JUPITER SATURN HOLDING CO
Form 424B3
November 09, 2009
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**Filed pursuant to Rule 424(b)(3)**
**Registration No. 333-161705**

Joint Proxy Statement/Prospectus

Dear Towers Perrin Shareholders and Watson Wyatt Stockholders:

On June 26, 2009, Towers, Perrin, Forster & Crosby, Inc. and Watson Wyatt Worldwide, Inc. agreed to combine in a merger of equals . We believe the combined company, Towers Watson & Co., will be one of the world s leading professional services firms, and create value for its owners based on:

**Strengthened Organizational Capabilities:** Towers Watson will be stronger than the sum of its parts, positioned for industry leadership long into the future and a more effective competitor that can provide additional services to our existing and prospective clients.

**Expanded Global Presence with Geographically Diverse Revenue Base:** The merger will expand our global footprint to optimize service, global reach, and seamless delivery for our clients.

**Increased Growth & Revenue:** We expect the merger will enable us to realize economies of scale, diversify current businesses, and increase growth and investment potential.

**Greater Opportunities for Our People:** For our people, there will be an expanded set of career opportunities, a stronger brand, greater access to resources, and a broader network of employees.

Immediately following the merger, Towers Perrin security holders, on the one hand, and Watson Wyatt security holders, on the other hand, will each be entitled to receive, in the aggregate, 50% of Towers Watson s voting common stock.

As discussed more fully in this document, the value of Towers Watson common stock issued in the merger may be higher or lower than the value of the Towers Perrin and Watson Wyatt securities you hold before the merger, and you will not know the value of the Towers Watson common stock to be issued to you in the merger when you vote on the proposal to adopt the merger agreement. In addition, Towers Perrin shareholders will not know when they vote on the merger proposal the exact number of shares of Towers Watson common stock that they will receive in the merger because the final Towers Perrin exchange ratio will be determined at the merger s closing.

Towers Perrin and Watson Wyatt have each scheduled a special stockholder meeting to vote on, among other things, the merger agreement proposal. We ask for your support in voting **FOR** the merger agreement proposal at your respective special meeting. Voting instructions are included in this document.

**Towers Perrin s board of directors unanimously approved the merger agreement and determined that the merger agreement is advisable and in the best interests of Towers Perrin, its shareholders and other constituencies. Towers Perrin s board of directors recommends that Towers Perrin shareholders vote FOR approval and adoption of the merger agreement.**

**Watson Wyatt s board of directors unanimously approved the merger agreement and determined that the merger agreement is advisable and in the best interests of Watson Wyatt and its stockholders. Watson Wyatt s board of directors recommends that Watson Wyatt stockholders vote FOR approval and adoption of the merger agreement.**

**For a discussion of risk factors which you should consider in evaluating the merger, see Risk Factors beginning on page 28 of the attached document.**

We expect the Towers Watson Class A common stock to be listed on the New York Stock Exchange and the NASDAQ Global Select Market under the symbol TW . Towers Perrin s common stock is not publicly traded. Watson Wyatt s Class A common stock is currently traded on the New York Stock Exchange and the NASDAQ Global Select Market under the symbol WW .

| | |
|---|---|
| John J. Haley | Mark V. Mactas |
| President, CEO and Chairman of the Board | President, CEO and Chairman of the Board |
| Watson Wyatt Worldwide, Inc. | Towers, Perrin, Forster & Crosby, Inc. |

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities of Towers Watson to be issued in the merger, or determined if this document is truthful or complete. Any representation to the contrary is a criminal offense.**

This joint proxy statement/prospectus is dated November 9, 2009 and is expected to be first mailed to Towers Perrin shareholders and Watson Wyatt stockholders on or about November 9, 2009.

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**Reference to Additional Information**

This document incorporates important business and financial information about Watson Wyatt Worldwide, Inc. from other documents that are not included in or delivered with this document. These documents are available to you without charge upon your written or oral request, including any exhibits that are incorporated by reference into these documents. To obtain documents incorporated by reference in this document, you can request them in writing or by telephone from Watson Wyatt at the following address and telephone number:

Investor Relations

Watson Wyatt Worldwide, Inc.

901 N. Glebe Road

Arlington, Virginia 22203

Telephone: 703-258-8000

**If you would like to request documents, please do so by December 11, 2009 in order to receive them before your special meeting.**

See Additional Information Where You Can Find Additional Information beginning on page 251 for more information about the documents referenced in this joint proxy statement/prospectus.

**Legal Information**

**This document does not constitute an offer to sell or a solicitation of an offer to buy any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction.**

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**Cautionary Statement Concerning Forward-Looking Statements**

This document and the information incorporated by reference in this document contain or incorporate by reference statements that do not directly or exclusively relate to historical facts. These statements are forward-looking statements and include, but are not limited to, statements in the following sections of this document: Summary , Risk Factors , Towers Perrin s Management s Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this document. You can identify these statements and other forward-looking statements in this document by the use of forward-looking words such as may , will , would , expect , anticipate , believe , estimate , plan continue , potential or similar words, expressions or the negative of such terms or other comparable terminology. You should read these statements carefully because they contain information about the synergies and the benefits that are expected to be achieved in the merger, the combined company s plans, objectives and expectations, projections of future results of operations or financial condition, or other forward-looking information. These statements are only predictions based on the current expectations and projections about future events of Towers Watson, Towers Perrin and Watson Wyatt. There are important factors that could cause actual results, performance or achievements of Towers Watson, Towers Perrin and Watson Wyatt to differ materially from the results, performance or achievements expressed or implied by the forward-looking statements. **In particular, you should consider the risks and uncertainties described under Risk Factors beginning on page 28.** The following factors, among others, could also cause actual results to differ from those set forth in the forward-looking statements:

- The ability to obtain governmental approvals of the merger on the proposed terms and schedule;
- The failure to obtain the requisite approval of Towers Perrin shareholders or Watson Wyatt stockholders;
- The failure to satisfy all other conditions to the closing of the merger;
- The risk that the combined businesses will not be integrated successfully;
- The risk that anticipated cost savings and any other synergies from the merger may not be fully realized or may take longer to realize than expected;
- The ability to recruit and retain qualified employees and to retain client relationships;
- The impact of acquisition accounting for the merger on Towers Watson s consolidated financial statements;
- Declines in demand for Towers Watson s services;
- The combined company s ability to make acquisitions, on which its growth will depend in part, and its ability to integrate and manage such acquired businesses;
- Legislative and regulatory developments that impact Towers Watson s business; and
- The risk that a significant or prolonged economic downturn could have a material adverse effect on the combined company s business, financial condition and results of operations.

These risks and uncertainties are not exhaustive. Other sections of this document describe additional factors that could adversely impact the business and financial performance of Towers Watson, Towers Perrin and Watson Wyatt. Moreover, Towers Watson will operate, and Towers Perrin and Watson Wyatt currently operate, in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible to predict all risks and uncertainties, nor can the Holding Company, Towers Perrin or Watson Wyatt assess the impact of all factors on their business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Although the Holding Company, Towers Perrin and Watson Wyatt believe the expectations reflected in the forward-looking statements are reasonable, they cannot guarantee future results, performance or achievements. Moreover, none of the Holding Company, Towers Perrin or Watson Wyatt assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events because these statements are based on assumptions that may not come true and are speculative by their nature. None of the Holding Company, Towers Perrin or Watson Wyatt undertakes an obligation to update any of the forward-looking information included in this document, whether as a result of new information, future events, changed expectations or otherwise.

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Forward-looking statements include, but are not limited to, statements about:

- Estimates of anticipated synergies and cost savings from the merger, as well as costs of the merger;
- Estimated timing of the merger;
- Future results of operations and operating cash flows;
- Strategies and investment policies;
- Financing plans and the availability of capital;
- Foreign currency exchange and interest rate fluctuations;
- Competitive position;
- Potential growth opportunities available to Towers Watson, Towers Perrin or Watson Wyatt;
- The risks associated with potential acquisitions or alliances;
- The recruitment and retention of officers and employees;
- Future performance, achievements, productivity improvements and efficiency and cost reduction efforts;
- Demand for consulting, actuarial and other services;
- Protection or enforcement of intellectual property rights;
- Expectations with respect to securities markets;
- Expectations with respect to general economic conditions;
- Effects of competition;
- Future legislation and regulatory changes; and
- Technological developments.

The Holding Company, Towers Perrin and Watson Wyatt caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this document in the case of forward-looking statements contained in this document, or the dates of the documents incorporated by reference into this document in the case of forward-looking statements made in those incorporated documents.

The Holding Company, Towers Perrin and Watson Wyatt expressly qualify in their entirety all forward-looking statements attributable to the Holding Company, Towers Perrin and Watson Wyatt, or any person acting on their behalf, by the cautionary statements contained or referred to in this section.

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**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

To Towers Perrin shareholders of record on November 2, 2009:

A special meeting of shareholders of Towers, Perrin, Forster & Crosby, Inc., a Pennsylvania corporation ( Towers Perrin ), will be held on December 18, 2009 at the Stamford Marriott Hotel & Spa located at 243 Tresser Boulevard, Stamford, Connecticut 06901, 9:00 a.m., local time, for the following purposes:

1. To consider and vote upon the approval and adoption of the Agreement and Plan of Merger, dated as of June 26, 2009, by and among Towers Perrin, Watson Wyatt Worldwide, Inc., Jupiter Saturn Holding Company, Jupiter Saturn Delaware Inc. and Jupiter Saturn Pennsylvania Inc., as it may be amended from time to time, a copy of which is attached as Annex A to this document.

