock | 7% |
| Aggregate fair value of the Towers Watson Common Stock issued | 1,313,650 |
| Fair value of RSUs assumed in the Merger | 43,729 |
| Total consideration transferred | \$ 1,757,379 |
| <i>Estimated Tangible and Intangible Net Assets:</i> | |
| Current assets | \$ 1,002,567 |
| Other non-current assets | 221,131 |
| Identifiable intangible assets | 552,785 |
| Deferred tax asset, net | 138,850 |
| Current liabilities | (671,866) |
| Other long-term liabilities | (760,708) |
| Goodwill | 1,274,620 |
| Total estimated tangible and intangible net assets | \$ 1,757,379 |

Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)**

The following unaudited pro forma combined statements of operations have been provided to present illustrative combined unaudited statements of operations for the fiscal years ended June 30, 2010 and 2009, giving effect to the business combination as if it had been completed on July 1, 2009. The unaudited pro forma combined financial information shows the impact of the business combination on Watson Wyatt and Towers Perrin's historical results of operations. Included in the pro forma results and in the historical results of operations of Towers Watson is approximately \$750 million of revenue and \$20 million of earnings of the legacy firm Towers Perrin for the six months ended June 30, 2010. The unaudited pro forma combined statements of operation are presented for illustrative purposes only and are not indicative of the results of operations that might have occurred had the business combination actually taken place as of the dates specified, or that may be expected to occur in the future. We do not assume any benefits from any cost savings or synergies expected to result from the Merger, except for any cost savings or synergies we actually realized for the six-month period ended June 30, 2010.

The unaudited pro forma combined statements of operations are as follows:

| | Year Ended June 30, | |
|---|----------------------------|--------------|
| | 2010 | 2009 |
| | (In thousands) | |
| Revenue | \$ 3,180,916 | \$ 3,251,323 |
| Costs of providing services: | | |
| Salaries and employee benefits | 2,146,211 | 2,236,462 |
| Professional and subcontracted services | 243,752 | 293,292 |
| Occupancy | 146,695 | 144,392 |
| General and administrative expenses | 268,808 | 352,109 |
| Depreciation and amortization | 131,599 | 136,514 |
| | 2,937,065 | 3,162,769 |
| Income from operations | 243,851 | 88,554 |
| (Loss)/income from affiliates | (1,085) | 294 |
| Interest income | 4,731 | 8,567 |
| Interest expense | (11,991) | (12,160) |
| Other non-operating income | 16,585 | 19,810 |
| Income before income taxes | 252,091 | 105,065 |
| Provision for income taxes | 67,918 | 64,157 |
| Net income before non-controlling interests | \$ 184,173 | \$ 40,908 |
| Net (loss)/income attributable to non-controlling interests | \$ (2,146) | \$ 4,515 |
| Net income attributable to controlling interests | \$ 186,319 | \$ 36,393 |

Note 3 Short-Term Investments

Short-term investments are available-for-sale securities that consist of corporate bonds. As of June 30, 2010, additional information on available-for-sale securities balances are provided in the following table. There were no available-for-sale securities as of June 30, 2009.

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| | | June 30, 2010 | |
|---|---------------------------|-----------------------------|---------------------------------|
| | Amortized Cost | Unrealized Gains | Estimated Fair Value |
| Short-term investments: due in one year or less | \$ 50,585 | \$ 424 | \$ 51,009 |
| Non-current assets: due in one through five years | 60,142 | 1,956 | 62,098 |

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Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)**

Proceeds from sales of investments for available-for-sale securities during the fiscal year 2010 were \$16.2 million, resulting in a loss of \$10 thousand. There were no investments that have been in a continuous loss position for more than one year, and there have been no other than temporary impairments recognized.

Note 4 Fixed Assets

Furniture, fixtures, equipment and leasehold improvements are recorded at cost and presented net of depreciation or amortization. Furniture, fixtures and equipment are depreciated using straight-line and accelerated methods over lives ranging from three to seven years. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease terms or the asset lives.

The components of fixed assets are as follows:

| | June 30, | |
|---|------------|------------|
| | 2010 | 2009 |
| Furniture, fixtures and equipment | \$ 172,899 | \$ 147,460 |
| Computer software | 239,647 | 212,172 |
| Leasehold improvements | 157,554 | 105,618 |
| | 570,100 | 465,250 |
| Less: accumulated depreciation and amortization | (342,298) | (290,393) |
| Fixed assets, net | \$ 227,802 | \$ 174,857 |

Total unamortized computer software costs were \$108.4 million, \$101.9 million and \$106.4 million as of June 30, 2010, 2009 and 2008, respectively. Total amortization expense for computer software was \$33.9 million, \$31.0 million and \$26.5 million for fiscal years 2010, 2009 and 2008, respectively. Total depreciation expense was \$35.8 million, \$28.6 million and \$29.5 million for fiscal years 2010, 2009 and 2008, respectively.

Note 5 Goodwill and Intangible Assets

The carrying amount of goodwill for the fiscal years ended June 30, 2010 and 2009 are as follows:

| | Benefits | Risk and Financial Services | Talent and Rewards | All Other | Total |
|---|------------|-----------------------------------|-----------------------|-----------|------------|
| Balance as of June 30, 2008 | \$ 459,430 | \$ 138,476 | \$ 35,056 | \$ 1,214 | \$ 634,176 |
| Goodwill acquired | 472 | 49 | 664 | | 1,185 |
| Translation adjustment | (64,948) | (22,583) | (5,076) | | (92,607) |
| Balance as of June 30, 2009 | 394,954 | 115,942 | 30,644 | 1,214 | 542,754 |
| Goodwill acquired and contingent payments | 825,975 | 368,365 | 80,301 | | 1,274,641 |

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| | | | | | |
|-----------------------------|--------------|------------|------------|----------|--------------|
| Translation adjustment | (63,424) | (22,336) | (4,470) | | (90,230) |
| Balance as of June 30, 2010 | \$ 1,157,505 | \$ 461,971 | \$ 106,475 | \$ 1,214 | \$ 1,727,165 |

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Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)**

The following table reflects changes in the net carrying amount of the components of intangible assets for the fiscal years ended June 30, 2010 and 2009:

| | Trademark & trade name | Customer related intangible | Core/ developed technology | Non-compete agreements | Favorable lease agreements | Total |
|-----------------------------|-----------------------------------|------------------------------------|-----------------------------------|-------------------------------|-----------------------------------|--------------|
| Balance as of June 30, 2008 | \$ 121,885 | \$ 101,592 | \$ 12,604 | \$ 686 | | \$ 236,767 |
| Intangible assets acquired | | | | | | |
| Amortization | (198) | (8,763) | (4,408) | (523) | | (13,892) |
| Translation adjustment | (21,176) | (13,986) | (1,439) | (41) | | (36,642) |
| Balance as of June 30, 2009 | 100,511 | 78,843 | 6,757 | 122 | | 186,233 |
| Intangible assets acquired | 275,500 | 140,800 | 125,400 | | 11,085 | 552,785 |
| Amortization | | (18,087) | (13,170) | (120) | (1,495) | (32,872) |
| Translation adjustment | (9,218) | (12,750) | (261) | (2) | (428) | (22,659) |
| Balance as of June 30, 2010 | \$ 366,793 | \$ 188,806 | \$ 118,726 | \$ | \$ 9,162 | \$ 683,487 |

The intangible unfavorable lease liability recorded as a result of acquisition accounting as of January 1, 2010 was \$28.6 million with a reduction to rent expense of \$2.2 million and translation of \$0.4 million for an ending balance of \$26.0 million as of June 30, 2010. For the fiscal year ended June 30, 2010, 2009 and 2008 we have not recorded any impairment losses to goodwill or intangibles.

The following table reflects the rent offset resulting from the amortization of the net lease intangible assets and liabilities for subsequent fiscal years as follows:

| Fiscal year ending June 30, | Amount |
|------------------------------------|--------------------|
| 2011 | \$ (1,616) |
| 2012 | (2,833) |
| 2013 | (2,486) |
| 2014 | (2,125) |
| 2015 | (1,893) |
| Thereafter | (5,878) |
| Total | \$ (16,831) |

The following table reflects the carrying value of intangible assets at June 30, 2010 and 2009:

| Fiscal year 2010 | Fiscal year 2009 |
|-------------------------|-------------------------|
| | Gross |
| | Carrying |

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| | Gross Carrying Amount | Accumulated Amortization | Amount | Accumulated Amortization |
|--------------------------------|----------------------------------|-------------------------------------|-------------------|-------------------------------------|
| Intangible assets: | | | | |
| Trademark and trade name | \$ 367,195 | \$ 402 | \$ 100,913 | \$ 402 |
| Customer related intangibles | 237,072 | 48,266 | 108,821 | 29,978 |
| Core/developed technology | 148,664 | 29,938 | 23,525 | 16,768 |
| Non-compete agreements | 1,275 | 1,275 | 1,273 | 1,151 |
| Favorable lease agreements | 10,657 | 1,495 | | |
| Total intangible assets | \$ 764,863 | \$ 81,376 | \$ 234,532 | \$ 48,299 |

A component of the change in the gross carrying amount of trademark and trade name, customer related intangibles and core/developed technology reflects foreign currency translation adjustments between June 30, 2009 and June 30, 2010. These intangible assets are denominated in the currencies of our subsidiaries outside the United States, and are translated into our reporting currency, the U.S. dollar, based on exchange rates at the balance sheet date.

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Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)**

Certain trade-mark and trade-name intangibles have indefinite useful lives and are not amortized.

The weighted average remaining life of amortizable intangible assets at June 30, 2010, was 8.6 years. Future estimated amortization expense is as follows:

| Fiscal year ending June 30, | Amount |
|---|-------------------|
| 2011 | \$ 47,646 |
| 2012 | 47,740 |
| 2013 | 43,457 |
| 2014 | 37,120 |
| 2015 | 30,181 |
| Thereafter | 101,388 |
| Total estimated amortization expense | \$ 307,532 |

Note 6 Fair Value Measurements

We have categorized our financial instruments into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). In some cases, the inputs used to measure fair value might fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Financial assets recorded in the accompanying consolidated balance sheets are categorized based on the inputs in the valuation techniques as follows:

Level 1 Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2 Financial assets and liabilities whose values are based on the following:

- a) Quoted prices for similar assets or liabilities in active markets;
- b) Quoted prices for identical or similar assets or liabilities in non-active markets;
- c) Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- d) Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full asset or liability.

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Level 3 Financial assets and liabilities whose values are based on prices, or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

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Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)**

The following presents our assets and liabilities measured at fair value on a recurring basis as of June 30, 2010. There were no assets and liabilities measured at fair value on a recurring basis as of June 30, 2009.

| | Fair Value Measurements on a Recurring Basis at | | | Total |
|---|---|--------------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | |
| Assets: | | | | |
| Short-term investments | \$ 6,196(a) | \$ 44,813(a) | \$ | \$ 51,009 |
| Other current assets | | 768(b) | | 768 |
| Other non-current assets | 6,278(a) | 62,098(a) | | 68,376 |
| Liabilities: | | | | |
| Accounts payable, accrued liabilities and deferred income | | 4,277(b) | | 4,277 |

(a) Available-for-sale securities consist of US treasury securities, commercial paper, and corporate fixed income securities.

(b) Primarily foreign exchange forward contracts and foreign exchange options.

We recorded a loss of \$0.1 million for the fiscal year ended June 30, 2010, under general and administrative expenses in the consolidated statements of operations related to the changes in the fair value of its financial instruments for foreign exchange forward contracts and foreign exchange options accounted for as foreign currency hedges which are still held at June 30, 2010. There was no gain or loss recorded in the consolidated statements of operations for available-for-sale securities still held at June 30, 2010.

To determine the fair value of our foreign exchange forward contracts and foreign exchange options, we receive a quoted value from the counterparty for each contract. The quoted price we receive is a Level 2 valuation based on observable quotes in the marketplace for the underlying currency. We use these underlying values to estimate amounts that would be paid or received to terminate the contracts at the reporting date based on current market prices for the underlying currency.

The available-for-sale securities are valued using quoted market prices as of the end of the trading day. We monitor the value of the investments for other-than-temporary impairment on a quarterly basis.

Note 7 Derivative Financial Instruments

We are exposed to market risk from changes in foreign currency exchange rates. To manage this exposure, we enter into various derivative transactions. These instruments have the effect of reducing our exposure to unfavorable changes in foreign currency rates. We do not enter into derivative transactions for trading purposes.

Derivative transactions are governed by our established set of policies and procedures covering areas such as authorization, counterparty exposure and hedging practices. We also evaluate new and existing transactions and agreements to determine if they require derivative accounting treatment. Positions are monitored using fair market value and sensitivity analyses.

Certain derivatives also give rise to credit risks from the possible non-performance by counterparties. The credit risk is generally limited to the fair value of those contracts that are favorable to us. We have established strict counterparty credit guidelines and enters into transactions only with financial institutions with securities of investment grade or better. We monitor counterparty exposures and review any downgrade in credit

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TOWERS WATSON & CO.

Notes to the Consolidated Financial Statements (Continued)

(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)

rating. To mitigate pre-settlement risk, minimum credit standards become more stringent as the duration of the derivative financial instrument increases. To minimize the concentration of credit risk, we enter into derivative transactions with a portfolio of financial institutions. Based on these factors, we consider the risk of counterparty default to be minimal.