2. To consider and vote on the amendment of Article VI of the Amended and Restated Bylaws of Towers Perrin, which contains transfer and ownership restrictions on shares of Towers Perrin common stock that must be amended to consummate the transactions contemplated by the Agreement and Plan of Merger.

3. To consider and vote upon adjournment(s) of the special meeting to permit further solicitation of proxies to vote in favor of the foregoing proposals.

4. To transact such other business as may properly come before the special meeting and any adjournment or postponement thereof.

**Your vote on the matters listed above is important. The approval and adoption of Proposal No. 1 and Proposal No. 2 above requires the affirmative vote of the holders of at least two-thirds of the issued and outstanding shares of Towers Perrin common stock at the special meeting. The approval and adoption of any other proposal at the special meeting requires the affirmative vote of the holders of a majority of the votes cast at the special meeting.**

Only Towers Perrin shareholders of record at the close of business on November 2, 2009 are entitled to notice of and to vote at Towers Perrin s special meeting or any adjournment or postponement thereof.

By Order of the Board of Directors,

Kevin C. Young
Vice President, General Counsel and Secretary

Stamford, Connecticut

November 9, 2009

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**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

A special meeting of stockholders of Watson Wyatt Worldwide, Inc., a Delaware corporation ( Watson Wyatt ), will be held on December 18, 2009, at Westin Arlington Gateway, 801 N. Glebe Road, Arlington, Virginia 22203, 10:00 a.m., local time, for the following purposes:

1. To consider and vote upon the approval and adoption of the Agreement and Plan of Merger, dated as of June 26, 2009, by and among Watson Wyatt, Towers, Perrin, Forster & Crosby, Inc., Jupiter Saturn Holding Company, Jupiter Saturn Delaware Inc. and Jupiter Saturn Pennsylvania Inc., as it may be amended from time to time, a copy of which is attached as Annex A to this document.

2. To approve the Towers Watson & Co. 2009 Long Term Incentive Plan, a copy of which is attached as Annex G to this document.

3. To consider and vote upon adjournment(s) of the special meeting to permit further solicitation of proxies to vote in favor of the foregoing proposals.

4. To transact such other business as may properly come before the special meeting and any adjournment(s) or postponement(s) thereof.

Stockholders of record of Watson Wyatt Class A common stock at the close of business on November 3, 2009 are entitled to notice of and to vote at Watson Wyatt s special meeting or any adjournment or postponement thereof. At the close of business on the record date, Watson Wyatt had outstanding and entitled to vote 42,307,754 shares of common stock. Watson Wyatt will keep at its offices in Arlington, Virginia a list of stockholders entitled to vote at the special meeting available for inspection for any purpose relevant to the special meeting during normal business hours for the 10 days before the special meeting. All Watson Wyatt stockholders are cordially invited to attend Watson Wyatt s special meeting.

By Order of the Board of Directors,

Walter W. Bardenwerper

Vice President, General Counsel and Secretary

Arlington, Virginia

November 9, 2009

**Your vote is important. Whether or not you plan to attend the Watson Wyatt special meeting, please vote in advance by submitting a proxy by telephone, over the Internet or by mail. The affirmative vote of the holders of a majority of the shares of Watson Wyatt Class A common stock entitled to vote at the special meeting is required for approval of Proposal No. 1 regarding the adoption and approval of the merger agreement. The affirmative vote of the holders of a majority of the shares represented and entitled to vote on the subject matter is required to approve all other proposals at the Watson Wyatt special meeting.**

Please do not send any certificates representing your Watson Wyatt shares at this time.

Watson Wyatt stockholders are cordially invited to attend the special meeting in person. Whether or not you expect to attend the special meeting in person, please submit a proxy by telephone or over the Internet as instructed in these materials, or complete, date, sign and return the enclosed proxy card, as promptly as possible in order to ensure we receive your proxy with respect to your shares. A return envelope (which is postage pre-paid if mailed in the United States) is enclosed for your convenience. If you sign, date and mail your proxy card without indicating how you wish to have your shares voted, the shares represented by the proxy will be voted **FOR** each of the foregoing proposals at the special meeting. If you fail to submit your proxy by telephone or over the Internet or return your proxy card, or if your shares are held in street name and you do not instruct your broker how to vote your shares, the effect will be as though you cast a vote **AGAINST** the adoption of the merger agreement. If you attend the special meeting and wish to vote in person, you may withdraw your proxy and vote in person prior to the close of voting at the special meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the special meeting, you must obtain a proxy issued in your name from the record holder.

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**ANNEXES:**

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## QUESTIONS AND ANSWERS ABOUT THE MERGER

*The questions and answers below highlight only selected information from this document. They do not contain all of the information that may be important to you. We urge you to read carefully this entire document, including its Annexes, to fully understand the proposed merger and the voting procedures for the Towers Perrin and Watson Wyatt special meetings. Additional important information is also contained in the Annexes to this document and the documents incorporated by reference in this document.*

**Q: Why am I receiving these materials?**

**A:** On June 26, 2009, Towers Perrin and Watson Wyatt agreed to combine in a merger of equals . In order to complete this combination, each of Towers Perrin and Watson Wyatt will merge with a wholly owned subsidiary of the Holding Company, an entity that is a newly formed Delaware corporation and jointly owned by Towers Perrin and Watson Wyatt. The Holding Company will change its name to Towers Watson & Co. upon completion of the merger. At the effective time, Towers Perrin security holders, on the one hand, and Watson Wyatt security holders, on the other hand, will each be entitled to receive, in the aggregate, 50% of Towers Watson s voting common stock then outstanding.

References to:

The effective time of the merger mean the time at which the merger is deemed to be effective, which time will be no later than the second business day after the merger s closing date but at least one minute after the Holding Company s amended and restated certificate of incorporation becomes effective;

The Holding Company mean Jupiter Saturn Holding Company;

The merger refer to the Towers Perrin merger and the Watson Wyatt merger collectively;

The merger agreement mean the Agreement and Plan of Merger, dated as of June 26, 2009, by and among Towers Perrin, Watson Wyatt, the Holding Company, Jupiter Saturn Delaware Inc. and Jupiter Saturn Pennsylvania Inc., as it may be amended from time to time, a copy of which is attached as Annex A to this document;

Towers Perrin mean Towers, Perrin, Forster & Crosby, Inc.;

The Towers Perrin merger mean the merger of Towers Perrin Merger Corp. with and into Towers Perrin, with Towers Perrin as the surviving corporation;

Towers Perrin Merger Corp. mean Jupiter Saturn Pennsylvania Inc.;

Towers Perrin RSUs mean Towers Perrin restricted stock units;

Towers Perrin security holders mean the holders of shares of Towers Perrin common stock together with the holders of Towers Perrin RSUs;

Towers Perrin shareholders solely refer to holders of shares of Towers Perrin common stock;

Towers Watson mean Towers Watson & Co.;

Watson Wyatt mean Watson Wyatt Worldwide, Inc.;

Watson Wyatt DSUs mean Watson Wyatt deferred stock units outstanding under the 2001 Watson Wyatt Deferred Stock Unit Plan;

The Watson Wyatt merger mean the merger of Watson Wyatt Merger Corp. with and into Watson Wyatt, with Watson Wyatt as the surviving corporation;

Watson Wyatt Merger Corp. mean Jupiter Saturn Delaware Inc.;

Watson Wyatt options mean options to purchase Watson Wyatt Class A common stock awarded under the Watson Wyatt & Holdings 2000 Long-Term Incentive Plan;

Watson Wyatt security holders mean the holders of shares of Watson Wyatt Class A common stock together with the holders of Watson Wyatt DSUs; and

Watson Wyatt stockholders solely refer to holders of shares of Watson Wyatt Class A common stock.

The stockholders of both Towers Perrin and Watson Wyatt must approve and adopt the merger agreement. We are sending you these materials to help you decide whether to approve and adopt the merger agreement at your upcoming special meeting, among other things.

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**Q: When and where are the special meetings?**

**A:** The Towers Perrin special meeting will be held at the Stamford Marriott Hotel & Spa located at 243 Tresser Boulevard, Stamford, Connecticut 06901, on December 18, 2009 at 9:00 a.m., local time.

The Watson Wyatt special meeting will be held at Westin Arlington Gateway, 801 N. Glebe Road, Arlington, Virginia 22203, on December 18, 2009 at 10:00 a.m., local time.

**Q: What will I receive in the merger?**

**A:** Towers Perrin security holders will receive the consideration described in The Merger Agreement Conversion of Stock, Stock Options and Other Awards . The shares of Towers Watson common stock received by Towers Perrin security holders will be subject to vesting, forfeiture, transfer and reallocation provisions as described in The Merger Agreement Vesting, Forfeiture, Transfer and Reallocation Provisions . As a result, such shares of Towers Watson common stock will be restricted and will not be freely transferable, as detailed more fully in this document. In addition, certain Towers Perrin shareholders who meet defined age plus years of service criteria may elect to designate between 50% and 100% of their shares of Towers Perrin common stock to be converted into shares of Towers Watson Class R common stock, which in turn will be automatically redeemed by Towers Watson on the first business day following the effective time for an amount consisting of equal amounts of cash and one-year subordinated promissory notes issued by Towers Watson, as described in The Merger Agreement The Class R and Class S Elections . Towers Perrin shareholders who do not meet these criteria are not eligible to make this election. Alternatively, dissenting holders of shares of Towers Perrin common stock who follow the procedures of Subchapter 15D of the Pennsylvania Business Corporation Law will be entitled to receive from Towers Perrin the fair value of their shares calculated as of immediately before the completion of the merger.