Accounting Policy for Derivatives

All derivative instruments are recognized in the accompanying consolidated balance sheets at fair value. Derivative instruments with a positive fair value are reported in other current assets and derivative instruments with a negative fair value are reported in other current liabilities in the accompanying consolidated balance sheet. Changes in the fair value of derivative instruments are recognized immediately in general and administrative expenses, unless the derivative is designated as a hedge and qualifies for hedge accounting.

There are three hedging relationships where a derivative (hedging instrument) may qualify for hedge accounting: (1) a hedge of the change in fair value of a recognized asset or liability or firm commitment (fair value hedge), (2) a hedge of the variability in cash flows from forecasted transactions (cash flow hedge), and (3) a hedge of the variability caused by changes in foreign currency exchange rates (foreign currency hedge). Under hedge accounting, recognition of derivative gains and losses can be matched in the same period with that of the hedged exposure and thereby minimize earnings volatility. If the derivative does not qualify for hedge accounting, we consider the transaction to be an economic hedge and changes in the fair value of the derivative asset or liability are recognized immediately in general and administrative expenses. At June 30, 2010, we had entered into foreign currency cash flow hedges and economic hedges.

In order for a derivative to qualify for hedge accounting, the derivative must be formally designated as a fair value, cash flow, or a foreign currency hedge by documenting the relationship between the derivative and the hedged item. Additionally, the hedge relationship must be expected to be highly effective at offsetting changes in either the fair value or cash flows of the hedged item at both inception of the hedge and on an ongoing basis. We assess the ongoing effectiveness of our hedges and measures and records hedge ineffectiveness, if any, at the end of each quarter.

For a cash flow hedge, the effective portion of the change in fair value of a hedging instrument is recognized in other comprehensive income, as a component of shareholders' investment, and subsequently reclassified to general and administrative expenses. The ineffective portion of a cash flow hedge is recognized immediately in general and administrative expenses.

We discontinue hedge accounting prospectively when (1) the derivative expires or is sold, terminated, or exercised, (2) we determine that the hedging transaction is no longer highly effective, (3) a hedged forecasted transaction is no longer probable of occurring in the time period described in the hedge documentation, (4) the hedged item matures or is sold, or (5) management elects to discontinue hedge accounting voluntarily.

When hedge accounting is discontinued because the derivative no longer qualifies as a cash flow hedge we continue to carry the derivative in the accompanying consolidated balance sheet at its fair value, recognize subsequent changes in the fair value of the derivative in current-period general and administrative expenses, and continue to defer the derivative gain or loss in other comprehensive income or loss until the hedged forecasted transaction affects expenses. If the hedged forecasted transaction is not likely to occur in the time period described in the hedge documentation or within a two month period of time thereafter, the deferred derivative gain or loss is reclassified immediately to general and administrative expenses.

Our reinsurance intermediary subsidiary in the United Kingdom receives revenues in currencies (primarily in U.S. dollars) that differ from its functional currency. As a result, the foreign subsidiary's functional

Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)**

currency revenue will fluctuate as the currency exchange rates change. To reduce this variability, we use foreign exchange forward contracts and over-the-counter options to hedge the foreign exchange risk of the forecasted collections. We have designated these derivatives as cash flow hedges of its forecasted foreign currency denominated collections. At June 30, 2010, the longest outstanding maturity was 29 months. As of June 30, 2010, a net \$3.3 million pretax loss has been deferred in other comprehensive loss, \$2.2 million of which is expected to be reclassified to general and administrative expenses in the next twelve months. Deferred gains or losses will be reclassified from other comprehensive loss to general and administrative expenses when the hedged revenue is recognized. During the fiscal year ended June 30, 2010, we recognized no material gains or losses due to hedge ineffectiveness within general and administrative expenses in the consolidated statement of operations. We also use derivative financial contracts, principally foreign exchange forward contracts to hedge non-functional currency obligations. Primarily, these exposures arise from intercompany lending between entities with different functional currencies.

At June 30, 2010, we had cash flow hedges with a notional value of \$87.7 million to hedge revenue cash flows. We determine the fair value of its foreign currency derivatives based on quoted prices received from the counterparty for each contract which we evaluate using pricing models whose inputs are observable. The net fair value of derivatives held as of June 30, 2010 was a liability of \$3.5 million. See Note 6 for further information regarding the determination of fair value.

The fair value of our derivative instruments held at June 30, 2010 and their location in the consolidated balance sheet are as follows:

| | Asset derivatives | | Liability derivatives | |
|---|------------------------|------------|---|------------|
| | Balance sheet location | Fair value | Balance sheet location | Fair value |
| Derivatives designated as hedging instruments: | | | | |
| Foreign exchange forwards | Other current assets | \$ 731 | Accounts payable, accrued liabilities and deferred income | \$ (4,100) |
| Foreign exchange options | Other current assets | 37 | Accounts payable, accrued liabilities and deferred income | (94) |
| Total derivatives designated as hedging instruments | | \$ 768 | | \$ (4,194) |
| Derivatives not designated as hedging instruments: | | | | |
| Foreign exchange options | Other current assets | | Accounts payable, accrued liabilities and deferred income | (83) |
| Total derivatives not designated as hedging instruments | | | | (83) |
| Total derivatives | | \$ 768 | | \$ (4,277) |

Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)**

The effect of derivative instruments that are designated as hedging instruments on the consolidated statement of operations and the consolidated statement of changes in stockholders' equity for the fiscal year ended June 30, 2010 is as follows:

| | Loss recognized in OCI (effective portion) | Location of loss reclassified from OCI into income (effective portion) | Loss reclassified from OCI into income (effective portion) | Location of loss recognized in income (ineffective portion and amount excluded from effectiveness testing) | Loss recognized in income (ineffective portion and amount excluded from effectiveness testing) |
|---|--|--|---|---|--|
| Derivatives designated as hedging instruments: | | | | | |
| Foreign exchange forwards | \$ (3,335) | General and administrative expenses | \$ (266) | General and administrative expenses | \$ (65) |
| Foreign exchange options | (207) | General and administrative expenses | | General and administrative expenses | (32) |
| Total | \$ (3,542) | | \$ (266) | | \$ (97) |

At June 30, 2010, we had \$1.5 million of notional value of derivatives, as economic hedges primarily to hedge intercompany loans that do not receive hedge accounting treatment. The effect of derivatives that have not been designated as hedging instruments on the consolidated statement of operations for the fiscal year ended June 30, 2010 are as follows:

| Derivatives not designated as hedging instruments: | Location of gain (loss) recognized in income | Gain (loss) recognized in income |
|---|--|--|
| Foreign exchange forwards | General and administrative expenses | \$ 1,869 |
| Foreign exchange options | General and administrative expenses | (350) |
| Total | | \$ 1,519 |

Note 8 Accounts Payable and Accrued Liabilities, Including Discretionary Compensation

Accounts payable and accrued liabilities consist of:

| | June 30, | |
|--|-----------------|-------------|
| | 2010 | 2009 |
| Accounts payable and accrued liabilities | \$ 138,654 | \$ 77,410 |

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| | | |
|---|------------|------------|
| Accrued salaries and bonuses | 150,761 | 162,351 |
| Deferred revenue | 119,726 | 42,185 |
| Total accounts payable, accrued liabilities and deferred income | \$ 409,141 | \$ 281,946 |

Note 9 Leases

We lease office space, furniture and selected computer equipment under operating lease agreements with terms generally ranging from one to 10 years. Our real estate lease agreements contain rent increases, rent holidays, leasehold incentives or rent concessions. All costs incurred for rent expense are recorded on a straight-

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Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)**

line basis (inclusive of any lease incentives and rent holidays) over the life of the lease within occupancy expenses in the statement of operations, with an offset to deferred rent liabilities recorded in the consolidated balance sheet. Rental expense was \$107.3 million, \$78.4 million and \$90.1 million for fiscal years 2010, 2009 and 2008, respectively, inclusive of operating expenses related to such space and equipment. We have entered into sublease agreements for some of our excess leased space. Sublease income was \$1.3 million, \$1.0 million and \$0.6 million for fiscal years 2010, 2009 and 2008, respectively.

Future minimum lease payments for the operating lease commitments which have not been reduced by cumulative anticipated cash inflows for sublease income of \$4.9 million are:

| Fiscal | Lease |
|---------------|--------------------|
| Year | Commitments |
| 2011 | \$ 113,771 |
| 2012 | 100,180 |
| 2013 | 84,958 |
| 2014 | 72,011 |
| 2015 | 61,359 |
| Thereafter | 195,760 |
| Total | \$ 628,039 |

We evaluate office capacity on an ongoing basis to meet changing needs in our markets with a goal of minimizing our occupancy expense.

Note 10 Retirement Benefits

Towers Watson sponsors both qualified and non-qualified defined benefit pension plans and other post-employment benefit or OPEB plans in North America and Europe. These funded and unfunded plans represent 98 percent of total Towers Watson's pension obligations and as a result are disclosed herein. Towers Watson also sponsors funded and unfunded defined benefit pension plans in certain other countries as well, representing the remaining 2 percent of the liability.

Under the legacy Watson Wyatt plans in North America, benefits are based on the number of years of service and the associate's compensation during the five highest paid consecutive years of service. The non-qualified plan, included only in North America, provides for pension benefits that would be covered under the qualified plan but are limited by the Internal Revenue Code. The non-qualified plan has no assets and therefore is an unfunded arrangement. Beginning January 2008, Watson Wyatt made changes to the plan in the United Kingdom related to years of service used in calculating benefits for associates. Benefits earned prior to January 2008 are based on the number of years of service and the associate's compensation during the three years before leaving the plan and benefits earned after January 2008 are based on the number of years of service and the associate's average compensation during the associate's term of service since that date. The plan liabilities in Germany were a result of Watson Wyatt's acquisition of Heissmann GmbH in 2007. A significant percentage of the liabilities represent the grandfathered pension benefit for associates hired prior to a July 1991 plan amendment. The pension plan for those hired after July 1991 is a defined contribution type arrangement. In the Netherlands, the pension benefit is a percentage of service and average salary over the working life of the associate, where salary includes allowances and bonuses up to a set maximum salary and is offset by the current social security benefit. The benefit liability is reflected on the balance sheet. The measurement date for each of the plans is June 30.

The legacy Towers Perrin pension plans in the United States accrue benefits under a cash-balance formula for associates hired or rehired after 2002 and for all associates for service after 2007. For associates

Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)**

hired prior to 2003 and active as of January 2003, benefits prior to 2008 are based on a combination of a cash balance formula, for the period after 2002, and a final average pay formula based on years of plan service and the highest five consecutive years of plan compensation prior to 2008. Under the cash balance formula benefits are based on a percentage of each year of the associate's plan compensation. The Canadian Retirement Plan provides a choice of a defined benefit approach or a defined contribution approach. The non-qualified plans in North America provide for pension benefits that would be covered under the qualified plan in the respective country but are limited by statutory maximums. The non-qualified plans have no assets and therefore are unfunded arrangements. The U.K. Plan provides predominantly lump sum benefits. Benefit accruals under the U.K. Plan ceased on March 31, 2008. The plans in Germany mostly provide benefits under a cash balance benefit formula. Benefits under the Netherlands plan accrue on a final pay basis on earnings up to a maximum amount each year. The benefit assets and liabilities are reflected on the balance sheet. The measurement date for each of the plans has historically been December 31, but has been changed to June 30 as a result of the Merger.

The disclosures for the European plans are shown separately because the amounts are material relative to North American plans and the assumptions used in the European plans are significantly different than those used in the North American plans.

The determination of Towers Watson's obligations and annual expense under the plans is based on a number of assumptions that, given the longevity of the plans, are long-term in focus. A change in one or a combination of these assumptions could have a material impact on Towers Watson's pension benefit obligation and related expense. For this reason, management employs a long-term view so that assumptions do not change frequently in response to short-term volatility in the economy. Any difference between actual and assumed results is amortized into Towers Watson's pension expense over the average remaining service period of participating associates. Towers Watson considers several factors prior to the start of each fiscal year when determining the appropriate annual assumptions, including economic forecasts, relevant benchmarks, historical trends, portfolio composition and peer comparisons.

Funding is based on actuarially determined contributions and is limited to amounts that are currently deductible for tax purposes. Since funding calculations are based on different measurements than those used for accounting purposes, pension contributions are not equal to net periodic pension cost. We accrue the excess of net periodic pension cost over such contributions and direct benefit payments under non-qualified plan provisions.

The following table sets forth our projected pension contributions for fiscal year 2011, as well as the pension contributions to our various plans in fiscal years 2010 and 2009:

| | 2011 (Projected) | 2010 (Actual) | 2009 (Actual) |
|--------|-----------------------------|--------------------------|--------------------------|
| U.S. | \$ 30,000 | \$ 30,000 | \$ 30,000 |
| Canada | 8,428 | 4,388 | 1,359 |
| Europe | 20,285 | 21,020 | 23,872 |

The fair value of plan assets is based on the market value of securities that are in the pension portfolio, which vary by country. To the extent the expected return on the pension portfolio varies from the actual return, there is an unrecognized gain or loss.

Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)***Assumptions Used in the Valuations of the Defined Benefit Pension Plans*

The following assumptions were used in the valuations of Towers Watson's defined benefit pension plans. The assumptions presented for the North American plans represent the weighted-average of rates for all U.S. and Canadian plans. The assumptions presented for Towers Watson's European plans represent the weighted-average of rates for the U.K., Germany and Netherlands plans. In relation to the acquisition of Towers Perrin on January 1, 2010, the legacy plans of Towers Perrin have been included in the assumptions as of and for the year ended June 30, 2010. The assumptions as of and for the years ended June 30, 2009 and 2008 represent only the legacy Watson Wyatt plans.