Watson Wyatt stockholders will receive one share of Towers Watson Class A common stock for each share they own of Watson Wyatt Class A common stock. Holders of Watson Wyatt DSUs will receive one share of Towers Watson Class A common stock for each Watson Wyatt DSU whose performance conditions (if any) have been satisfied or deemed satisfied by the compensation committee of Watson Wyatt s board of directors. The Towers Watson Class A common stock received by Watson Wyatt security holders will not be subject to transfer restrictions unless the Watson Wyatt security holder is or becomes an affiliate of Towers Watson, in which case the shares received will be subject to transfer restrictions under U.S. federal securities laws. Watson Wyatt security holders will not have the right to elect to receive a different form of consideration in exchange for their Watson Wyatt shares. Holders of Watson Wyatt options will receive fully-vested options to purchase Towers Watson Class A common stock, on a one-for-one basis on the same terms and at the same exercise price as the Watson Wyatt options.

The Towers Watson Class A common stock is expected to be listed on the New York Stock Exchange (or NYSE ) and the NASDAQ Global Select Market (or NASDAQ ) under the symbol TW .

**Q: Will I be taxed on the consideration that I receive in exchange for my shares?**

**A:** ***Towers Perrin security holders:***

The exchange of Towers Perrin common stock solely for Towers Watson Class B common stock by holders of Towers Perrin common stock should generally be nontaxable to such holders for U.S. federal income tax purposes. However, under certain circumstances, tax may be imposed on the receipt of merger consideration.

For U.S. federal income tax purposes, Towers Perrin shareholders who make a Class R or Class S election generally will recognize gain, but not loss, on the exchange and will be taxable on the lesser of (1) the amount of cash and the fair market value of Towers Watson Notes treated as received in exchange for their Towers Perrin common stock and (2) the amount of gain realized in the exchange. In addition, a portion of the consideration payable to a shareholder who makes a Class R election will be treated as compensation income and taxable at ordinary income tax rates. U.S. Towers Perrin shareholders who make a Class R election will receive additional compensation from Towers Perrin or Towers Watson to compensate them for some of the additional federal taxes payable as a result of such ordinary income treatment and as a result of receiving the additional cash consideration (see page 141 for a description of the additional compensation). A person making a Class R election who is taxable in a jurisdiction other than or in addition to the U.S. may also receive additional cash compensation if a portion of the individual s merger consideration is subject to ordinary income tax and the applicable tax rate on ordinary income is greater than the tax rate on capital gains. Whether any such person will receive an additional payment and the amount of such payment will be determined by Towers Perrin on a case by case basis.

A Towers Perrin employee who is a U.S. person who receives Towers Perrin RSUs should generally be subject to U.S. federal income tax at ordinary income rates when he or she receives vested Towers Watson restricted Class A common stock.

***Watson Wyatt stockholders:***

The exchange of Watson Wyatt Class A common stock solely for Towers Watson Class A common stock by holders of Watson Wyatt Class A common stock should generally be nontaxable to such holders for U.S. federal income tax purposes.

***Tax matters are very complicated. The tax consequences of the merger to you will depend on your specific situation. You should consult your tax advisor for a full understanding of the U.S. federal, state, local and foreign tax consequences of the merger to you. See Material Income Tax Considerations for a description of the tax consequences of the merger.***

**Q: What shareholder approvals are needed to approve the merger agreement?**

**A:** For adoption of the merger agreement:

- Holders of two-thirds of Towers Perrin s outstanding common stock entitled to vote at the Towers Perrin special meeting must be voted FOR the approval and adoption of the merger agreement and the proposal to amend Article VI of Towers Perrin s Amended and Restated Bylaws (which we refer to as Towers Perrin s bylaws ).
- Holders of a majority of Watson Wyatt s Class A common stock outstanding and entitled to vote at the Watson Wyatt special meeting must be voted FOR the approval and adoption of the merger agreement.

**Q: What do I need to do now? How do I vote?**

**A:** After carefully reading this document, please vote by submitting a proxy for your shares of common stock as soon as possible in the following manner.

- ***Towers Perrin shareholders***: Complete and submit electronically the proxy card you receive by following the instructions provided on the proxy card.
- ***Watson Wyatt stockholders***: (1) Use the toll-free phone number listed on your proxy card and follow the recorded instructions, (2) go to the Internet website listed on your proxy card and follow the instructions provided, or (3) complete and return the enclosed proxy card.

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**Q: Can I change my vote after I have submitted my proxy?**

**A:** Yes. You can change your vote at any time before your proxy is voted at your special meeting, as follows:

- If you are a Towers Perrin shareholder, you may revoke your proxy at any time prior to its exercise by:
  - Properly completing and submitting a later-dated proxy electronically prior to midnight eastern time on the day prior to the Towers Perrin special meeting; or
  - Attending the Towers Perrin special meeting and voting in person.
- If you are a Watson Wyatt stockholder, you may revoke your proxy at any time prior to its exercise by:
  - Sending a written notice to the corporate secretary of Watson Wyatt before the Watson Wyatt special meeting stating that you would like to revoke your proxy;
  - Completing, signing and returning another later-dated proxy card prior to the Watson Wyatt special meeting;
  - Using the toll-free phone number or Internet website listed on the proxy card and following the instructions provided prior to midnight eastern time on the day prior to your special meeting; or
  - Attending the Watson Wyatt special meeting and voting in person.

**Q: If my shares of Watson Wyatt Class A common stock are held in street name by my broker, will my broker vote my shares for me?**

**A:** No. Your broker is not permitted to vote your shares of Watson Wyatt Class A common stock unless you tell the broker how to vote. To do so, you should follow the directions that your broker provides to you.

**Q: Whom do I call if I have further questions about voting, my special meeting or the merger?**

**A:** Towers Perrin security holders may call Kevin C. Young at (215) 246-6000.

Watson Wyatt stockholders may call Walter W. Bardenwerper at (703) 258-8000. In addition, if you are a Watson Wyatt stockholder and you need additional copies of this document, have questions about the merger or need assistance voting your shares, you should contact:

Innisfree M&A Incorporated

501 Madison Avenue, 20th Floor

New York, NY 10022

Phone Numbers: Stockholders: (877) 825-8631 (toll-free)

Banks and Brokers: (212) 750-5833 (collect)

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## SUMMARY

*This summary highlights selected information from this document and may not contain all of the information that is important to you. To understand the merger fully and for a more complete description of the legal terms of the merger agreement, you should read carefully this entire document and the documents to which we have referred you, including the merger agreement attached to this document as Annex A. See the section entitled Additional Information Where You Can Find Additional Information beginning on page 251. We have included page references directing you to a more complete description of each item presented in this summary.*

**The Companies (See page 51)**

**Towers, Perrin, Forster & Crosby, Inc.**

One Stamford Plaza

263 Tresser Boulevard

Stamford, Connecticut 06901

(203) 326-5400

Towers Perrin was incorporated in Pennsylvania in 1934 as Towers, Perrin, Forster & Crosby, Inc. Towers Perrin is a global professional services firm that helps organizations improve performance through effective people, risk and financial management. The firm provides innovative solutions in the areas of human capital strategy, program design and management, and in the areas of risk and capital management, insurance and reinsurance intermediary services, and actuarial consulting.

Towers Perrin s services help clients solve many of the most pressing issues facing organizations worldwide today, including increasingly complex human capital challenges and a growing need for sophisticated risk and capital management. Towers Perrin believes it has developed many of the most innovative services and products in the areas in which it delivers solutions, including several types of managed care and consumer-based health plans that have evolved to meet changing client needs; a prescription drug collaborative purchasing program to help employers control costs; state-of-the-art financial modeling software; and the development of a comprehensive portfolio of services to help insurance organizations understand the links between risk and capital and manage these risks on an enterprise-wide basis. In addition, Towers Perrin s ability to respond rapidly to emerging issues has allowed it to help clients react to both risks and opportunities in practical ways. Recent examples include Towers Perrin s work on managing businesses in turbulent times, its white papers on the costs and risks inherent in specific natural disasters and its work helping clients manage escalating health care costs.

Towers Perrin s clients include many of the world s largest corporations, public and private institutions and non-profit organizations. In 2008, Towers Perrin provided its services to over 75% of the Fortune Global 500 companies, over 60% of the Fortune 1000 companies, and over 85% of the world s 50 largest insurance companies, as ranked by a recent Forbes 2000 list. Towers Perrin believes that it has been able to maintain many of its key client relationships for several decades because of its outstanding service and its reputation for being a trusted advisor to its clients.

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**Watson Wyatt Worldwide, Inc.**

901 North Glebe Road

Arlington, Virginia 22203

(703) 258-8000

Watson Wyatt is a global consulting firm focusing on providing human capital and financial management consulting services. Including predecessors, Watson Wyatt has been in business since 1878. In the United States, Watson Wyatt was founded in 1946, and conducted business as The Wyatt Company until changing its name to Watson Wyatt & Company in connection with the establishment of the Watson Wyatt Worldwide alliance in 1995 with R. Watson & Sons, which we refer to as Watson Wyatt LLP , a leading United Kingdom-based actuarial, benefits and human resources consulting partnership founded in 1878. In 2000, the firm incorporated Watson Wyatt & Company Holdings to serve as a holding company with operations conducted by its subsidiaries. To better serve the increasingly global needs of clients, on July 31, 2005, the firm acquired substantially all of the assets and assumed liabilities of Watson Wyatt LLP. The company s name was changed to Watson Wyatt Worldwide, Inc. on January 1, 2006 to reflect the company s global capabilities and identity in the marketplace.

Watson Wyatt helps its clients enhance business performance by improving their ability to attract, retain and motivate qualified employees. Watson Wyatt focuses on delivering consulting services that help its clients anticipate, identify and capitalize on emerging opportunities in human capital management. The firm also provides independent financial advice regarding all aspects of life assurance and general insurance, as well as investment advice to assist clients in developing disciplined and efficient investment strategies to meet investment goals. Its target market clients include companies in the Fortune 1000, Pension & Investments (P&I) 1000, FTSE 1000, and equivalent organizations in markets around the world. As of June 30, 2009, Watson Wyatt provided services through approximately 7,700 associates in 107 offices located in 33 countries.

Watson Wyatt s Class A common stock is currently traded on the NYSE and NASDAQ under the symbol WW .

**Jupiter Saturn Holding Company**

c/o Watson Wyatt Worldwide, Inc.

875 Third Avenue

New York, NY 10022

(212) 725-7550

The Holding Company is a newly formed Delaware corporation that has not conducted any activities other than those incident to its formation, the matters contemplated by the merger agreement and the preparation of this document. Upon completion of the merger, the Holding Company will change its name to Towers Watson & Co. The business of Towers Watson will be the combined businesses currently conducted by Towers Perrin and Watson Wyatt.

**Structure of the Merger (See page 108)**

To combine the businesses of Towers Perrin and Watson Wyatt, Towers Perrin and Watson Wyatt formed the Holding Company, which is jointly owned by Towers Perrin and Watson Wyatt. The Holding Company formed two new, wholly owned subsidiaries, Towers Perrin Merger Corp. and Watson Wyatt Merger Corp. At the effective time:

- Towers Perrin Merger Corp. will merge with and into Towers Perrin, and Towers Perrin will be the surviving corporation.
- Watson Wyatt Merger Corp. will merge with and into Watson Wyatt, and Watson Wyatt will be the surviving corporation.

The Holding Company will then change its name to Towers Watson & Co. As a result of the Towers Perrin merger and the Watson Wyatt merger, Towers Perrin and Watson Wyatt will each become a wholly owned subsidiary of Towers Watson, and the current security holders of Towers Perrin and Watson Wyatt will become stockholders of Towers Watson.

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The following diagram illustrates the structure of the merger:

**The Merger**

**Immediately Following the Effective Time**

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**What You Will Receive in the Merger (See page 110)**

***Towers Perrin Security Holders***

The merger agreement provides that each:

- Share of Towers Perrin common stock (other than shares that will be converted into shares of Towers Watson Class R common stock or Towers Watson Class S common stock as detailed below) that is issued and outstanding immediately prior to the effective time will be converted into the right to receive a number of fully paid and nonassessable shares of Towers Watson Class B common stock (in various subclasses); and
- Towers Perrin RSU that is issued and outstanding immediately prior to the effective time will be converted into the right to receive a number of fully paid and nonassessable shares of Towers Watson restricted Class A common stock, subject to certain contractual restrictions as discussed more fully in this document (we refer to these restricted shares as the Towers Watson restricted Class A common stock ).

The number of shares to be received by the Towers Perrin security holders (including shares of Towers Watson Class R common stock and Towers Watson Class S common stock, as discussed below) will be determined at the merger s closing based on the Towers Perrin final exchange ratio. The Towers Perrin final exchange ratio will be calculated so that Towers Perrin security holders will receive, in the aggregate, a number of shares equal to 50% of Towers Watson s voting common stock then outstanding.

The shares of Towers Watson Class B common stock received by each Towers Perrin shareholder (other than a shareholder who makes a valid Class R or Class S election for some or all of his or her shares) will be issued in equal amounts as follows:

- 25% will be shares of Towers Watson Class B-1 common stock, par value $0.01 per share;
- 25% will be shares of Towers Watson Class B-2 common stock, par value $0.01 per share;
- 25% will be shares of Towers Watson Class B-3 common stock, par value $0.01 per share; and
- 25% will be shares of Towers Watson Class B-4 common stock, par value $0.01 per share.

Towers Watson s Amended and Restated Certificate of Incorporation (which we refer to as Towers Watson s certificate of incorporation ) provides that Towers Watson Class B common stock will automatically convert into shares of Towers Watson Class A common stock on the following schedule:

- Towers Watson Class B-1 common stock: First anniversary of the effective time;
- Towers Watson Class B-2 common stock: Second anniversary of the effective time;
- Towers Watson Class B-3 common stock: Third anniversary of the effective time; and
- Towers Watson Class B-4 common stock: Fourth anniversary of the effective time.

The Towers Watson restricted Class A common stock to be received by a holder of Towers Perrin RSUs will vest over a three-year period; one-third will vest automatically on each of the first three anniversaries of the effective time so long as the holder of these shares remains an employee of Towers Watson or one of its subsidiaries as of each such anniversary (subject to acceleration as discussed more fully in this document). In addition, the number of fully paid and nonassessable shares of Towers Watson restricted Class A common stock to be received by a holder of Towers Perrin RSUs is subject to pro rata adjustment as discussed more fully in the section The Merger Agreement Vesting, Forfeiture, Transfer and Reallocation Provisions .

Shares of Towers Watson Class B common stock and Towers Watson restricted Class A common stock will be restricted and not freely transferable, as detailed more fully in this document. Towers Perrin and Watson Wyatt believe these restrictions are:

- Necessary to ensure a controlled distribution of Towers Watson Class A common stock after completion of the merger and to reduce the possibility that the volume of shares distributed at the effective time will cause a substantial decline in the stock price of Towers Watson Class A common stock as compared with the pre-closing price of Watson Wyatt Class A common stock.

Not necessary to impose on the Towers Watson Class A common stock issued in the merger to Watson Wyatt stockholders because the shares of Watson Wyatt Class A common stock they will exchange in the merger are already freely transferable (subject to any applicable restrictions on transfer imposed by the U.S. federal securities laws) and an orderly market in such freely tradable shares exists.

***Watson Wyatt Security Holders and Holders of Watson Wyatt Options***

The merger agreement provides that each:

Share of Watson Wyatt Class A common stock that is issued and outstanding immediately prior to the effective time will be converted into the right to receive one fully paid and nonassessable share of Towers Watson Class A common stock; and

Watson Wyatt DSU that is issued and outstanding immediately prior to the effective time whose performance conditions (if any) have been satisfied or deemed satisfied by the compensation committee of Watson Wyatt s board of directors will be settled with one share of Towers Watson Class A common stock. Any issued and outstanding Watson Wyatt DSUs whose performance criteria have not been satisfied or deemed satisfied will be canceled and will not be exchanged for Towers Watson Class A common stock.

Watson Wyatt option will vest immediately and will be exchanged for a vested option to purchase shares of Towers Watson Class A common stock on a one-for-one basis, on the same terms and at the same exercise price as the Watson Wyatt option.

Watson Wyatt s security holders will receive, in the aggregate, a number of shares equal to 50% of Towers Watson s voting common stock then outstanding.

Towers Watson Class A common stock issued to Watson Wyatt security holders will not be subject to any contractual transfer restrictions and is expected to be listed on the NYSE and NASDAQ under the symbol TW .

**Description of Class R and Class S Elections (See page 119)**

Subject to proration as described more fully in this document, Towers Perrin shareholders who meet defined age plus years of service criteria (subject to certain exceptions) may elect to designate between 50% and 100% of their Towers Perrin shares to be converted into shares of Towers Watson Class R common stock. In this document, we refer to the Towers Perrin shareholders who are eligible to make this designation as the Class R Eligible Participants and those Class R Eligible Participants who make a valid Class R election as Class R Participants . Towers Watson Class R common stock will be automatically redeemed by Towers Watson on the first business day following the effective time for an amount comprised of equal amounts of cash and one-year subordinated promissory notes issued by Towers Watson. In this document, we refer to these subordinated notes as the Towers Watson Notes . In addition, U.S. Class R Participants will receive from Towers Perrin or Towers Watson additional compensation to help compensate them for some of the additional federal taxes payable as a result of some of the consideration paid to Class R Participants being treated as ordinary compensation income and not capital gain income. A Class R Participant who is taxable in a jurisdiction other than or in addition to the U.S. may also receive additional compensation if a portion of the individual s merger consideration is subject to ordinary income tax and the applicable tax rate on ordinary income is greater than the tax rate on capital gains. While the decision as to whether any such person will receive additional compensation and the amount of such additional compensation will be determined by Towers Perrin on a case by case basis, Towers Perrin expects to treat such persons in a manner similar to U.S. Class R Participants.

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The aggregate maximum number of shares of Towers Perrin common stock held by Class R Participants that may be converted into Towers Watson Class R common stock is equal to the number of shares obtained by dividing (1) $400 million (which amount may be decreased if the Class R election is undersubscribed) by (2) the final transaction value per Towers Perrin share , which value depends on the closing price of Watson Wyatt Class A common stock for the 10 consecutive trading days ending on the second trading day immediately prior to the closing of the merger. This information (and therefore the exact amount of consideration that the Class R Participants will receive) will not be available at the time Towers Perrin shareholders vote on the merger agreement proposal or when Class R Participants make their Class R election.

A Class R Eligible Participant will be required to make a Class R election by December 24, 2009. In order to make a valid Class R election, a Class R Eligible Participant must, among other things, agree to terminate his or her employment with Towers Perrin on or before the 30th day following the effective time (unless another time is agreed to by the Towers Watson Executive Committee) and enter into a confidentiality and non-solicitation agreement. As a result, a Class R Eligible Participant who makes a valid Class R election will not be employed with Towers Watson, Towers Perrin, or Watson Wyatt after 30 days following the effective time.