The assumptions used to determine net periodic benefit cost for the fiscal years ended June 30, 2010, 2009 and 2008 were as follows:

| | Year Ended June 30, 2010 | | Year Ended June 30, 2009 | | Year Ended June 30, 2008 | |
|---|-----------------------------|--------|-----------------------------|--------|-----------------------------|--------|
| | North | | North | | North | |
| | America | Europe | America | Europe | America | Europe |
| Discount rate | 6.43% | 6.03% | 6.91% | 6.47% | 6.25% | 5.72% |
| Expected long-term rate of return on assets | 8.11% | 6.48% | 8.61% | 6.53% | 8.61% | 6.74% |
| Rate of increase in compensation levels | 3.93% | 5.09% | 4.08% | 5.36% | 3.84% | 4.73% |

The following table presents the assumptions used in the valuation to determine the projected benefit obligation for the fiscal years ended June 30, 2010 and 2009:

| | June 30, 2010 | | June 30, 2009 | |
|---|---------------|--------|---------------|--------|
| | North | | North | |
| | America | Europe | America | Europe |
| Discount rate | 5.86% | 5.25% | 7.21% | 6.29% |
| Rate of increase in compensation levels | 3.88% | 3.88% | 3.29% | 5.15% |

Components of Net Periodic Benefit Cost for Defined Benefit Pension Plans

The following tables set forth the components of net periodic benefit cost for our defined benefit pension plans for North America and Europe for the fiscal years ended June 30, 2010, 2009 and 2008:

| | Year Ended June 30, 2010 | | Year Ended June 30, 2009 | | Year Ended June 30, 2008 | |
|---|-----------------------------|----------|-----------------------------|----------|-----------------------------|-----------|
| | North | | North | | North | |
| | America | Europe | America | Europe | America | Europe |
| Service cost | \$ 38,068 | \$ 9,844 | \$ 24,771 | \$ 7,538 | \$ 30,592 | \$ 10,813 |
| Interest cost | 95,845 | 30,631 | 48,504 | 22,759 | 44,918 | 22,966 |
| Expected return on plan assets | (93,257) | (27,078) | (50,725) | (20,945) | (55,622) | (24,427) |
| Amortization of transition obligation | | | | | (65) | |
| Amortization of net unrecognized losses/(gains) | 15,275 | 2,615 | 8,649 | (328) | 6,222 | (2,806) |
| Amortization of prior service cost/(credit) | (1,623) | 41 | (2,279) | 42 | (2,594) | 22 |

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| | | | | | | |
|-----------------------------------|-----------|-----------|-----------|----------|-----------|----------|
| Other adjustments and settlements | 2,293 | 924 | 120 | 115 | | |
| Net periodic pension cost | \$ 56,601 | \$ 16,977 | \$ 28,920 | \$ 9,186 | \$ 23,451 | \$ 6,683 |

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Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)**

Changes in plan assets and benefit obligations were recognized during fiscal 2010 and 2009 and have been included as changes to other comprehensive income for the Company's defined benefit pension plans as follows:

| | 2010 | | 2009 | |
|--|---------------|-----------|---------------|-----------|
| | North America | Europe | North America | Europe |
| Current year actuarial loss | \$ 220,113 | \$ 37,501 | \$ 84,449 | \$ 44,288 |
| Amortization of actuarial loss | (15,275) | (2,615) | (8,649) | 328 |
| Amortization of prior service credit (cost) | 1,623 | (41) | 2,279 | (42) |
| Settlement | (2,293) | (64) | | |
| Other | 1,320 | (4,638) | (998) | 1,289 |
| Total recognized in other comprehensive income | \$ 205,488 | \$ 30,143 | \$ 77,081 | \$ 45,863 |

The estimated amounts that will be amortized from other comprehensive income into net periodic benefit cost during fiscal 2011 for the Company's defined benefit pension plans are shown below:

| | 2011 | |
|-----------------------------|---------------|----------|
| | North America | Europe |
| Actuarial loss | \$ 25,229 | \$ 5,340 |
| Prior service (credit) cost | (1,624) | 39 |
| Total | \$ 23,605 | \$ 5,379 |

The following table provides a reconciliation of the changes in the qualified plans projected benefit obligations and fair value of assets for the years ended June 30, 2010 and 2009, and a statement of funded status as of June 30, 2010 and 2009:

| | June 30, 2010 | | June 30, 2009 | |
|--|---------------|------------|---------------|------------|
| | North America | Europe | North America | Europe |
| Change in Benefit Obligation | | | | |
| Benefit obligation at beginning of year | \$ 593,725 | \$ 355,701 | \$ 612,618 | \$ 403,114 |
| Service cost | 30,420 | 7,656 | 19,011 | 6,960 |
| Interest cost | 77,536 | 27,501 | 41,480 | 21,328 |
| Actuarial (gains)/losses | 195,603 | 61,309 | (48,552) | (2,302) |
| Benefit payments | (65,263) | (19,760) | (22,667) | (5,411) |
| Acquisition/business combination/divestiture | 1,139,366 | 239,603 | | |
| Plan amendments & other | | 2,513 | | 779 |
| Foreign currency adjustment | 3,495 | (57,158) | (8,165) | (68,767) |

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| | | | | |
|--|---------------------|--------------------|--------------------|--------------------|
| Benefit obligation at end of year | \$ 1,974,882 | \$ 617,365 | \$ 593,725 | \$ 355,701 |
| Change in Plan Assets | | | | |
| Fair value of plan assets, beginning of year | \$ 517,322 | \$ 315,769 | \$ 598,463 | \$ 384,617 |
| Actual return on plan assets | 103,850 | 55,514 | (81,791) | (26,080) |
| Company contributions | 34,388 | 21,020 | 31,359 | 25,696 |
| Benefit payments | (65,263) | (19,760) | (22,667) | (5,411) |
| Participant contributions | | 1,820 | | 1,924 |
| Acquisition/business combination/divestiture | 1,239,101 | 241,953 | | |
| Other | | (166) | | 630 |
| Foreign currency adjustment | 2,606 | (53,608) | (8,042) | (65,607) |
| Fair value of plan assets, end of year | \$ 1,832,004 | \$ 562,541 | \$ 517,322 | \$ 315,769 |
| Funded status at end of year | \$ (142,878) | \$ (54,824) | \$ (76,403) | \$ (39,932) |
| Accumulated Benefit Obligation | \$ 1,897,011 | \$ 601,461 | \$ 554,695 | \$ 317,751 |

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Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)**

| | June 30, 2010 | | June 30, 2009 | |
|--|------------------|-------------|------------------|-------------|
| | North America | Europe | North America | Europe |
| Amounts recognized in Consolidated Balance Sheets consist of : | | | | |
| Noncurrent assets | \$ 45,949 | \$ 2,568 | \$ | \$ 6,490 |
| Noncurrent liabilities | (188,827) | (57,392) | (76,403) | (46,422) |
| Net Amount Recognized | \$ (142,878) | \$ (54,824) | \$ (76,403) | \$ (39,932) |
| Amounts recognized in Accumulated Other Comprehensive Income consist of : | | | | |
| Net actuarial loss/(gain) | \$ 329,076 | \$ 65,553 | \$ 157,022 | \$ 39,669 |
| Net prior service cost/(credit) | (9,628) | 572 | (11,043) | 673 |
| Accumulated Other Comprehensive Income | \$ 319,448 | \$ 66,125 | \$ 145,979 | \$ 40,342 |

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Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)**

The following table provides a reconciliation of the changes in the North American and European non-qualified plans projected benefit obligations for the years ended June 30, 2010 and 2009, and a statement of funded status as of June 30, 2010 and 2009. The non-qualified plans reflect only the U.S., Canadian and German plans and are unfunded.

| | June 30, | |
|---|---------------------|---------------------|
| | 2010 | 2009 |
| Change in Benefit Obligation | | |
| Benefit obligation, beginning of year | \$ 126,922 | \$ 127,297 |
| Service cost | 9,836 | 6,338 |
| Interest cost | 21,439 | 8,455 |
| Actuarial (gains)/losses | 39,032 | 1,243 |
| Benefit payments | (37,003) | (11,654) |
| Acquisition/business combination/divestiture | 480,337 | |
| Other | 698 | |
| Foreign currency adjustment | (13,787) | (4,757) |
| Benefit obligation, end of year | \$ 627,474 | \$ 126,922 |
| Change in Plan Assets | | |
| Fair value of plan assets, beginning of year | \$ | \$ |
| Actual return on plan assets | | |
| Company contributions | 37,003 | 11,654 |
| Benefit payments | (37,003) | (11,654) |
| Participant contributions | | |
| Foreign currency adjustment | | |
| Fair value of plan assets, end of year | \$ | \$ |
| Funded status at end of year | \$ (627,474) | \$ (126,922) |
| Amounts recognized in Consolidated Balance Sheets consist of: | | |
| Noncurrent assets | \$ | \$ |
| Current liabilities | (81,743) | (10,743) |
| Noncurrent liabilities | (545,731) | (116,179) |
| Net Amount Recognized | \$ (627,474) | \$ (126,922) |
| Amounts recognized in Accumulated Other Comprehensive Income consist of: | | |
| Net actuarial loss/(gain) | \$ 39,517 | \$ 3,438 |
| Net prior service cost/(credit) | (903) | (1,136) |
| Net transition obligation/(asset) | | |
| Accumulated Other Comprehensive Income | \$ 38,614 | \$ 2,302 |
| Projected Benefit Obligation | \$ 627,474 | \$ 126,922 |

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| | | |
|--------------------------------|---------|---------|
| Accumulated Benefit Obligation | 606,529 | 108,087 |
| Fair value of plan assets | | |

Our investment strategy is designed to generate returns that will reduce the interest rate risk inherent in each of the plans' liabilities and enable each of the plans to meet its future obligations. The precise amount for which these obligations will be settled depends on future events, including the life expectancy of the plans' members and salary inflation. The obligations are estimated using actuarial assumptions, based on the current economic environment.

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TOWERS WATSON & CO.

Notes to the Consolidated Financial Statements (Continued)

(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)

Each pension plan seeks to achieve total returns both sufficient to meet expected future obligations as well as returns greater than its policy benchmark reflecting the target weights of the asset classes used in its targeted strategic asset allocation. Each plan's targeted strategic allocation to each asset class is determined through a plan-specific Asset-Liability Modeling study. These comprehensive studies provide an evaluation of the projected status of asset and liability measures for each plan under a range of both positive and negative environments. The studies include a number of different asset mixes, spanning a range of diversification and potential equity exposures.

In evaluating the strategic asset allocation choices, an emphasis is placed on the long-term characteristics of each individual asset class, and the benefits of diversification among multiple asset classes. Consideration is also given to the proper long-term level of risk for each plan, particularly with respect to the long-term nature of each plan's liabilities, the impact of asset allocation on investment results, and the corresponding impact on the volatility and magnitude of plan contributions and expense and the impact certain actuarial techniques may have on the plan's recognition of investment experience.

For the legacy Watson Wyatt funded plans, the targeted equity allocation as of June 30, 2010 is 55 percent in the U.S. plan, 65 percent in the Canadian plan, 30 percent in the Netherlands plan, and 46 percent in the U.K. plan.

For the legacy Towers Perrin funded plans, the targeted equity allocation as of June 30, 2010 is 60 percent in the U.S. plan, 50 percent in the Canadian plan and 60 percent in the U.K. plan. The duration of the fixed income assets is plan specific and each has been targeted to minimize fluctuations in plan funded status as a result of changes in interest rates. The Netherlands plan is invested in an insurance contract. Consequently, the asset allocation of the plan is managed by the insurer.

The U.S. and Canadian plans of legacy Towers Perrin employ a smoothed value of assets in calculating pension expense. This smoothed value recognizes the impact of deviations from the assumed rate of return on the non-fixed income portion of the portfolio over a five-year period. However, the smoothed value of the non-fixed income portion of plan assets must be within a corridor between 80 percent and 120 percent of the fair value. Fixed income investments are valued at market.

The investments of the legacy Watson Wyatt plans are valued at fair market value.

We monitor investment performance and portfolio characteristics on a quarterly basis to ensure that managers are meeting expectations with respect to their investment approach. With the exception of securities issued by the U.S. Government and its agencies, no single issue is to comprise more than 5 percent of the portfolio's value although index fund managers are exempt from the security weighting constraints. There are also various restrictions and controls placed on managers including prohibition from investing in our stock.

Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)**

The expected return on assets assumption is developed in conjunction with advisors and using our asset model that reflects a combination of rigorous historical analysis and the forward-looking views of the financial markets as revealed through the yield on long-term bonds, the price earnings ratios of the major stock market indices and long-term inflation. Amounts are tested for reasonableness against their historical averages. The fair value of our North American and European plan assets by asset category at June 30, 2010 are as follows (see Note 6 for a description of the fair value levels):

| Asset category: | Fair Value Measurements on a Recurring Basis at June 30, 2010 | | | | | | Total |
|--------------------------|---|-------------------|---------------------|-------------------|------------------|------------------|---------------------|
| | Level 1 | | Level 2 | | Level 3 | | |
| | North America | Europe | North America | Europe | North America | Europe | |
| Cash | \$ 1,921 | \$ 15,375 | \$ | \$ | \$ | \$ | \$ 17,296 |
| Cash equivalents | | | 32,915 | | | | 32,915 |
| Equity securities: | | | | | | | |
| U.S. large cap companies | 21,507 | | | | | | 21,507 |
| U.S. mid cap companies | 63,353 | | | | | | 63,353 |
| U.S. small cap companies | 83,393 | | 24 | | | | 83,417 |
| International equities | 152,369 | 17,008 | | | | | 169,377 |
| Fixed income: | | | | | | | |
| U.S. treasuries | 71,090 | | | | | | 71,090 |
| Corporate bonds | | | 503,942 | 99,405 | | | 603,347 |
| Other fixed income | 64,485 | 97,935 | 85,581 (a) | 18,011 (a) | | | 266,012 |
| Pooled funds | | | 432,490 (b) | 291,206 (b) | | | 723,696 |
| Multi-strategy funds | | | 146,054 (c) | | | | 146,054 |
| Mutual funds | | | 129,174 | | | | 129,174 |
| Limited partnerships | | | | | 37,643 | 9,200 | 46,843 |
| Derivatives | | | 4,059 (d) | | | | 4,059 |
| Insurance contracts | | | | | | 14,406 | 14,406 |
| Total assets | \$ 458,118 | \$ 130,318 | \$ 1,334,239 | \$ 408,622 | \$ 37,643 | \$ 23,606 | \$ 2,392,546 |

(a) This category includes municipal and foreign bonds.