If a Class R Eligible Participant makes a valid Class R election, the shares of Towers Perrin common stock held by such shareholder that are not subject to the Class R election (because the Class R Eligible Participant designated less than 100% of his or her shares) or not converted into shares of Towers Watson Class R common stock (because the Class R election is oversubscribed) will be converted instead into Towers Watson Class B-1 common stock as described more fully in this document. If a Class R Eligible Participant does not make a valid Class R election, then this shareholder will receive shares of Towers Watson Class B common stock (consisting of the various subclasses) in the same manner as any other Towers Perrin shareholder would receive as merger consideration.

In the event that the Class R election is undersubscribed by Class R Participants such that the Class R Participants subscribe for less than $200,000,000, then Watson Wyatt may elect no later than January 11, 2010, 2009 to cause Towers Perrin to offer to all other Towers Perrin shareholders who are not Class R Eligible Participants the right to make a Class S election. These shareholders would be entitled to designate, subject to proration, up to 20% of their shares of Towers Perrin common stock to be converted into shares of Towers Watson Class S common stock. The total amount of cash and Towers Watson Notes available to repurchase shares from the Class S participants would equal the amount (if any) by which $200,000,000 exceeds the aggregate amount of cash and principal of Towers Watson Notes issued to Class R Participants. Each share of Towers Watson Class S common stock will be automatically redeemed by Towers Watson on the first business day following the effective time for an amount of cash equal to the final transaction value per Towers Perrin share , which value depends on the closing price of Watson Wyatt Class A common stock for the 10 consecutive trading days ending on the second trading day immediately prior to the merger s closing. As noted above, this information (and therefore the exact amount of consideration that a Towers Perrin shareholder will receive if they make a valid Class S election) will not be available at the time Towers Perrin shareholders vote on the merger agreement proposal or when such Towers Perrin shareholders make a Class S election. If the Class R election is undersubscribed and Watson Wyatt determines to pursue a Class S election, Towers Perrin will promptly provide additional information to Towers Perrin shareholders eligible to make a Class S election.

*For a more detailed description on how a Class R Eligible Participant makes or revokes a Class R election, the specific consideration to be received if a Class R Eligible Participant makes or fails to make a Class R election, and other matters related to making valid Class R and Class S elections, please see The Merger Agreement The Class R and Class S Elections beginning on page 119 of this document.*

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***Type and Amounts of Consideration to be Received***: The diagrams below reflect the types and amounts of consideration to be received by the Towers Perrin and Watson Wyatt security holders in the merger (assuming that no Class S election is made available), including consideration to be issued upon redemption of Towers Watson Class R common stock on the first business day following the effective time. The diagrams below are based on assumptions regarding the number of shareholders who make valid Class R elections and the number of shares they designate to be exchanged in the merger for Towers Watson Class R common stock; actual results will vary depending on the overall number of shares of Towers Perrin common stock designated for conversion to shares of Towers Watson Class R common stock. The information below is based on an assumed closing of October 30, 2009 and the following additional assumptions:

- The number of fully diluted Watson Wyatt shares equals 42,600,632 shares (this term is defined in the The Merger Agreement Conversion of Stock, Stock Options and Other Awards ).
- The total number of outstanding shares of Towers Perrin common stock for purposes of calculating the Towers Perrin final exchange ratio is 70,209.60 shares, which does not include any Towers Perrin RSUs or any shares issuable upon conversion of any Towers Perrin RSUs (as explained more fully in the The Merger Agreement Conversion of Stock, Stock Options and Other Awards ).
- The Towers Perrin final exchange ratio equals 546.087270117 (which was calculated by dividing the fully diluted Watson Wyatt shares by the quotient of (a) the total outstanding shares of Towers Perrin common stock as of the relevant date, divided by (b) 0.9).
- Class R Eligible Participants, who collectively own approximately 55.8% of the 70,209.60 total shares of Towers Perrin common stock outstanding, make valid Class R elections with respect to 30% of the 70,209.60 total shares outstanding, or 21,062.88 shares.
- Every Class R Eligible Participant who makes a valid Class R election elects to designate 100% of his or her shares of Towers Perrin common stock as shares to be converted into Towers Watson Class R common stock.
- The total amount of cash and Towers Watson Notes available to repurchase shares from the Class R Eligible Participants equals $400,000,000 (which amount may be decreased if the Class R election is undersubscribed).
- The final Watson Wyatt stock price equals $44.78 (the term final Watson Wyatt stock price is defined in the The Merger Agreement The Class R and Class S Elections and means the average closing price per share of Watson Wyatt Class A common stock (rounded to the nearest cent) for the 10 consecutive trading days ending on the second trading day immediately prior to the merger s closing).
- The number of Towers Perrin RSUs outstanding immediately prior to the effective time is equal to 10% of the sum of such number of Towers Perrin RSUs plus the total shares of Towers Perrin common stock outstanding immediately prior to the effective time.
- The percentages of Towers Watson common stock outstanding are calculated prior to the redemption of the Towers Watson Class R common stock for cash and Towers Watson Notes (and the issuance of additional Towers Watson Class B-1 common stock).

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**Type of Consideration Received**

* In addition to the following consideration, Towers Perrin shareholders (including those making a valid Class R or Class S election) will receive shares of Towers Watson Class F stock which will solely entitle these shareholders to receive, upon the automatic exchange of Class F shares after the third anniversary of the effective time, a number of shares of Towers Watson Class A common stock equal to their pro rata portion of the Towers Watson restricted Class A common stock (together with a number of additional Class A shares with a value equal to all dividends, without interest, paid with respect to the forfeited shares) forfeited, if any, by holders of Towers Perrin RSUs, as described in The Merger Agreement Vesting, Forfeiture, Transfer and Reallocation Provisions Vesting, Forfeiture, Transfer and Reallocation Provisions Applicable to Towers Watson restricted Class A common stock .

** See The Merger Agreement Conversion of Stock, Stock Options and Other Awards for a description of Guaranteed RSU Holders.

***Amounts to be Received***

| Securities to be Exchanged in the Merger | Amount and Type of Securities to be Received in the Merger |
| --- | --- |
| 1 share of Watson Wyatt Class A common stock | 1 share of Towers Watson Class A common stock[1] |
| 1 share of Towers Perrin common stock | 546.087270117 shares of Towers Watson Class B common stock, in the aggregate, consisting of:[2]<br>136.521817529 shares of Towers Watson Class B-1 common stock<br>136.521817529 shares of Towers Watson Class B-2 common stock<br>136.521817529 shares of Towers Watson Class B-3 common stock<br>136.521817529 shares of Towers Watson Class B-4 common stock |
| 1 share of Towers Perrin common stock<br>*Assuming a Class R election is made* | $9,495.38 in cash[3]<br>$9,495.38 in principal amount of Towers Watson Notes[3]<br>121.9972 shares of Towers Watson Class B-1 common stock[3] |
| 1 Towers Perrin RSU | 546.087270117 shares of Towers Watson restricted Class A common stock[4] |

(1) Represents the product of 1 share multiplied by the Watson Wyatt final exchange ratio (1 share of Towers Watson Class A common stock for each share of Watson Wyatt Class A common stock).

(2) Represents the product of 1 share multiplied by the applicable Towers Perrin final exchange ratio (546.087270117 shares of Towers Watson Class B common stock for each share of Towers Perrin common stock).

(3) Based on the various assumptions applicable to these diagrams (which includes an oversubscription of the Class R election), 16,357.3840 shares (23.30%) of the outstanding shares of Towers Perrin common stock will be converted into Towers Watson Class R common stock in the merger. Based solely upon these assumptions, the total number of shares of Towers Watson Class R common stock to be issued in the merger will be the quotient of (a) the aggregate dollar amount of $400,000,000 divided by (b) the final transaction value per Towers Perrin share (as described in The Merger Agreement The Class R and Class S Election , and which generally means the quotient of (i) the product of the fully diluted Watson Wyatt shares (42,600,632) multiplied by the final Watson Wyatt stock price ($44.78), divided by (ii) the total number of fully diluted shares of Towers Perrin common stock immediately before the effective time (which for purposes of this illustrative example is assumed to be 78,010.67)).

(4) Represents the product of 1 Towers Perrin RSU multiplied the applicable Towers Perrin final exchange ratio (546.087270117 shares of Towers Watson restricted Class A common stock for each share of Towers Perrin RSU). The number of Towers Perrin RSUs to be owned by a holder of a Guaranteed Towers Perrin Award is equal to (a) the guaranteed dollar amount set forth in the award letter for such holder s Guaranteed Towers Perrin Award, divided by (b) the product of (i) the final Watson Wyatt stock price ($44.78) multiplied by (ii) Towers Perrin final exchange ratio (546.087270117). These calculations are based in part on the Towers Perrin final exchange ratio and the assumption that the number of Towers Perrin RSUs outstanding immediately prior to the effective time is equal to 10% of the sum of such number of Towers Perrin RSUs plus the total shares of Towers Perrin common stock outstanding immediately prior to the effective time. The actual number of shares of Towers Watson restricted Class A common stock to be received in the merger by holders of Towers Perrin RSUs in exchange for their Towers Perrin RSUs is only based in part on, rather than equal to, the Towers Perrin final exchange ratio. Various events may cause the ratio of Towers Perrin RSUs to Towers Watson restricted Class A common stock to vary, including the termination of the employment for any reason of holders of Towers Perrin RSUs and/or Towers Perrin shareholders between the date of this document and the effective time. Adjustments to reflect these various events may be necessary.