(b) This category includes pooled funds of both equity and fixed income securities. Fair value is based on the calculated net asset value of shares held by the plan as reported by the sponsor of the funds.

(c) The fund seeks to exceed the total return of the S&P 500 Index by investing under normal circumstances in S&P 500 Index derivatives, backed by a portfolio of fixed income instruments. Fair value is based on the calculated net asset value of shares held by the plan as reported by the sponsor of the funds.

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- (d) We use various derivatives such as interest rate swaps, futures and options to match the duration of the corporate bond portfolio with the duration of the plan liability.

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Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)**

The following table reconciles the net plan investments to the total fair value of the plan assets:

| | |
|----------------------------------|------------------|
| Net assets held in investments | \$ 2,392,546 |
| Dividend and interest receivable | 11,195 |
| Other liabilities | (9,196) |
| Fair value of plan assets | \$ 2,394,545 |

The following table sets forth a summary of changes in the fair value of the plan's Level 3 assets for the year ended June 30, 2010:

| | Limited Partnerships | Insurance Contracts | Total |
|--|----------------------|---------------------|---------------|
| Beginning balance at June 30, 2009 | \$ 64,902 | \$ 934 | \$ 65,836 |
| Increase due to acquisition | | 15,857 | 15,857 |
| Net actual return on plan assets relating to assets still held at the reporting date | 7,223 | 178 | 7,401 |
| Net purchases, sales, and settlements | (25,099) | (227) | (25,326) |
| Change in foreign currency exchange rates | (183) | (2,336) | (2,519) |
| Ending balance at June 30, 2010 | \$ 46,843 | \$ 14,406 | \$ 61,249 |

Benefit payments for our defined benefit pension plan, which reflect expected future service, as appropriate, are expected to be paid as follows:

| Fiscal Year | Benefit Payments | | Total |
|-----------------|------------------|------------|--------------|
| | North America | Europe | |
| 2011 | \$ 189,567 | \$ 26,792 | \$ 216,359 |
| 2012 | 167,442 | 13,349 | 180,791 |
| 2013 | 172,165 | 15,329 | 187,494 |
| 2014 | 166,211 | 24,723 | 190,934 |
| 2015 | 142,508 | 18,849 | 161,357 |
| Years 2016-2020 | 554,730 | 129,463 | 684,193 |
| | \$ 1,392,623 | \$ 228,505 | \$ 1,621,128 |

Defined Contribution Plan

Under the Watson Wyatt legacy plan, we sponsor a savings plan that provides benefits to substantially all U.S. associates. We match associate contributions at a rate of 50 percent of the first 6 percent up to \$60,000 of associates' eligible compensation. We will also make an annual profit sharing contribution to the plan in an amount that is dependent upon our financial performance during the fiscal year. We contributed \$3.4 million, \$3.9 million and \$3.7 million to the plan in fiscal years 2010, 2009 and 2008 respectively.

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The Watson Wyatt U.K. pension plan has a money purchase section to which we make core contributions plus additional contributions matching those of the participating associates up to a maximum rate. Contribution rates are dependent upon the age of the participant and on whether or not they arise from salary sacrifice arrangements through which an individual has taken a reduction in salary and we have paid an

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equivalent amount as pension contributions. Core contributions amount to 2-6 percent of pensionable salary with additional matching contributions of a further 2-6 percent. Company contributions to the plan amounted to \$6.7 million, \$6.5 million and \$6.9 million in fiscal years 2010, 2009 and 2008, respectively.

The Towers Perrin legacy plans consist of sponsoring savings plans in 21 countries that provide benefits to substantially all associates within those countries. Certain of these plans provide for a Company match to associate contributions at various rates. In the United States, we provide a matching contribution of 100 percent of the first 5 percent of associate contributions. We make contributions of 10 percent of pay to the legacy Towers Perrin U.K. plan. Company contributions to the plan amounted to \$9.4 million in fiscal year 2010.

Health Care Benefits

In the legacy Watson Wyatt and Towers Perrin U.S. plans, we sponsor a contributory health care plan that provides hospitalization, medical and dental benefits to substantially all U.S. associates. We accrue a liability for estimated incurred but unreported claims based on projected use of the plan as well as prior plan history. The liability totaled \$4.9 million and \$1.9 million at June 30, 2010 and 2009, respectively. This liability is included in accounts payable and accrued liabilities in the consolidated balance sheets.

Postretirement Benefits

Under both the Watson Wyatt and Towers Perrin plans, we provide certain health care and life insurance benefits for retired associates. The principal plans cover associates in the United States and Canada who have met certain eligibility requirements. Our principal post-retirement benefit plans are primarily unfunded. We accrue a liability for these benefits.

Assumptions used in the valuation for the U.S. plan, which comprises the majority of the principal postretirement plans, included the following as of the end of the last two fiscal years:

| | June 30, | |
|---|-----------------|-------------|
| | 2010 | 2009 |
| Health care cost trend, accumulated benefit obligation (decreasing to 5.00 percent for 2016 and thereafter) | 8.03% | 9.50% |
| Discount rate, accumulated benefit obligation postretirement benefit | 5.91% | 7.25% |

Actuarial gains and losses associated with changing any of the assumptions are accumulated as part of the unrecognized net gain balance which is amortized and included in the net periodic postretirement costs over the average remaining service period of participating associates, which is approximately 13 years.

A one percentage point change in the assumed health care cost trend rates would have the following effect:

| | 1% | 1% |
|---|-----------------|-----------------|
| | Increase | Decrease |
| Effect on net periodic postretirement benefit cost in fiscal year 2010 | \$ 1,058 | \$ (861) |
| Effect on accumulated postretirement benefit obligation as of June 30, 2010 | 22,759 | (18,927) |

Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)**

Net periodic postretirement benefit cost consists of the following components reflected as expense in our consolidated statements of operations:

| | Year Ended June 30, | | |
|---|---------------------|-----------------|-----------------|
| | 2010 | 2009 | 2008 |
| Service cost | \$ 3,313 | \$ 1,157 | \$ 1,543 |
| Interest cost | 8,387 | 2,495 | 2,724 |
| Expected return on assets | (66) | | |
| Amortization of transition obligation | | | |
| Amortization of net unrecognized (gains)/losses | (1,151) | (1,135) | (478) |
| Amortization of prior service cost | (571) | (661) | (664) |
| Net periodic postretirement benefit cost | \$ 9,912 | \$ 1,856 | \$ 3,125 |

Changes in plan assets and benefit obligations were recognized during fiscal 2010 and 2009 and have been included as changes to other comprehensive income for the Company's other postretirement benefit plans as follows:

| | 2010 | 2009 |
|---|------------------|-------------------|
| Current year actuarial (gain)/loss | \$ 16,782 | \$ (5,237) |
| Amortization of actuarial gain | 1,151 | 1,135 |
| Amortization of prior service credit | 571 | 661 |
| Other | (156) | (16) |
| Total recognized in other comprehensive income | \$ 18,348 | \$ (3,457) |

The estimated amounts that will be amortized from other comprehensive income into net periodic benefit cost during fiscal 2011 for the Company's other postretirement benefit plans are shown below:

| | 2011 |
|----------------------|-----------------|
| Actuarial loss | \$ 369 |
| Prior service credit | (515) |
| Total | \$ (146) |

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The following table provides a reconciliation of the changes in the accumulated postretirement benefit obligation and fair value of assets for the years ended June 30, 2010 and 2009 and a statement of funded status as of June 30, 2010 and 2009:

| | June 30, | |
|--|---------------------|--------------------|
| | 2010 | 2009 |
| Change in Benefit Obligation | | |
| Benefit obligation, beginning of year | \$ 38,944 | \$ 44,156 |
| Service cost | 3,313 | 1,157 |
| Interest cost | 8,387 | 2,495 |
| Participant contributions | 2,161 | 2,145 |
| Actuarial (gains)/losses | 16,714 | (5,237) |
| Benefit payments | (8,556) | (4,191) |
| Acquisition/business combination/divestiture | 183,112 | |
| Medicare Part D | 708 | |
| Foreign currency adjustment | 757 | (1,581) |
| Benefit obligation, end of year | \$ 245,540 | \$ 38,944 |
| Change in Plan Assets | | |
| Fair value of plan assets, beginning of year | \$ | \$ |
| Company contributions | 6,395 | 2,046 |
| Participant contributions | 2,161 | 2,145 |
| Benefit payments | (8,556) | (4,191) |
| Actual return on assets | (2) | |
| Acquisition/business combination/divestiture | 6,577 | |
| Fair value of plan assets, end of year | \$ 6,575 | \$ |
| Funded status at end of year | \$ (238,965) | \$ (38,944) |
| Amounts recognized in Consolidated Balance Sheets consist of | | |
| Noncurrent assets | \$ | \$ |
| Current liabilities | (4,438) | (2,507) |
| Noncurrent liabilities | (234,527) | (36,437) |
| Net Amount Recognized | \$ (238,965) | \$ (38,944) |
| Amounts recognized in Accumulated Other Comprehensive Income consist of | | |
| Net actuarial loss/(gain) | \$ 1,116 | \$ (16,673) |
| Net prior service cost/(credit) | (2,969) | (3,527) |
| Net transition obligation/(asset) | | |
| Accumulated Other Comprehensive Income | \$ (1,853) | \$ (20,200) |

Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)**

The following benefit and retiree drug subsidy payments for our postretirement plan, which reflect expected future service, as appropriate, are expected to be paid:

| Fiscal Year | Benefit Payments | Retiree drug subsidy |
|--------------------|-----------------------------|---------------------------------|
| 2011 | \$ 15,501 | \$ 559 |
| 2012 | 17,060 | 647 |
| 2013 | 18,299 | 746 |
| 2014 | 19,558 | 860 |
| 2015 | 20,855 | 979 |
| Years 2016-2020 | 124,693 | 6,692 |
| | \$ 215,966 | \$ 10,483 |

Note 11 Debt, Commitments and Contingent Liabilities

The debt commitment and contingencies described below are currently in effect and would require Towers Watson, or its predecessor companies, Watson Wyatt and Towers Perrin, to make payments to third parties under certain circumstances. In addition to commitments and contingencies specifically described below, Towers Watson and its historical predecessor companies, Watson Wyatt and Towers Perrin, have historically provided guarantees on an infrequent basis to third parties in the ordinary course of business.

Subordinated Notes due January 2011

On December 30, 2009, in connection with the Merger and the Class R Elections as described in Note 2, Towers Watson entered into an indenture with the trustee for the issuance of Towers Watson Notes due January 2011 in the aggregate principal amount of \$200 million. The Towers Watson Notes due January 2011 were issued on January 6, 2010, bearing interest from January 4, 2010 at a fixed per-annum rate of 2.0 percent, and will mature on January 1, 2011. The indenture contains limited operating covenants, and obligations under the Towers Watson Notes due January 2011 are subordinated to and junior in right of payment to the prior payment in full in cash of all Senior Debt (as defined in the Indenture) on the terms set forth in the Indenture.

Subordinated Notes due March 2012

On June 15, 2010, in connection with an offer to exchange shares of Class B-1 Common Stock for unsecured subordinated notes, we entered into an indenture with the trustee for the issuance of Towers Watson Notes due March 2012 in the aggregate principal amount of \$98.5 million. The Towers Watson Notes due March 2012 were issued on June 29, 2010, bearing interest from June 15, 2010 at a fixed per annum rate, compounded quarterly on the interest reset dates, equal to the greater of (i) 2.0 percent, or (ii) 120.0 percent of the short-term applicable federal rate listed under the quarterly column, in effect at the applicable interest reset date. The Towers Watson Notes due March 2012 will mature on March 15, 2012 and are included in the other non-current liabilities balance on our consolidated balance sheet as of June 30, 2010. Obligations under the Towers Watson Notes due March 2012 are subordinated to and junior in right of payment to the prior payment in full in cash of all Senior Debt (as defined in the indenture).

Towers Watson Senior Credit Facility

On January 1, 2010, in connection with the Merger, Towers Watson and certain subsidiaries entered into a three-year, \$500 million revolving credit facility with a syndicate of banks (the Senior Credit Facility).

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Notes to the Consolidated Financial Statements (Continued)

(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)

Borrowings under the Senior Credit Facility will bear interest at a spread to either Libor or the Prime Rate. We are charged a quarterly commitment fee, currently 0.5 percent of the Senior Credit Facility, which varies with our financial leverage and is paid on the unused portion of the Senior Credit Facility. Obligations under the Senior Credit Facility are guaranteed by Towers Watson and all of its domestic subsidiaries (other than PCIC) and are secured by a pledge of 65 percent of the voting stock and 100 percent of the non-voting stock of Towers Perrin Luxembourg Holdings S.A.R.L.

The Senior Credit Facility contains customary representations and warranties and affirmative and negative covenants. The Senior Credit Facility requires Towers Watson to maintain certain financial covenants that include a minimum Consolidated Interest Coverage Ratio and a maximum Consolidated Leverage Ratio (which terms in each case are defined in the Senior Credit Facility). In addition, the Senior Credit Facility contains restrictions on the ability of Towers Watson and its subsidiaries to, among other things, incur additional indebtedness; pay dividends; make distributions; create liens on assets; make investments, loans or advances; make acquisitions; dispose of property; engage in sale-leaseback transactions; engage in mergers or consolidations, liquidations and dissolutions; engage in certain transactions with affiliates; and make changes in lines of businesses.

As of June 30, 2010, Towers Watson had no borrowings outstanding under the Senior Credit Facility.

Letters of Credit under the Senior Credit Facility

As of June 30, 2010, Towers Watson had standby letters of credit totaling \$24.9 million associated with our captive insurance companies in the event that we fail to meet our financial obligations. Additionally, Towers Watson had \$0.8 million of standby letters of credit covering various other existing or potential business obligations. The aforementioned letters of credit are issued under the Senior Credit Facility, and therefore reduce the amount that can be borrowed under the Senior Credit Facility by the outstanding amount of these standby letters of credit.

Additional Borrowings, Letters of Credit and Guarantees not part of the Senior Credit Facility

Towers Watson Consultoria Ltda. (Brazil) has a bilateral credit facility with a major bank totaling Brazilian Real (BRL) 6.5 million (U.S. \$3.6 million). As of June 30, 2010 a total of BRL 5.6 million (\$3.1 million) was outstanding under this facility.

Towers Watson has also provided a \$5.0 million Australian dollar-denominated letter of credit (U.S. \$4.2 million) to an Australian governmental agency as required by the local regulations. The estimated fair market value of these letters of credit is immaterial because they have never been used, and we believe that the likelihood of future usage is remote.

Towers Watson also has \$3.3 million of letters of guarantee from major banks in support of office leases and performance under existing or prospective contracts.

Indemnification Agreements

Towers Watson has various agreements that provide that it may be obligated to indemnify the other party with respect to certain matters. Generally, these indemnification clauses are included in contracts arising in the normal course of business and in connection with the purchase and sale of certain businesses. Although it is

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TOWERS WATSON & CO.

Notes to the Consolidated Financial Statements (Continued)

(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)

not possible to predict the maximum potential amount of future payments under these indemnification agreements due to the conditional nature of Towers Watson's obligations and the unique facts of each particular agreement, Towers Watson does not believe that any potential liability that might arise from such indemnity provisions is probable or material. There are no provisions for recourse to third parties, nor are any assets held by any third parties that any guarantor can liquidate to recover amounts paid under such indemnities.

Legal Proceedings

From time to time, Towers Watson and its subsidiaries, including Watson Wyatt and Towers Perrin, are parties to various lawsuits, arbitrations or mediations that arise in the ordinary course of business. The matters reported on below involve the most significant pending or potential claims against Towers Watson and its subsidiaries. We also have received subpoenas and requests for information in connection with government investigations.

Watson Wyatt and Towers Perrin each carried substantial professional liability insurance with a self-insured retention of \$1 million per occurrence, which provided coverage for professional liability claims including the cost of defending such claims. These policies remained in force subsequent to the Merger. We reserve for contingent liabilities based on ASC 450, *Contingencies* when it is determined that a liability, inclusive of defense costs, is probable and reasonably estimable. The contingent liabilities recorded are primarily developed actuarially. Litigation is subject to many factors which are difficult to predict so there can be no assurance that in the event of a material unfavorable result in one or more of all pending claims, we will not incur material costs. Our professional liability insurance coverage beyond our self-insured retention was written by PCIC, an affiliated captive insurance company, with reinsurance and excess insurance attaching at \$26 million provided by various unaffiliated commercial insurance carriers. Post-Merger, Towers Watson has a 72.86 percent ownership interest in PCIC and as a result, PCIC's results will be consolidated in Towers Watson's operating results. Although the PCIC insurance policies will continue to cover professional liability claims above a \$1 million per occurrence self-insured retention for claims reported during the periods these policies were in effect, the consolidation of PCIC will effectively result in self-insurance for the first \$25 million of aggregate loss for each of Watson Wyatt and Towers Perrin above the \$1 million per occurrence self-insured retention. As a result of consolidating PCIC's results of operations in our consolidated financial statements, the impact of PCIC's reserve development also may result in fluctuations in Towers Watson's earnings.

PCIC ceased issuing insurance policies effective July 1, 2010 and at that time entered into run-off mode of operation. We have established a new wholly owned captive insurance company, Stone Mountain Insurance Company, from which it is obtaining similarly structured insurance effective July 1, 2010. Stone Mountain provides us with \$50 million of coverage per claim and in the aggregate on a claims-made basis. Stone Mountain has secured reinsurance for coverage providing \$25 million excess of the \$25 million retained layer for the current policy period. This structure effectively results in self-insurance for the first \$25 million of aggregate loss for Towers Watson above the \$1 million per occurrence self-insured retention.

ExxonMobil Superannuation Plan (Australia)

In March 2007, the Trustees of the ExxonMobil (Australia) Superannuation Plan commenced a legal proceeding in the Supreme Court of Victoria against Towers Perrin; the plan sponsors, Esso (Australia) and ExxonMobil (Australia), commenced a similar legal proceeding against Towers Perrin in April 2007 (collectively the 2007 actions). On May 15, 2009, as the time was expiring to add any additional contributing parties, Towers Perrin filed third-party claims against Watson Wyatt, the successor actuary and Plan administrator.

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(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)

The complaints in the 2007 actions allege that while performing administrative and actuarial services for the Superannuation Plan during the period from mid-1990 to 1995, Towers Perrin failed to detect drafting errors made by previous plan advisors including attorneys, when these advisors prepared certain amendments to the Superannuation Plan Deed. These amendments were adopted before Towers Perrin commenced its engagement. Watson Wyatt succeeded Towers Perrin as the plan administrator and plan actuary in 1996 and continues to serve in those capacities. The previous plan advisors are also named as defendants in the 2007 actions.

Plaintiffs allege that the faulty drafting resulted in the grant of additional, but unintended and unauthorized benefits, to certain Superannuation Plan participants. Plaintiffs further allege that because Towers Perrin failed to detect the drafting error, benefits were not properly administered and the plan was not properly funded. Towers Perrin administered and valued the plan benefits consistent with what the plan sponsors contend was intended. Watson Wyatt continued to administer and value the benefits in the same manner when it succeeded Towers Perrin in 1996. The most recent estimate of the value of the allegedly unintended benefits is AU\$ 510 million.

The Trustee and plan sponsors have been engaged since 2001 in a separate legal proceeding (the rectification action) that seeks an interpretation of the relevant portions of the plan Deed and, if necessary, modification to conform those portions to reflect the manner in which the benefits were intended to be, and were, administered during both the Towers Perrin and Watson Wyatt engagements. The parties to the rectification action have reached an agreement to settle that matter for AU\$135 million, which agreement has been approved by the Court. There have been no further communications from the parties related to the 2007 Actions.

Former Towers Perrin shareholder litigation

On December 9, 2009, Watson Wyatt was informed by Towers Perrin of a settlement demand from the plaintiffs in a putative class action lawsuit filed by certain former shareholders of Towers Perrin (the *Dugan Action*). Although the complaint in the *Dugan Action* does not contain a quantification of the damages sought, plaintiffs' settlement demand, which was orally communicated to Towers Perrin on December 8, 2009 and in writing on December 9, 2009, sought a payment of \$800 million to settle the action on behalf of the proposed class. Plaintiffs requested that Towers Perrin communicate the settlement demand to Watson Wyatt.

The *Dugan Action* previously was reported in Amendment No. 3 to the Registration Statement on Form S-4/A (File No. 333-161705) filed on November 9, 2009 by the Jupiter Saturn Holding Company (the Registration Statement). As reported in the Registration Statement, the complaint was filed on November 5, 2009 against Towers Perrin, members of its board of directors, and certain members of senior management in the United States District Court for the Eastern District of Pennsylvania.

Plaintiffs in this action are former members of the Towers Perrin's senior management, who left Towers Perrin at various times between 1995 and 2000. The *Dugan* plaintiffs seek to represent a class of former Towers Perrin shareholders who separated from service on or after January 1, 1971, and who also meet certain other specified criteria.

On December 17, 2009, four other former Towers Perrin shareholders, all of whom voluntarily left Towers Perrin in May or June 2005 and all of whom are excluded from the proposed class in the *Dugan Action*, commenced a separate legal proceeding (the *Allen Action*) in the United States District Court for the Eastern District of Pennsylvania alleging the same claims in substantially the same form as those alleged in the *Dugan Action*. These plaintiffs are proceeding in their individual capacities and do not seek to represent a proposed class.

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On January 15, 2010, another former Towers Perrin shareholder who separated from service with Towers Perrin in March 2005 when Towers Perrin and EDS launched a joint venture that led to the creation of a corporate entity known as ExcellerateHRO (eHRO), commenced a separate legal proceeding (the *Pao Action*) in the United States District Court of the Eastern District of Pennsylvania also alleging the same claims in substantially the same form as those alleged in the *Dugan Action*. Towers Perrin contributed its Towers Perrin Administrative Solutions (TPAS) business to eHRO and formerly was a minority shareholder (15 percent) of eHRO. Pao seeks to represent a class of former Towers Perrin shareholders who separated from service in connection with Towers Perrin's contribution to eHRO of its TPAS business and who are excluded from the proposed class in the *Dugan Action*. Towers Watson is also named as a defendant in the *Pao Action*.

Pursuant to the Towers Perrin Bylaws in effect at the time of their separations, the Towers Perrin shares held by each of these plaintiffs were redeemed by Towers Perrin at book value at the time these individuals separated from employment. The complaints allege variously that there either was a promise that Towers Perrin would remain privately owned in perpetuity (*Dugan Action*) or that in the event of a change to public ownership plaintiffs would receive compensation (*Allen and Pao Actions*). Plaintiffs allege that by agreeing to sell their shares back to Towers Perrin at book value upon retirement, they and other members of the putative classes relied upon these alleged promises, which they claim were breached as a result of the consummation of the merger between Watson Wyatt and Towers Perrin. The complaints assert claims for breach of contract, breach of express trust, breach of fiduciary duty, promissory estoppel, quasi-contract/unjust enrichment, and constructive trust, and seek equitable relief including an accounting, disgorgement, rescission and/or restitution, and the imposition of a constructive trust. On January 20, 2010, the court consolidated the three actions for all purposes.

On February 22, 2010, defendants filed a motion to dismiss the complaints in their entirety. The motion is fully briefed and remains pending.

Towers Watson believes the claims in these lawsuits are without merit and intends to defend against them vigorously. However, the cost of defending against the claims could be substantial and the outcome of these legal proceedings is inherently uncertain and could be unfavorable to Towers Watson.

Note 12 Accumulated Other Comprehensive Loss

Comprehensive loss includes net income, as well as other comprehensive loss consisting of unrealized gains and losses, which are recorded directly into accumulated other comprehensive loss on the consolidated balance sheets. The components of our other comprehensive loss consists of unrealized gains and losses relating to the translation of foreign currency financial statements, the pension and postretirement liability related to our defined benefit pension and other postretirement benefit plans, and unrealized gains and losses relating to derivative instruments available-for-sale securities. The components of accumulated other comprehensive loss along with the respective position in the consolidated balance sheets are comprised of the following:

| | June 30, | |
|--|--------------|--------------|
| | 2010 | 2009 |
| Foreign currency translation | \$ (157,721) | \$ (31,458) |
| Unrealized loss on derivative instruments, net of tax of \$1,291 and \$0 | (1,986) | |
| Unrealized gain on available for sale securities, net of tax of \$(29) and \$0 | 98 | |
| Pension and postretirement, net of tax of \$149,853 and \$61,200 | (276,720) | (113,615) |
| Accumulated other comprehensive loss | \$ (436,329) | \$ (145,073) |

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In conjunction with the Merger, shares of Towers Watson Common Stock issued to Towers Perrin shareholders have been divided among four series of non-transferable Towers Watson Common Stock, Classes B-1, B-2, B-3 and B-4, each with a par value of \$0.01 per share. The shares listed in the table below have been reduced by our tender offer and by acceleration of vesting due to involuntary associate terminations. Outstanding shares of Towers Watson Class B Common Stock generally will automatically convert on a one-for-one basis into shares of freely transferable shares of Towers Watson Class A Common Stock on the following timetable:

| Stock Class | Number of Shares | Conversion Date |
|-------------|------------------|-----------------|
| B-1 | 10,530,853 | January 1, 2011 |
| B-2 | 5,561,630 | January 1, 2012 |
| B-3 | 5,561,630 | January 1, 2013 |
| B-4 | 5,389,083 | January 1, 2014 |

On May 17, 2010, we filed a tender offer on Schedule TO pursuant to Rule 13e-4 under the Securities Exchange Act of 1934, as amended, to exchange shares of our Class B-1 Common Stock, par value \$.01 per share, for unsecured subordinated notes due March 15, 2012. Each note had a principal amount equal to the sum of the number of Class B-1 Common Stock tendered and \$43.43, the exchange ratio. The Class B-1 Common Stock issued as consideration in the Merger will convert to freely tradable Class A Common Stock on January 1, 2011. The purpose of the tender offer was to enable us to acquire shares of Class B-1 Common Stock in an orderly fashion to reduce the impact of any sales or potential sales that may occur on or after January 1, 2011 on the market price of Class A Common Stock. As a result of the tender offer, we repurchased 2,267,265 shares of Class B-1 Common Stock in exchange for notes payable to Class B-1 shareholders of \$98.5 million.