## Market Prices on Important Dates

### *Towers Perrin*

Towers Perrin common stock is not publicly traded.

Article VI of Towers Perrin s bylaws contains various provisions requiring a shareholder who ceases to be a Towers Perrin employee (whether because of retirement, death, termination of employment, or otherwise) to sell his or her shares of common stock back to Towers Perrin for a consideration per share equal to the redemption

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value per share, which payment will be made by Towers Perrin pursuant to a specified payment plan over time. In general, Article VI defines redemption value per share as the total shareholder investment on the preceding December 31st, as reflected in Towers Perrin s audited financial statements, less the liquidation value of preferred shares then outstanding (and subject to certain pension related adjustments), divided by the number of common shares (net of treasury shares) then outstanding. Please note that the actual term used in Article VI is book value per share , but for purposes of this document this term is referred to as redemption value per share . As of December 31, 2008, the redemption value per share was $3,642.00 and a Towers Perrin shareholder who ceases to be a Towers Perrin employee in 2009 would receive this amount (paid in installment payments, with interest) for each share of Towers Perrin common stock repurchased by Towers Perrin.

There are approximately 650 holders of Towers Perrin common stock. Towers Perrin does not currently pay dividends on its common stock.

There are approximately 654 holders of Towers Perrin RSUs.

***Watson Wyatt***

Watson Wyatt Class A common stock is traded on the NYSE and NASDAQ under the symbol WW . The closing price per share of Watson Wyatt Class A common stock was as follows:

- $41.18 on June 26, 2009, which was the last full trading day before Towers Perrin and Watson Wyatt announced the merger; and
- $44.31 on November 6, 2009, which was the last full trading day before the date of this document.

**The Special Meetings (See page 55)**

***Towers Perrin Special Meeting***

*Where and when:* The Towers Perrin special meeting will take place at the Stamford Marriott Hotel & Spa located at 243 Tresser Boulevard, Stamford, Connecticut 06901, on December 18, 2009 at 9:00 a.m., local time.

*What you are being asked to vote on:* At the Towers Perrin special meeting, Towers Perrin shareholders will vote on the:

- Approval and adoption of the merger agreement;
- Amendment of Article VI of Towers Perrin s bylaws, which contains transfer and ownership restrictions on shares of Towers Perrin common stock that must be amended to complete the merger; and
- Adjournment(s) of the Towers Perrin special meeting to solicit additional proxies.

Towers Perrin shareholders also may be asked to consider other matters that may properly come before the Towers Perrin special meeting. At the present time, Towers Perrin knows of no other matters that will be presented for consideration at the Towers Perrin special meeting.

*Who may vote:* A Towers Perrin shareholder may vote at the Towers Perrin special meeting if he or she was a record holder of Towers Perrin common stock at the close of business on November 2, 2009. On that date, there were 70,209.60 shares of Towers Perrin common stock outstanding. Towers Perrin shareholders may cast one vote (or fraction of a vote) for each share (or fraction of a share) of Towers Perrin common stock that they owned on that date. ***For the avoidance of doubt, holders of any other Towers Perrin security, such as Towers Perrin RSUs or warrants, do not have voting rights and will not be entitled to vote at the Towers Perrin special meeting on any matter.***

*What vote is needed:* The affirmative vote of the holders of at least two-thirds of the issued and outstanding shares of Towers Perrin common stock is required to approve and adopt the merger agreement and to amend Article VI of Towers Perrin s bylaws. The affirmative vote of the holders of a majority of the votes cast at the Towers Perrin special meeting is required to approve any other proposal at Towers Perrin s special meeting.

***It is important to note that the merger will not be completed unless the holders of two-thirds of the issued and outstanding shares of Towers Perrin common stock vote FOR both the proposal to approve and adopt the merger agreement and the proposal to amend Article VI of Towers Perrin s bylaws.***

***Watson Wyatt Special Meeting***

*Where and when:* The Watson Wyatt special meeting will take place at Westin Arlington Gateway, 801 N. Glebe Road, Arlington, Virginia 22203, on December 18, 2009 at 10:00 a.m., local time. Watson Wyatt stockholders who are entitled to vote may attend the Watson Wyatt special meeting.

*What you are being asked to vote on:* At the Watson Wyatt special meeting, Watson Wyatt stockholders will be asked to consider and vote on the:

- Approval and adoption of the merger agreement;
- Approval of the Towers Watson & Co. 2009 Long Term Incentive Plan, which we refer to as the Towers Watson Incentive Plan . Towers Watson intends to implement the Towers Watson Incentive Plan so it can make equity incentive compensation awards to directors, officers and employees of Towers Watson following the consummation of the merger. The completion of the merger is not conditioned upon the approval of the Towers Watson Incentive Plan proposal. However, under the NYSE and NASDAQ rules, the implementation of the Towers Watson Incentive Plan is subject to approval by only the stockholders of Watson Wyatt (*i.e.*, Towers Perrin shareholders are not required to vote on this proposal) and the consummation of the merger. If the proposals to approve and adopt the merger agreement do not receive the requisite stockholder approvals or if the merger agreement is terminated for any reason, then the Towers Watson Incentive Plan will not be implemented; and
- Adjournment(s) of the Watson Wyatt special meeting to solicit additional proxies.

Watson Wyatt stockholders may be asked to consider other matters that properly come before the Watson Wyatt special meeting. At the present time, Watson Wyatt knows of no other matters that will be presented for consideration at the Watson Wyatt special meeting.

*Who may vote:* Watson Wyatt stockholders are entitled to receive this notice and to vote at the Watson Wyatt special meeting if they were a record holder of Watson Wyatt Class A common stock at the close of business on the Watson Wyatt record date, November 3, 2009. On that date, there were 42,307,754 shares of Watson Wyatt Class A common stock outstanding and entitled to vote. Watson Wyatt stockholders may cast one vote for each share of Watson Wyatt Class A common stock that they owned on the Watson Wyatt record date.

*What vote is needed:* The affirmative vote, cast in person or by proxy, of the holders of at least a majority of the outstanding shares of Watson Wyatt Class A common stock entitled to vote is required to approve and adopt the merger agreement. The affirmative vote of the holders of a majority of the shares represented and entitled to vote on the subject matter at the Watson Wyatt special meeting is required to approve all other proposals at the Watson Wyatt special meeting.

**Recommendations to Stockholders (See pages 73 and 78)**

***To Towers Perrin Shareholders***

After careful consideration of numerous factors, Towers Perrin s board of directors unanimously approved the merger agreement and determined that the merger agreement is advisable and in the best interests of Towers Perrin, its shareholders and other constituencies. Accordingly, the Towers Perrin board of directors recommends that Towers Perrin shareholders vote **FOR** the proposals to (1) approve and adopt the merger agreement, and (2) amend Article VI of Towers Perrin s bylaws.

On June 26, 2009, concurrently with the execution of the merger agreement and as a condition of and inducement to Watson Wyatt s willingness to enter into the merger agreement, each of Towers Perrin s executive officers and directors entered into a voting agreement with Watson Wyatt and agreed to, among other things, vote his or her shares of Towers Perrin common stock in favor of the foregoing proposals. A form of this voting agreement is attached as Annex B-1 to this document. Accordingly, holders of approximately 6.82% of the outstanding shares of Towers Perrin common stock as of November 2, 2009, the Towers Perrin record date, are contractually obligated to vote to approve and adopt the merger agreement. See Towers Perrin Proposal No. 1 and Watson Wyatt Proposal No. 1: The Merger Agreement Voting Agreements . The affirmative vote of the holders of at least two-thirds of the issued and outstanding shares of Towers Perrin common stock is required to approve and adopt the merger agreement.

***To Watson Wyatt Stockholders***

After careful consideration of numerous factors, Watson Wyatt s board of directors unanimously approved the merger agreement and determined that the merger agreement is advisable and in the best interests of Watson Wyatt and its stockholders. Accordingly, the Watson Wyatt board of directors recommends that Watson Wyatt stockholders vote **FOR** the proposals to (1) approve and adopt the merger agreement, and to (2) approve the Towers Watson Incentive Plan.

On June 26, 2009, concurrently with the execution of the merger agreement and as a condition of and inducement to Towers Perrin s willingness to enter into the merger agreement, certain executive officers and all directors of Watson Wyatt entered into a voting agreement with Towers Perrin and agreed, among other things, to vote his or her shares of Watson Wyatt Class A common stock in favor of the adoption of the merger agreement. A form of this voting agreement is attached as Annex B-2 to this document. Accordingly, holders of approximately 1.7% of the outstanding shares of Watson Wyatt Class A common stock as of October 29, 2009 are contractually obligated to vote to approve and adopt the merger agreement. See Towers Perrin Proposal No. 1 and Watson Wyatt Proposal No. 1: The Merger Agreement Voting Agreements . The affirmative vote, cast in person or by proxy, of the holders of at least a majority of the outstanding shares of Watson Wyatt Class A common stock entitled to vote is required to approve and adopt the merger agreement.