The Towers Perrin restricted stock unit (RSU) holders received 10 percent of the total consideration issued to Towers Perrin shareholders in conjunction with the Merger. The RSUs were converted into 4,248,984 Towers Watson Restricted Class A shares, of which an estimated 10 percent, or 42,489 shares, are expected to be forfeited by current associate Restricted Class A shareholders who are subject to a service condition. The service condition is fulfilled from grant date through each of the three annual periods from January 1, 2010 until December 31, 2012. The restriction lapses annually on January 1 and the Restricted Class A shares are exchanged for freely tradable Class A Common Stock. Forfeited shares will be distributed to Towers Perrin shareholders as of December 31, 2009 in proportion to their ownership in Towers Perrin on that date. Shareholders of Restricted Class A shares have voting rights and receive dividends upon annual vesting of the shares. Dividends on forfeited shares are distributed with the associated shares on January 1, 2013. The shares listed in the table below have been reduced by forfeitures and acceleration of vesting due to voluntary and involuntary associated terminations and reflect the outstanding Restricted Class A shares as of June 30, 2010.

| Stock Class | Number of Shares | Conversion Date |
|-------------|------------------|-----------------|
| A | 1,355,230 | January 1, 2011 |
| A | 1,355,230 | January 1, 2012 |
| A | 1,355,230 | January 1, 2013 |

Note 14 Share-based Compensation

In connection with the Merger, Towers Watson assumed the amended and restated Watson Wyatt 2001 Employee Stock Purchase Plan and the Watson Wyatt 2000 Long-Term Incentive Plan, and created the Towers

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TOWERS WATSON & CO.

Notes to the Consolidated Financial Statements (Continued)

(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)

Watson & Co. 2009 Long-Term Incentive Plan. Towers Watson did not assume the Watson Wyatt 2001 Deferred Stock Unit Plan for Selected Employees or the Watson Wyatt Amended Compensation Plan for Outside Directors.

Towers Watson & Co. Employee Stock Purchase Plan

Towers Watson assumed the amended and restated Watson Wyatt 2001 Employee Stock Purchase Plan (the *Stock Purchase Plan*) which enables associates to purchase shares of Towers Watson stock at a 5 percent discount. The Stock Purchase Plan is a non-compensatory plan under generally accepted accounting principles of stock-based compensation. As a result, no compensation expense is recognized in conjunction with this plan. Watson Wyatt originally registered 750,000 shares of its Class A common stock on December 19, 2001 and an additional 1,500,000 shares of its Class A common stock on December 16, 2003, of which 196,424 shares remained available for issuance immediately prior to the Merger at which time 4,500,000 additional shares were added. Towers Watson filed a Form S-8 Registration Statement in the third quarter of fiscal 2010 registering the 4,696,424 shares available for issuance under the Stock Purchase Plan.

Approximately 146,000 shares, 145,000 shares and 125,000 shares were issued under this plan during fiscal years 2010, 2009 and 2008, respectively.

Towers Watson & Co. 2009 Long-Term Incentive Plan

In January 2010, Towers Watson filed a Form S-8 Registration Statement to register 12,500,000 shares of Towers Watson Class A Common Stock that may be issued pursuant to the Towers Watson & Co. 2009 Long-Term Incentive Plan (the *2009 Plan*) and 125,648 shares of Class A Common Stock that may be issued upon exercise of the unvested stock options previously granted under the Watson Wyatt 2000 Long-Term Incentive Plan. The Watson Wyatt 2000 Long-term Incentive Plan was assumed by Towers Watson and the registered shares for the Watson Wyatt 2000 Long-term Incentive Plan are limited to exercise of awards that were outstanding at the time of the Merger. The assumed options were exercisable for shares of Towers Watson Class A Common Stock based on the exchange ratio of one share of Watson Wyatt Class A Common Stock underlying the options for one share of Towers Watson Class A Common Stock. The 2009 Plan was approved by Watson Wyatt shareholders on December 18, 2009.

Stock Options

During the fiscal year ended June 30, 2010, 108,933 fully vested stock options were granted under the 2009 Plan with an exercise price equal to the grant date fair value of Towers Watson Class A Common Stock of \$45.88. As a result, we recorded stock-based compensation of \$1.3 million on the date of grant. There were no grants of stock options in the fiscal years ended June 30, 2009 and 2008 under the 2009 Plan.

Also during the fiscal year ended June 30, 2010, 125,648 stock options were granted under the Watson Wyatt 2000 Long-term Incentive Plan with an exercise price equal to the grant date market price of Watson Wyatt's common stock of \$42.47 with a three-year vesting term. All outstanding Watson Wyatt stock options became fully vested at the time of the Merger with the exercise price as of the original grant date and the unamortized grant date fair value of the options was recorded as expense. As a result, we recorded stock-based compensation of \$1.3 million during fiscal year 2010. There were no grants of stock options during the fiscal years ended June 30, 2009 and 2008 under the Watson Wyatt 2000 Long-term Incentive Plan.

The weighted-average fair value of the stock option grants under both plans was calculated using the Black-Scholes formula and are included in the valuation assumptions table below. In addition, a post-vesting

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discount was calculated using 1.4 percent, the risk-free interest rate of a three-year bond, compounded over three years. The post-vesting discount was used to estimate fair value as there is a transfer restriction for three years of the stock options underlying shares once vested. Compensation expense is recorded over a three-year graded vesting term as if one-third of the options granted to a participant are vested over one year, one-third are vested over two years and the remaining one-third are vested over three years.

| | Year Ended June 30, 2010 |
|---|---|
| Stock option grants: | |
| Risk-free interest rate | 1.40% |
| Expected lives in years | 3 |
| Expected volatility | 37.20% |
| Dividend yield | 0.6% |
| Weighted-average grant date fair value of options granted | \$ 11.02 |
| Number of shares granted | 234,581 |

The table below presents stock option activity and weighted average exercise prices for fiscal year 2010:

| | Number of shares (in 000 s) | Weighted Average Exercise Price | Aggregate Intrinsic Value (in 1000 s) | Average Remaining Contractual Life (years) |
|--------------------------------------|--|--|--|---|
| Outstanding at June 30, 2009 | | \$ | \$ | |
| Granted | 235 | 11.02 | 2,585 | |
| Exercised | | | | |
| Forfeited | | | | |
| Expired | | | | |
| Outstanding at June 30, 2010 | 235 | \$ 11.02 | | 5.5 |
| Exercisable options at June 30, 2010 | 235 | \$ 11.02 | | 5.5 |

Restricted Stock Units

Outside Directors

In May 2010, the Board of Directors approved the Towers Watson & Co. Compensation Plan for Non-Employee Directors which provides for cash and stock compensation for outside directors. During the fiscal year ended June 30, 2010, 22,149 restricted stock units were granted for the initial award for outside directors vesting equally over a three-year period ending January 1, 2013 and 9,844 restricted stock units were granted for the annual award for outside directors for service on the Board of Directors from January 1, 2010 through June 30, 2010. For the six months ended June 30, 2010, we recorded \$0.8 million of non-cash stock-based compensation related to these awards for outside directors.

Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)**

The table below presents restricted stock units activity and weighted average fair values for fiscal year 2010:

| | Number of Shares | Weighted Average Fair Value (In thousands, except per share amounts) |
|--|---------------------|---|
| Nonvested at June 30, 2009 | | \$ |
| Granted | 42 | 48.90 |
| Vested | (18) | 48.80 |
| Forfeited (1) | | |
| Nonvested and expected to vest as of June 30, 2010 | 24 | \$ 48.98 |

(1) Forfeited shares represent performance shares that are not estimated to vest for the year ended June 30, 2010.

Former Watson Wyatt Plans and Change of Control Provisions

The following former Watson Wyatt Plans were not assumed by Towers Watson but had activity in fiscal years 2010, 2009 and 2008 and due to provisions in the plans there was related compensation expense recorded during the fiscal year ended June 30, 2010.

Restricted Stock Units

The Watson Wyatt 2001 Deferred Stock Unit Plan for Selected Employees was intended to provide selected associates with additional incentives by permitting Watson Wyatt to grant them an equity interest in the form of restricted stock units, in lieu of a portion of their annual fiscal year end bonus. Shares under this plan are awarded during the first quarter of each fiscal year. During the first quarter of fiscal year 2010, 219,751 shares of common stock were awarded at an average market price of \$44.08 for a total fair value of \$9.7 million. During the first quarter of fiscal year 2009, 295,775 shares of common stock were awarded at an average market price of \$54.24 for a total fair value of \$16.0 million. During the first quarter of fiscal year 2008, 349,118 shares of common stock were awarded at an average market price of \$47.63 for a total fair value of \$16.6 million.

Deferred Stock Units

Under the Watson Wyatt 2001 Deferred Stock Unit Plan for Selected Employees, there were Performance Share Bonus Incentive Programs (SBI), which consisted of grants of deferred stock units based on either salary or on the value of the cash portion of the eligible participant's fiscal year-end bonus target and a multiplier, which was then converted into a target number of deferred stock units based upon Watson Wyatt's stock price as of the quarter end prior to grant. Participants vested between zero and 170 percent of the target number of deferred stock units or between zero and 100 percent based on the extent to which financial and strategic performance metrics were achieved over three fiscal year periods. The financial and strategic performance metrics were established at the beginning of each performance period. For the performance periods covering fiscal years 2007 through 2009, 2008 through 2010, and 2009 through 2011, the vesting criteria are based upon growth specific metrics such as earnings per share, net operating income and revenue.

During the first quarter of fiscal year 2010, 94,906 shares vested, of which 66,065 were deferred and 28,841 were awarded at a market price of \$44.07 to certain senior executive officers under the SBI 2007 plan,

Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)**

which represented vesting at 135 percent of the target number of deferred stock units. During the first quarter of fiscal year 2009, 164,457 shares vested, of which, 120,396 were deferred and 44,061 were awarded at a market price of \$56.83 to certain senior executive officers under the SBI 2006 plan, which represented vesting at 170 percent of the target number of deferred stock units. During the first quarter of fiscal year 2008, 129,636 shares vested, of which, 75,702 were deferred and 53,934 were awarded at a market price of \$45.03 to certain senior executive officers under the SBI 2005 plan, which represented vesting at 170 percent of the target number of deferred stock units.

Expenses for this plan were recognized when awards met the criteria of both probable and reasonably estimable. Stock-based compensation related to these performance awards is recorded as a component of salaries and employee benefits. Historically, Watson Wyatt's management periodically reviewed conditions that would affect the vesting of performance-based awards and adjusted compensation expense, if necessary, based on achievement of financial performance metrics set by the Compensation Committee of Watson Wyatt. The SBI 2008 and 2009 plan documents stated that the Compensation Committee had the discretion to accelerate the vesting of awards under the SBI Program in connection with a change in control. Based on available plan performance information, the Compensation Committee concluded that (i) no payout would be made under the SBI 2008 plan upon the date of the Merger, and (ii) it would settle the SBI 2009 plan at 100 percent of target to take into account that the performance period would only be halfway completed as of the closing date of the Merger. During the second quarter of fiscal 2010, Watson Wyatt's management evaluated the performance metrics of the SBI 2008 for Select Associates, and based on an update to the forecast for the remaining performance period, the accrual of compensation expense recorded was \$3.0 million in the three months ended December 31, 2009. Approximately \$3.4 million of compensation expense was recorded relative to the SBI plans during the third quarter of fiscal year 2010 as a result of change of control provisions. In addition, 142,081 of fully vested deferred restricted stock units from the fiscal year 2005 through 2007 plans were distributed subsequent to the Merger as the 2001 Deferred Stock Unit Plan for Selected Employees was not assumed by Towers Watson. Stock-based compensation expense of \$6.3 million, \$1.0 million and \$4.6 million, was recorded pursuant to this plan during fiscal year 2010, 2009 and 2008.

Amended Compensation Plan for Outside Directors

Historically, Watson Wyatt provided for cash and stock compensation for outside directors under the Amended Compensation Plan for Outside Directors, which was approved by the board of directors of Watson Wyatt in November 2001. The total number of shares reserved for issuance under the Amended Compensation Plan for Outside Directors was 150,000. The Amended Compensation Plan for Outside Directors was not adopted by Towers Watson. Under this plan, outside Watson Wyatt directors were initially paid in shares of Watson Wyatt's common stock, or in a combination of cash and shares, quarterly, at the completed quarter-end share price (which approximates fair value), for services provided during the preceding quarter. During the six months ended December 31, 2009, 6,136 shares of common stock were awarded for a total fair value of \$0.3 million. During fiscal year 2009, 4,300 shares of common stock were awarded for a total fair value of \$0.2 million. During fiscal year 2008, 5,000 shares of common stock were awarded for a total fair value of \$0.2 million.

Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)****Note 15 Income Taxes**

Income before income taxes shown below is allocated between operations in the United States (including international branches) and foreign countries. The components of income before income taxes are as follows:

| | 2010 | 2009 | 2008 |
|----------|------------|------------|------------|
| Domestic | \$ 27,375 | \$ 127,811 | \$ 111,587 |
| Foreign | 142,542 | 93,923 | 117,324 |
| | \$ 169,917 | \$ 221,734 | \$ 228,911 |

The components of the income tax provision for continuing operations include:

| | Year Ended June 30, | | |
|----------------------------------|---------------------|-----------|-----------|
| | 2010 | 2009 | 2008 |
| Current tax expense: | | | |
| U.S. | \$ 6,288 | \$ 31,899 | \$ 29,278 |
| State and local | 3,109 | 7,067 | 6,781 |
| Foreign | 46,644 | 22,105 | 25,861 |
| | 56,041 | 61,071 | 61,920 |
| Deferred (benefit)/tax expense: | | | |
| U.S. | (2,656) | 7,405 | 6,031 |
| State and local | (4,888) | 2,359 | 1,397 |
| Foreign | 2,410 | 4,441 | 4,122 |
| | (5,134) | 14,205 | 11,550 |
| Total provision for income taxes | \$ 50,907 | \$ 75,276 | \$ 73,470 |

The reported income tax provision differs from the amounts that would have resulted had the reported income before income taxes been taxed at the U.S. federal statutory rate. The principal reasons for the differences between the amounts provided and those that would have resulted from the application of the U.S. federal statutory tax rate are as follows:

| | Year Ended June 30 | | |
|--|--------------------|-----------|-----------|
| | 2010 | 2009 | 2008 |
| Tax provision at U.S. federal statutory tax rate of 35 percent | \$ 59,471 | \$ 77,607 | \$ 80,119 |
| Increase (reduction) resulting from: | | | |
| Foreign income tax rate differential, net | (4,013) | (7,613) | (10,955) |

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| | | | |
|---|-----------|-----------|-----------|
| State income taxes, net of federal tax effect | 88 | 6,579 | 4,030 |
| Non-deductible expenses and foreign dividend | 5,350 | 4,764 | 8,670 |
| Tax Credits | (6,247) | (4,702) | (11,484) |
| Valuation Allowance | (19,925) | | |
| Medicare Part D Subsidy | 9,367 | | |
| Legal Entity Restructuring | 5,636 | | |
| Other | 1,180 | (1,359) | 3,090 |
| Income tax provision | \$ 50,907 | \$ 75,276 | \$ 73,470 |

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Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)**

The provision for income taxes for year ended June 30, 2010 includes a deferred tax charge of \$10.6 million (\$9.4 million in federal expense and \$1.2 million in state expense) due to the enactment of the Patient Protection and Affordable Care Act and U.S. Health Care and Education Reconciliation Act of 2010 during March 2010, which effectively makes government subsidies received for Medicare-equivalent prescription drug coverage taxable. Deferred tax assets had previously been recorded based on the liability for other postretirement benefits without regard to the tax-free subsidy. As a result of the change, deferred tax assets were reduced to reflect the expected future income tax on the subsidy. Beginning in 2013, a cash tax cost will be incurred when the subsidies received increase taxable income.

Deferred income tax assets and liabilities reflect the effect of temporary differences between the assets and liabilities recognized for financial reporting purposes and the amounts recognized for income tax purposes. We recognize deferred tax assets if it is more likely than not that a benefit will be realized.

Deferred income tax assets (liabilities) included in the consolidated balance sheets at June 30, 2010, and June 30, 2009, are comprised of the following:

| | June 30, | |
|---|---------------------|--------------------|
| | 2010 | 2009 |
| Depreciation and amortization | \$ (84,047) | \$ (48,372) |
| Trademarks and tradename | (116,127) | (4,409) |
| Goodwill | (9,459) | (8,047) |
| Unbilled receivables | (33,292) | |
| Deferred tax liability on unremitted earnings | (7,591) | |
| Other | (20,858) | (5,143) |
| Gross deferred tax liabilities | \$ (271,374) | \$ (65,971) |
| Accrued retirement benefits | \$ 378,100 | \$ 94,888 |
| Deferred rent | 5,157 | 4,142 |
| Other | 35,997 | 4,579 |
| Net operating loss carryforwards | 50,712 | 14,523 |
| Share-based compensation | 26,084 | 3,229 |
| Accrued liabilities | 63,803 | 17,207 |
| Accrued compensation | 21,881 | 15,535 |
| Deferred revenue | 43,976 | 39,424 |
| Foreign tax credit | 47,189 | 5,727 |
| Gross deferred tax assets | \$ 672,899 | \$ 199,254 |
| Deferred tax assets valuation allowance | \$ (37,206) | \$ (10,884) |
| Net deferred tax asset | \$ 364,319 | \$ 122,399 |

The net deferred income tax assets at June 30, 2010 are classified between current deferred tax assets of \$35.6 million and current deferred tax liabilities of \$2.5 million and noncurrent deferred tax assets of \$333.9 million and noncurrent deferred tax liabilities of \$2.7 million.

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We maintain a valuation allowance of \$37.2 million and \$10.9 million at June 30, 2010 and 2009, respectively, against certain of our deferred tax assets, as it is more likely than not that they will not be fully realized. The valuation allowance relates to foreign net deferred tax assets of \$34.5 million and federal net deferred tax assets of \$2.7 million.

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The net change in the valuation allowance of \$26.3 million in fiscal year 2010 primarily relates to an increase of \$47.2 million valuation allowance, which was recorded through goodwill as part of acquisition accounting due to the Merger, reduced by a \$27.6 million release of valuation allowances related to foreign tax credits. We believe that it is more likely than not that these foreign tax credits will be realized within the carryforward period as a result of generating future sources of foreign income. The net change in the valuation allowance of \$1.6 million in fiscal year 2009 is due to the release of valuation allowance in various foreign jurisdictions related to net foreign deferred tax assets.

At June 30, 2010, we had loss carryforwards for tax purposes in federal and various foreign jurisdictions amounting to \$171.5 million of which \$107.5 million can be indefinitely carried forward under local statutes. The remaining \$64.0 million loss carryforwards will expire, if unused, in varying amounts from 2011 through 2030. In addition, we expect to generate \$109.2 million of state tax loss carryforwards in fiscal year 2011, which will expire in varying amounts from 2013 to 2030.

Historically, we have not provided U.S. deferred taxes on cumulative earnings of foreign subsidiaries that have been reinvested indefinitely. As a result of the Merger, we expect to repatriate all historical and future earnings in our acquired Towers Perrin Canadian subsidiary and recorded a deferred tax liability through goodwill of \$24.3 million on unremitted earnings of \$226.0 million. Additionally, we repatriated \$163.7 million from our Canadian subsidiary during the six months ended June 30, 2010 that resulted in a reduction of the deferred tax liability of \$17.4 million, net of unrealized foreign exchange gains incurred from January 1, 2010 through June 30, 2010. We continue to assert that the historical cumulative earnings of our other foreign subsidiaries are reinvested indefinitely and we do not provide U.S. deferred tax liabilities on these amounts. These earnings relate to ongoing operations and at June 30, 2010 were approximately \$422.7 million. It is not practicable to estimate the U.S. federal income tax liability that might be payable if such earnings are not reinvested indefinitely. If future events, including material changes in estimates of cash, working capital and long-term investment requirements, necessitate that these earnings be distributed, an additional provision for U.S. income and foreign withholding taxes, net of foreign tax credits, may be necessary.

At June 30, 2010, the amount of unrecognized tax benefits associated with uncertain tax positions, determined in accordance with ASC 740-10, was \$33.3 million. This liability can be reduced by \$7.4 million of offsetting deferred tax benefits associated with timing differences, foreign tax credits and the federal tax benefit of state income taxes. The entire net difference of \$25.9 million, if recognized, would impact our effective tax rate. During the year, the liability for unrecognized tax benefits increased by \$23.9 million. This includes an increase to the opening balance from the Merger of \$24.5 million.

A reconciliation of the beginning and ending balances of the liability for unrecognized tax benefits is as follows:

| | 2010 | 2009 | 2008 |
|--|------------------|-----------------|------------------|
| Balance at July 1 | \$ 9,414 | \$ 11,034 | \$ 16,352 |
| Increases related to current year acquisitions | 24,515 | | |
| Increases related to tax positions in prior years | 1,257 | 248 | 434 |
| Decreases related to tax positions in prior years | (4,245) | (213) | (6,386) |
| Decreases related to settlements | (283) | (786) | (758) |
| Decreases related to lapse in statute of limitations | (1,781) | (1,562) | (615) |
| Increases related to current year tax positions | 4,830 | 1,116 | 2,007 |
| Cumulative translation adjustment | (441) | (423) | |
| Balances at June 30 | \$ 33,266 | \$ 9,414 | \$ 11,034 |

Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)**

Included in the balance of unrecognized tax benefits for the periods ended June 30, 2009 and 2008, respectively, are \$7.5 million and \$7.9 million of tax benefits that, if recognized, would have a favorable impact on our effective tax rate. There are no material balances that would result in adjustments to other tax accounts.

Interest and penalties related to unrecognized tax benefits are included in income tax expense. At June 30, 2010, we had accrued interest of \$2.8 million and penalties of \$0.4 million, totaling \$3.2 million. At June 30, 2009, we had accrued interest of \$1.5 million and penalties of \$0.4 million, totaling \$1.9 million.

Tax expense for the year ended June 30, 2010 includes an interest benefit of \$0.9 million and a penalty benefit of \$0.3 million. Tax expense for the year ended June 30, 2009 was not material. For the year ended June 30, 2008, tax expense included an interest benefit of \$0.1 million and a penalty benefit of \$1.1 million.

We believe that it is reasonably possible there will be a \$3.6 million decrease in the liability for unrecognized tax benefits within the next 12 months based upon potential settlements and the expiration of statutes of limitations in various tax jurisdictions.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. We are currently under income tax examinations in the U.S. for the tax years 2002-2008 in connection with amended returns that were filed to claim foreign tax credits. We are also under income tax examinations in certain states for tax years ranging from 2003 to 2008. The statute of limitation in certain states extends back to tax year 1998 as a result changes to taxable income resulting from prior year federal tax examinations. A summary of the tax years that remain open to tax examination in our major tax jurisdictions are as follows:

| | Open Tax Years (fiscal year ending in) |
|------------------------------|---|
| United States federal | 2002 and forward |
| United States various states | 1998 and forward |
| Canada federal | 2003 and forward |
| Germany | 2004 and forward |
| The Netherlands | 2008 and forward |
| United Kingdom | 2007 and forward |

Note 16 Segment Information

Towers Watson has three reportable operating segments or practice areas:

- (1) Benefits
- (2) Risk and Financial Services
- (3) Talent and Rewards

Towers Watson's chief operating decision maker is the chief executive officer. It was determined that Towers Watson operational data used by the chief operating decision maker is that of the new segments. Management bases strategic goals and decisions on these segments and the data

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presented below is more useful to assess the adequacy of strategic decisions, the method of achieving these strategies and related financial results. Historically Watson Wyatt had five reportable segments which have been retrospectively adjusted to the

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new post-Merger segments. The Benefits and Technology and Administrative Solutions segments were combined and reclassified into the Benefits segment. The Investment Consulting and Insurance & Financial Services segments were combined and reclassified into the Risk and Financial Services segment while the Human Capital Group became the Talent and Rewards segment.

Management evaluates the performance of its segments and allocates resources to them based on net operating income on a pre-bonus, pre-tax basis.

Revenue includes amounts that were directly incurred on behalf of our clients and reimbursed by them (reimbursable expenses).

The table below presents specified information about reported segments as of and for the year ended June 30, 2010:

| | Benefits | Risk and Financial Services | Talent and Rewards | Total |
|--|-----------------|--|-----------------------------------|--------------|
| Revenue (net of reimbursable expenses) | \$ 1,470,817 | \$ 494,961 | \$ 351,709 | \$ 2,317,487 |
| Net operating income | 441,159 | 112,373 | 17,417 | 570,949 |
| Interest expense | 1,434 | 136 | 294 | 1,864 |
| Depreciation and amortization | 26,509 | 6,520 | 8,736 | 41,765 |
| Receivables | 400,169 | 132,487 | 107,465 | 640,121 |

The table below presents specified information about reported segments as of and for the year ended June 30, 2009:

| | Benefits | Risk and Financial Services | Talent and Rewards | Total |
|--|-----------------|--|-----------------------------------|--------------|
| Revenue (net of reimbursable expenses) | \$ 1,119,753 | \$ 278,986 | \$ 223,001 | \$ 1,621,740 |
| Net operating income | 327,832 | 62,579 | 16,709 | 407,120 |
| Interest expense | 2,010 | 271 | 471 | 2,752 |
| Depreciation and amortization | 24,471 | 4,397 | 7,426 | 36,294 |
| Receivables | 226,445 | 49,607 | 32,919 | 308,971 |

The table below presents specified information about reported segments as of and for the year ended June 30, 2008:

| | Benefits | Risk and Financial Services | Talent and Rewards | Total |
|--|-----------------|--|-----------------------------------|--------------|
| Revenue (net of reimbursable expenses) | \$ 1,153,911 | \$ 287,774 | \$ 243,657 | \$ 1,685,342 |
| Net operating income | 333,235 | 62,301 | 41,733 | 437,269 |
| Interest expense | 3,308 | 612 | 991 | 4,911 |
| Depreciation and amortization | 21,270 | 4,988 | 5,389 | 31,647 |
| Receivables | 264,446 | 67,685 | 50,260 | 382,391 |