**Towers Perrin s Reasons for the Merger (See page 73)**

The Towers Perrin board of directors believes that the merger will create one of the world s leading professional services firms, well positioned for sustained growth and profitability across its geographies and business segments. Towers Perrin s board of directors considered, in consultation with its legal and financial advisors, various factors in approving the merger agreement, including the opportunity of Towers Perrin s shareholders to become stockholders of a company with greater financial and market strength than Towers Perrin on its own, the increased market liquidity expected to result from exchanging stock in a private company for publicly traded securities of Towers Watson, the strategic fit between Towers Perrin and Watson Wyatt, the complementary nature of their businesses and client bases, and the fact that the combined company would be led by a strong, experienced management team, assuring the continuity of the mission, vision and values that drove Towers Perrin as a stand-alone company. In addition, Towers Perrin s board of directors considered, in consultation with its legal and financial advisors, various potential negative factors, including the impact of potential client or employee defections after announcement of the merger; the possibility of management and employee disruption associated with the merger and integrating the operations of the companies, including the risk that, despite the efforts of the combined company, employees of Towers Perrin might not remain employed with the combined company; the risk that if the merger is not completed as anticipated, Towers Perrin would fall

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further behind in effectuating its long-term growth strategy, which requires a currency in the form of publicly-traded stock to execute the inorganic growth component of that strategy; and the potential limited liquidity of shares of Towers Watson common stock received by Towers Perrin security holders in the merger. In reviewing these factors, including information obtained through due diligence, the Towers Perrin board of directors concluded that the potential benefits outweighed the potential risks associated with the merger. See Towers Perrin Proposal No. 1 and Watson Wyatt Proposal No. 1: The Merger Agreement Recommendation of Towers Perrin s Board of Directors and Reasons for the Merger .

**Watson Wyatt s Reasons for the Merger (See page 78)**

The Watson Wyatt board of directors believes that the merger presents a strategic opportunity to expand through a combination with the complementary human capital and risk management business of Towers Perrin. In reaching its decision to adopt the merger agreement and recommend the approval and adoption of the merger agreement to its stockholders, Watson Wyatt s board of directors consulted with management, as well as its legal and financial advisors, and considered a number of factors, including each of Watson Wyatt s and Towers Perrin s business, operations, financial condition, asset quality and earnings, Watson Wyatt s stock performance and the other matters referred to under Towers Perrin Proposal No. 1 and Watson Wyatt Proposal No. 1: The Merger Agreement Recommendation of Watson Wyatt s Board of Directors and Reasons for the Merger . Watson Wyatt s board of directors also considered potential risks in connection with the proposed merger, including the challenges of combining the businesses, assets and workforces of two large companies, the risks that anticipated synergies and other potential benefits of the merger may not be fully realized and may be more expensive to achieve than anticipated and the risk that the merger could be dilutive to Towers Watson s earnings per share as compared with Watson Wyatt s earnings per share. In reviewing these factors, including information obtained through due diligence, the board of directors concluded that the potential positive factors outweighed the potential risks associated with the merger. In particular, the board of directors determined that Towers Perrin s business and operations, which complement those of Watson Wyatt, and the synergies potentially available in the merger, create the opportunity for the combined company to have superior future earnings and prospects compared to Watson Wyatt s earnings and prospects on a stand-alone basis.

**Opinion of Towers Perrin s Financial Advisor (See page 81)**

Goldman, Sachs & Co., which we refer to as Goldman Sachs , delivered its opinion to Towers Perrin s board of directors that, as of June 26, 2009 and based upon and subject to factors and assumptions set forth in its opinion, the Towers Perrin final exchange ratio of Towers Watson Class B common stock pursuant to the merger agreement was fair from a financial point of view to the shareholders of Towers Perrin common stock.

The full text of the written opinion of Goldman Sachs, dated June 26, 2009, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex C. **Goldman Sachs provided its opinion for the information and assistance of Towers Perrin s board of directors in connection with its consideration of the merger. The Goldman Sachs opinion is not a recommendation as to how any holder of Towers Perrin common stock should vote with respect to the merger agreement proposal or any other matter.**

**Opinion of Watson Wyatt s Financial Advisor (See page 90)**

In connection with the merger, Banc of America Securities LLC (which we refer to as BofA Merrill Lynch ), Watson Wyatt s financial advisor, delivered to Watson Wyatt s board of directors a written opinion, dated June 26, 2009, as to the fairness, from a financial point of view and as of the date of the opinion, to the holders of Watson Wyatt common stock of the exchange ratio provided for in the merger for one share of Towers Watson Class A common stock for each outstanding share of Watson Wyatt common stock (which we refer to as the Watson Wyatt final exchange ratio ). The full text of the written opinion, dated June 26, 2009, of BofA Merrill Lynch, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex D to this document and is incorporated by reference herein in its entirety. **BofA Merrill Lynch provided its opinion to Watson Wyatt s board of directors for the benefit and use of Watson Wyatt s board of directors in connection with and for purposes of its evaluation of the Watson Wyatt final exchange ratio from a financial point of view. BofA Merrill Lynch s opinion does not address any other aspect of the merger and does not constitute a recommendation to any stockholder as to how to vote or act in connection with the proposed merger.**

**Directors and Executive Officers of Towers Watson After the Merger (See page 156)**

***Directors After the Merger***. Towers Watson s board of directors immediately following completion of the merger will consist of 12 individuals, six of whom will be designated by Towers Perrin and six of whom will be designated by Watson Wyatt. Four of Towers Perrin s designees must be independent, and four of Watson Wyatt s designees must be independent.

One of Watson Wyatt s designees to the Towers Watson board of directors will be John J. Haley, who will serve as Chairman of the Board of Directors. One of Towers Perrin s designees to the Towers Watson board of directors will be Mark V. Mactas, who will serve as Deputy Chairman of the Board of Directors. See Directors and Executive Officers of Towers Watson After the Merger Directors After the Merger for additional information regarding the remaining directors.

The initial term of these twelve directors will end upon the earlier of their resignation or removal or until their respective successors are duly elected and qualified pursuant to the terms of Towers Watson s certificate of incorporation and Towers Watson s Amended and Restated Bylaws (which we refer to as Towers Watson s bylaws ). After the first annual meeting, directors will serve for one-year terms. Towers Watson s bylaws provide that in any election of directors, each director will be elected by the vote of a majority of the votes cast. However, if as of a date that is five business days before the filing of Towers Watson s definitive proxy statement with the SEC the number of director nominees exceeds the number of directors to be elected, the directors will be elected by a plurality of the shares represented at any such meeting and entitled to vote on the election of directors.

***Executive Officers After the Merger***. Following completion of the merger, John J. Haley, currently the President, Chief Executive Officer and Chairman of the Board of Watson Wyatt will serve as Chairman of the Board of Directors and Chief Executive Officer of Towers Watson. Mark V. Mactas, currently President, Chief Executive Officer and Chairman of the Board of Towers Perrin, will serve as Deputy Chairman of the Board of Directors, President and Chief Operating Officer of Towers Watson. For additional information regarding the executive officers of Towers Watson following the effective time, see Directors and Executive Officers of Towers Watson After the Merger Executive Officers After the Merger .

**Interests of Directors, Executive Officers and Principal Stockholders of Towers Perrin and Watson Wyatt in the Merger (See pages 97 and 99)**

Some of the directors and executive officers of Towers Perrin and Watson Wyatt have interests in the merger that are different from, or are in addition to, the interests of their respective company s stockholders generally. These interests include, as applicable, positions as directors or executive officers of Towers Watson, potential benefits under employment or benefit arrangements that may be available as a result of the merger, payment or accelerated vesting or distribution of rights or benefits under certain of their respective compensation and benefit plans or arrangements as a result of the merger, potential severance and other benefit payments in the event of termination of employment in connection with the merger, and the right to continued indemnification and insurance coverage by Towers Watson for acts or omissions occurring prior to the merger. In addition, two directors and an executive officer of Towers Perrin have been awarded Towers Perrin RSUs, which will convert in the merger into Towers Watson restricted Class A common stock.

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Finally, upon the closing of the merger, (1) certain Towers Perrin executive officers will be eligible for payments with respect to their transaction based compensation agreements, and (2) certain Watson Wyatt executive officers and directors will be entitled to payments with respect to their equity-based awards and deferred compensation.

In recommending that their respective company s stockholders approve and adopt the merger agreement, the boards of directors of Towers Perrin and Watson Wyatt were aware of these interests and considered them in approving the transactions contemplated by the merger agreement.

**The Merger Agreement (See page 108)**

The merger agreement is attached to this document as Annex A. We encourage you to read the merger agreement because it is the legal document that governs the merger.

***What We Need to Do to Complete the Merger***. Towers Perrin and Watson Wyatt will complete the merger only if the conditions set forth in the merger agreement are satisfied or, in some cases, waived. These conditions include, among others:

- Approval and adoption of the merger agreement by Towers Perrin s shareholders and approval of the amendment to Article VI of Towers Perrin s bylaws by Towers Perrin s shareholders;
- Approval and adoption of the merger agreement by Watson Wyatt s stockholders;
- Expiration of applicable antitrust waiting periods or the receipt of necessary antitrust approvals;
- Absence of legal prohibitions to the merger;
- Continued effectiveness of the registration statement of which this document is a part;
- Approval for listing on the NYSE of the shares of Towers Watson Class A common stock to be issued in the merger;
- Holders of not more than 10% of the outstanding shares of Towers Perrin s common stock at the closing of the merger seek dissenters rights under the Pennsylvania Business Corporation Law, referred to as the PBCL ;
- Accuracy of each company s representations and warranties;
- Performance by each company of its obligations under the merger agreement;
- The absence of a material adverse effect with respect to Towers Perrin or Watson Wyatt, as the case may be, which has not been cured;
- Receipt of a legal opinion from each of counsel for Towers Perrin and Watson Wyatt as to the treatment of the Towers Perrin merger and Watson Wyatt merger, respectively, for U.S. federal income tax purposes; and
- The absence of certain professional liability claims against either Towers Perrin or Watson Wyatt, as the case may be, arising out of or in connection with services or failure to provide services, which claim(s) the board of directors of Towers Perrin or Watson Wyatt, as the case may be, determines in good faith has a reasonable likelihood of success and would reasonably be expected to result in a material adverse effect on Towers Perrin or Watson Wyatt, as the case may be.