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A reconciliation of the information reported by segment to the consolidated amounts follows for the years ended June 30 (in thousands):

| | Year Ended June 30, | | |
|--|---------------------|---------------------|---------------------|
| | 2010 | 2009 | 2008 |
| Revenue: | | | |
| Total segment revenue | \$ 2,317,487 | \$ 1,621,740 | \$ 1,685,342 |
| Reimbursable expenses not included in segment revenue | 63,602 | 55,259 | 62,014 |
| Other, net | 6,740 | (970) | 12,699 |
| Revenue | \$ 2,387,829 | \$ 1,676,029 | \$ 1,760,055 |
| Net Operating Income: | | | |
| Total segment net operating income | \$ 570,949 | \$ 407,120 | \$ 437,269 |
| (Loss)/income from affiliates | (1,274) | 8,350 | 2,325 |
| Differences in allocation methods (1) | 7,012 | (1,183) | (1,507) |
| Amortization of intangibles | (31,280) | (13,892) | (16,397) |
| Transaction and integration expenses | (87,644) | | |
| Stock-based compensation and restricted A shares | (48,006) | | |
| Interest expense | (7,508) | (2,778) | (5,977) |
| Other non-operating income | 11,304 | 4,926 | 464 |
| Discretionary compensation | (236,154) | (167,590) | (184,980) |
| Other, net | (7,482) | (13,050) | (2,028) |
| Income before income taxes | \$ 169,917 | \$ 221,903 | \$ 229,169 |
| Interest expense: | | | |
| Total segment expense | \$ 1,864 | \$ 2,752 | \$ 4,911 |
| Transaction-related interest expense | 4,523 | | |
| Differences in allocation method | 1,121 | 26 | 1,066 |
| Total interest expense | \$ 7,508 | \$ 2,778 | \$ 5,977 |
| Depreciation and amortization: | | | |
| Total segment expense | \$ 41,765 | \$ 36,294 | \$ 31,647 |
| Intangible asset amortization, not allocated to segments | 31,280 | 13,892 | 16,397 |
| Information technology and other | 28,039 | 23,262 | 24,384 |
| Total depreciation and amortization | \$ 101,084 | \$ 73,448 | \$ 72,428 |
| Receivables: | | | |
| Total segment receivables billed and unbilled | \$ 640,121 | \$ 308,971 | \$ 382,391 |
| Valuation differences and other | (2,607) | (6,561) | (16,635) |
| Total billed and unbilled receivables | 637,514 | 302,410 | 365,756 |
| Assets not reported by segment | 3,935,936 | 1,323,909 | 1,350,220 |

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| | | | |
|--------------|--------------|--------------|--------------|
| Total assets | \$ 4,573,450 | \$ 1,626,319 | \$ 1,715,976 |
|--------------|--------------|--------------|--------------|

- (1) Depreciation, general and administrative, pension, and medical costs are allocated to our segments based on budgeted expenses determined at the beginning of the fiscal year as management believes that these costs are largely uncontrollable to the segment. To the extent that the actual expense base upon which allocations are made differs from the forecast/budget amount, a reconciling item will be created between internally allocated expenses and the actual expense that we report for GAAP purposes.

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(2) Total segment receivables, which reflect the receivable balances used by management to make business decisions, are included for management reporting purposes net of deferred revenue.

The following represents total revenue and long-lived assets information by geographic area as of and for the years ended June 30:

| | Revenue | | | Long-lived Assets | | |
|---------------|--------------|--------------|--------------|-------------------|------------|--------------|
| | 2010 | 2009 | 2008 | 2010 | 2009 | 2008 |
| North America | \$ 1,325,876 | \$ 835,941 | \$ 832,614 | \$ 1,331,241 | \$ 201,450 | \$ 202,898 |
| Europe | 888,076 | 701,035 | 780,270 | 1,352,990 | 733,887 | 862,555 |
| Rest of World | 173,877 | 139,053 | 147,171 | 49,232 | 13,470 | 20,464 |
| | \$ 2,387,829 | \$ 1,676,029 | \$ 1,760,055 | \$ 2,733,463 | \$ 948,807 | \$ 1,085,917 |

Revenue is based on the country of domicile for the legal entity that originated the revenue. Exclusive of the United States and the United Kingdom, revenue from no single country constituted more than 10 percent of consolidated revenue. Revenue from no single customer constituted more than one percent of consolidated revenue.

Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)****Note 17 Earnings Per Share**

We adopted guidance under ASC 260, *Earnings per Share*, relating to the two-class method of presenting EPS. This guidance addresses whether awards granted in share-based transactions are participating securities prior to vesting and therefore need to be included in the earning allocation in computing earnings per share using the two-class method. ASC 260-10-45-60 requires non-vested share-based payment awards that have non-forfeitable rights to dividends or dividend equivalents to be treated as a separate class of securities in calculating earnings per share. Our participating securities include non-vested restricted stock. The adoption had no impact on previously reported basic or diluted EPS. The components of basic and diluted earnings per share are as follows:

| | 2010 | | Fiscal Year Ended June 30, 2009 | | | 2008 | | | |
|--|------------|--------|------------------------------------|------------|--------|---------------------|------------|--------|---------------------|
| | Income | Shares | Per Share Amount | Income | Shares | Per Share Amount | Income | Shares | Per Share Amount |
| Basic EPS | | | | | | | | | |
| Net income attributable to controlling interests | \$ 120,597 | | | \$ 146,458 | | | \$ 155,441 | | |
| Less: Income allocated to participating securities | (4,323) | | | | | | | | |
| Income available to common shareholders | \$ 116,274 | 57,135 | \$ 2.04 | \$ 146,458 | 42,690 | \$ 3.43 | \$ 155,441 | 42,577 | \$ 3.65 |
| Diluted EPS | | | | | | | | | |
| Share based compensation awards | | 115 | | | 171 | | | 1,804 | |
| Income available to common shareholders | \$ 116,274 | 57,250 | \$ 2.03 | \$ 146,458 | 42,861 | \$ 3.42 | \$ 155,441 | 44,381 | \$ 3.50 |

The diluted earnings per share calculations assume that 1,950,000 contingent shares related to the Watson Wyatt LLP business combination have been issued and outstanding since July 31, 2005. The diluted earnings per share calculation for 2008 also assumes that the 218,089 Watson Wyatt Netherlands contingent shares were also outstanding at the beginning of the fiscal year and were issued during the fourth quarter of fiscal year 2008.

Stock options of 108.9 thousand were outstanding as of June 30, 2010, but were not included in the computation of diluted earnings per share because their inclusion would have been antidilutive.

Table of Contents**TOWERS WATSON & CO.****Notes to the Consolidated Financial Statements (Continued)****(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)****Note 18 Unaudited Quarterly Financial Data**

Summarized quarterly financial data for the years ended June 30, 2010 and 2009 are as follows (in thousands, except per share amounts):

| | 2010 Quarter Ended | | | |
|--|---------------------------|--------------------|-----------------|----------------|
| | September 30 | December 31 | March 31 | June 30 |
| Revenue | \$ 401,345 | \$ 432,614 | \$ 803,963 | \$ 749,907 |
| Income from operations | 43,141 | 45,809 | 51,145 | 24,350 |
| Income before income taxes | 45,079 | 46,093 | 49,696 | 29,049 |
| Net income attributable to controlling interests | 29,781 | 23,872 | 8,815 | 58,129 |
| Earnings per share: | | | | |
| Net income, basic | \$ 0.70 | \$ 0.57 | \$ 0.12 | \$ 0.77 |
| Net income, diluted | \$ 0.69 | \$ 0.56 | \$ 0.12 | \$ 0.77 |

| | 2009 Quarter Ended | | | |
|--|---------------------------|--------------------|-----------------|----------------|
| | September 30 | December 31 | March 31 | June 30 |
| Revenue | \$ 426,126 | \$ 436,389 | \$ 416,994 | \$ 396,520 |
| Income from operations | 51,184 | 55,785 | 51,790 | 50,624 |
| Income before income taxes | 53,369 | 58,066 | 56,653 | 53,815 |
| Net income attributable to controlling interests | 35,160 | 39,551 | 40,591 | 31,156 |
| Earnings per share: | | | | |
| Net income, basic | \$ 0.82 | \$ 0.93 | \$ 0.95 | \$ 0.73 |
| Net income, diluted | \$ 0.82 | \$ 0.93 | \$ 0.95 | \$ 0.73 |

The accompanying unaudited quarterly financial data has been prepared in accordance with generally accepted accounting principles in the United States for interim financial information and with Item 302 of Regulation S-K. In our opinion, all adjustments considered necessary for a fair statement have been made and were of a normal recurring nature.

Note 19 Subsequent Events***Proposed secondary public offering of our Class A Common Stock to our outstanding Class B-1 stockholders***

On July 19, 2010, we filed a registration statement on Form S-1 with the U.S. Securities and Exchange Commission in connection with a proposed secondary public offering of our Class A Common Stock. The shares to be sold in the offering are proposed to be sold by certain existing holders of our outstanding Class B-1 Common Stock. On January 1, 2011, approximately 10.5 million shares of Towers Watson Class B-1 Common Stock will convert into freely tradable shares of Class A Common Stock. The proposed offering is subject to market conditions and approval by our stockholders of a proposal to permit the early conversion of Class B-1 Common Stock into shares of Class A Common Stock. The proposed offering is intended to facilitate the orderly resale of freely tradable Class A shares in advance of their conversion on January 1, 2011. We will not receive any of the proceeds from the sale of shares, and there will be no dilution of shares currently outstanding. We also filed a definitive proxy statement on July 30, 2010 for a stockholder vote relating to a charter amendment that is required to conduct the contemplated offering.

Subject to the timing of when the Securities and Exchange Commission declares the registration statement effective, and assuming an affirmative stockholder vote on the charter amendment, we intend to

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TOWERS WATSON & CO.

Notes to the Consolidated Financial Statements (Continued)

(Tabular Amounts in Thousands of U.S. Dollars Except Share and Per Share Data)

conduct the offering during the fall, prior to the conversion of shares of Class B-1 Common Stock into shares of Class A Common Stock on January 1, 2011. However, the timing of the offering, if any, could vary based on our stock price and market conditions, among other factors. A registration statement relating to these securities has been filed with the Securities and Exchange Commission but has not yet become effective.

Changes to employee defined benefit pension and postretirement plans and defined contribution plans

On August 27, 2010, the compensation committee and our Board of Directors voted to amend the terms of the existing U.S. qualified and non-qualified defined benefit pension plans, postretirement benefit plans and defined contribution plans.

Effective December 31, 2010, the existing U.S. qualified and non-qualified pension plans will be frozen to new participants, and benefit accruals will be frozen under the current benefit formulas effective December 31, 2011. New pension benefits will accrue beginning on January 1, 2012 under a new stable value pension design for qualified and non-qualified pension plan maintained for U.S. associates, including U.S. named executive officers. Under the stable value plan design, the qualified and supplemental non-qualified plans will provide each eligible participant, at age 65, with a lump sum benefit equal to 15 percent of each covered year's pay up to the Social Security wage base, and 20 percent of each covered year's pay in excess of the wage base. Benefits will not be capped based on years of service.

Retiree medical benefits provided under our U.S. postretirement benefit plans will be frozen to new hires effective January 1, 2011. Life insurance benefits under the same plans will be frozen with respect to service, eligibility and amounts as of January 1, 2012 for active associates.

Effective January 1, 2011, all eligible employees hired subsequent to that date will participate in a new savings plan design which will provide for 100 percent match on the first 2 percent of pay and 50 percent match on the next 4 percent of pay, and vesting at 100 percent upon two years of service for employer contributions. All other associates will continue participating in their respective legacy plans until January 1, 2012 at which time the legacy plans will be frozen to new contributions and the associates will begin participation in the new savings plan design.

Table of Contents**TOWERS WATSON & CO.****Schedule II****Valuation and Qualifying Accounts and Reserves**

(Thousands of U.S. Dollars)

| Description | Balance at Beginning of Year | Additions | | Additions Charged to Other Accounts Year Ended June 30, 2010 | Additions Resulting From Acquisitions | Deductions | Balance at End of Year |
|---|--|---|--|---|--|------------|---------------------------------|
| | | Charged Against (Credited to) Revenue Year Ended June 30, 2010 | Charged to Other Accounts Year Ended June 30, 2009 | | | | |
| Allowance for uncollectible accounts | \$ 4,452 | \$ 11,759 | \$ | \$ | \$ 8,236 | \$ 7,975 | |
| Allowance for unbillable accounts | 9,115 | 2,581 | | | | 11,696 | |
| Valuation allowance for deferred tax assets | 10,884 | | (20,868) | | 47,190 | 37,206 | |
| Year Ended June 30, 2009 | | | | | | | |
| Allowance for uncollectible accounts | \$ 8,544 | \$ 5,355 | \$ | \$ | \$ (9,447) | \$ 4,452 | |
| Allowance for unbillable accounts | 11,700 | | | | (2,585) | 9,115 | |
| Valuation allowance for deferred tax assets | 12,524 | | (1,640) | | | 10,884 | |
| Year Ended June 30, 2008 | | | | | | | |
| Allowance for uncollectible accounts | \$ 6,216 | \$ 14,309 | \$ | \$ | \$ (11,981) | \$ 8,544 | |
| Allowance for unbillable accounts | 7,683 | 4,017 | | | | 11,700 | |
| Valuation allowance for deferred tax assets | 9,826 | | 2,698 | | | 12,524 | |

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4,279,233 Shares

Towers Watson & Co.

Class A Common Stock

PROSPECTUS

BofA Merrill Lynch

Goldman, Sachs & Co.

J.P. Morgan

Baird

Citi

Stifel Nicolaus Weisel

SunTrust Robinson Humphrey

September 16, 2010