***No Solicitation***. Subject to certain important exceptions, the merger agreement generally restricts the ability of Towers Perrin or Watson Wyatt to solicit or engage in discussions or negotiations with a third party regarding a proposal to acquire a significant interest in either entity.

***Termination of the Merger Agreement; Fees Payable***. Towers Perrin and Watson Wyatt may jointly agree to terminate the merger agreement at any time. Either Towers Perrin or Watson Wyatt may also terminate the merger agreement in various circumstances, including failure to receive necessary stockholder approvals, as applicable, and upon the breach by the other party of certain of its obligations under the merger agreement.

In several circumstances involving a change in the recommendation of the Towers Perrin board of directors or the Watson Wyatt board of directors to vote for the approval and adoption of the merger agreement, certain actions with respect to a third-party acquisition proposal or breach of the merger agreement, either Towers Perrin or Watson Wyatt may become obligated to pay to the other $65 million in termination fees or up to $10 million in expense reimbursement. See The Merger Agreement Termination Fees; Expenses .

**Material Income Tax Considerations (See page 137)**

***Tax matters are very complicated. The tax consequences of the merger to you will depend on your specific situation. You should consult your tax advisor for a full understanding of the U.S. federal, state, local, UK and Canadian tax consequences of the merger to you, as well as tax consequences in any other jurisdiction that may be relevant to you.*** See Material Income Tax Considerations for a description of the U.S., U.K. and Canadian income tax consequences of the merger.

***For Towers Perrin Shareholders***

*U.S. Tax Consequences.* It is a condition to Towers Perrin s obligation to consummate the merger that it receive an opinion from its counsel, dated as of the closing date of the merger, to the effect that the Towers Perrin merger will be treated for U.S. federal income tax purposes as a transfer of property to Towers Watson by the holders of Towers Perrin common stock, as described in Section 351(a) or Section 351(b) of the Internal Revenue Code of 1986, as amended (which we refer to as the Code ) or a reorganization within the meaning of Section 368(a) of the Code, or both. Accordingly, the exchange of Towers Perrin common stock solely for Towers Watson Class B common stock by holders of Towers Perrin common stock should generally be nontaxable to such holders for U.S. federal income tax purposes. However, under certain circumstances, tax may be imposed on the receipt of merger consideration. See Material Income Tax Considerations Consequences of the Merger to U.S. Holders of Towers Perrin Shares .

Towers Perrin shareholders who make a Class R or Class S election generally will recognize gain, but not loss, on the exchange and will be taxable on the lesser of (1) the amount of cash and the fair market value of Towers Watson Notes treated as received in exchange for their Towers Perrin common stock and (2) the amount of gain realized on the exchange. In addition, a portion of the consideration payable to a Class R Participant will be treated as compensation income and taxable at ordinary income tax rates. See Material Income Tax Considerations Consequences of the Merger to U.S. Holders of Towers Perrin Shares Consequences to U.S. Holders Who Make a Class R Election or a Class S Election .

A Towers Perrin employee who is a U.S. person who holds Towers Perrin RSUs should generally be subject to U.S. federal income tax at ordinary income rates only when the Towers Watson restricted Class A common stock received in exchange for his or her Towers Perrin RSUs vests.

*U.K. Tax Consequences.* A U.K. holder of Towers Perrin common stock, other than a Class R Participant who makes a valid Class R election and a U.K. holder of Towers Perrin common stock who makes a valid Class S election, generally will not recognize income, gain or loss upon the receipt of Towers Watson Class B common stock in exchange for Towers Perrin common stock in the Towers Perrin merger. A U.K. holder of Towers Perrin common stock is treated for the purposes of U.K. capital gains tax as not having made a disposal of Towers Perrin common stock, and the shares of Towers Watson Class B common stock (taken as a single asset) are treated as the same asset, acquired at the same time, as the Towers Perrin common stock.

A U.K. holder of Towers Perrin common stock who receives consideration in the Towers Perrin merger consisting in whole or in part of (1) shares of Towers Watson Class R common stock and Towers Watson Class B-1 common stock or (2) or Towers Watson Class S common stock will generally not recognize income, gain or loss on the receipt of such consideration for his or her shares of Towers Perrin common stock, but should recognize gain or loss when shares of Towers Watson Class R common stock or Towers Watson Class S common stock are redeemed for cash and, in the case of a Class R Participant, when the Towers Watson Notes are redeemed for cash.

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*Canadian Tax Consequences.* Unless a Canadian holder of shares of Towers Perrin common stock elects to realize a gain or loss with respect to the Towers Perrin merger, the Canadian holder will generally be deemed to have disposed of the shares of Towers Perrin common stock for proceeds of disposition equal to the adjusted cost base of those shares to the Canadian holder and to have acquired shares of Towers Watson Class B common stock for the same amount. Accordingly, no gain or loss should be realized by a Canadian holder upon the receipt of shares of Towers Watson Class B common stock, Towers Watson Class R common stock, Towers Watson Class S common stock, or Towers Watson Class F stock in exchange for shares of Towers Perrin common stock in the Towers Perrin merger.

On the redemption of a share of Towers Watson Class R common stock or Towers Watson Class S common stock, a Canadian holder will be deemed to have disposed of such share for proceeds of disposition equal to the fair market value of the consideration (whether paid in cash or Towers Watson Notes) received on the redemption. The Canadian holder will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition of the share of Towers Watson Class R common stock or Towers Watson Class S common stock, as the case may be, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the share of Towers Watson Class R common stock or Towers Watson Class S common stock, as the case may be, to the Canadian holder.

***For Watson Wyatt Stockholders***

*U.S. Tax Consequences.* It is a condition to Watson Wyatt s obligation to consummate the merger that it receive an opinion of its counsel, dated as of the closing date of the merger, to the effect that the Watson Wyatt merger will be treated for U.S. federal income tax purposes as a transfer of property to Towers Watson by the holders of Watson Wyatt Class A common stock, as described in Section 351(a) or Section 351(b) of the Code or a reorganization within the meaning of Section 368(a) of the Code, or both. Accordingly, the exchange of Watson Wyatt Class A common stock solely for Towers Watson Class A common stock by holders of Watson Wyatt Class A common stock should generally be nontaxable to such holders for U.S. federal income tax purposes. See Material Income Tax Considerations Consequences of the Merger to U.S. Holders of Watson Wyatt Shares .

*U.K. Tax Consequences.* A U.K. holder of Watson Wyatt Class A common stock generally will not recognize income, gain or loss upon the receipt of shares of Towers Watson common stock in exchange for Watson Wyatt Class A common stock in the Watson Wyatt merger. A U.K. holder is treated for the purposes of U.K. capital gains tax as not having made a disposal of Watson Wyatt Class A common stock, and the shares of Watson Wyatt Class A common stock (taken as a single asset) are treated as the same asset, acquired at the same time, as the shares of Watson Wyatt Class A common stock.

*Canadian Tax Consequences.* Unless a Canadian holder of Watson Wyatt Class A common stock elects to realize a gain or loss with respect to the Watson Wyatt merger, the Canadian holder is generally deemed to have disposed of the shares of Watson Wyatt Class A common stock for proceeds of disposition equal to the adjusted cost base of those shares to the Canadian holder and to have acquired shares of Towers Watson Class A common stock for the same amount. Accordingly, no gain or loss should be realized by a Canadian holder upon the receipt of shares of Towers Watson Class A common stock in exchange for shares of Watson Wyatt stock in the Watson Wyatt merger.

**Comparison of the Rights of Towers Perrin, Watson Wyatt and Towers Watson Stockholders (See page 188)**

Some of the rights of Towers Perrin shareholders and Watson Wyatt stockholders are different from the rights of a Towers Watson stockholder. One important difference is that Towers Watson has authorized multiple classes of common stock, some of which have vesting, forfeiture, transfer or reallocation features, while Towers

Perrin and Watson Wyatt each have only one authorized class of common stock. In addition, certain important differences derive from the fact that (1) Towers Perrin is incorporated in Pennsylvania, while Watson Wyatt and Towers Watson (currently Jupiter Saturn Holding Company) are each incorporated in Delaware, and (2) Towers Watson s certificate of incorporation and bylaws, which will be in effect immediately at the effective time and will govern the rights of a Towers Watson stockholder, contain (or omit) certain key provisions found in the governing instruments of Towers Perrin and Watson Wyatt, respectively. Based on the foregoing, please read carefully the summary of the material differences among the rights of Towers Watson stockholders, Towers Perrin shareholders and Watson Wyatt stockholders under Comparison of the Rights of Towers Perrin, Watson Wyatt and Towers Watson Stockholders and the form of the Towers Watson certificate of incorporation and bylaws, copies of which are attached as Annex H to this document.

**Other Information**

***Regulatory Requirements to Complete the Merger (See page 106).*** Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (referred to as the HSR Act ), the merger may not be consummated unless certain filings have been submitted to the Federal Trade Commission (which we refer to as the FTC ), and the Antitrust Division of the U.S. Department of Justice (which we refer to as the Antitrust Division ), and applicable waiting period requirements have been satisfied. On August 6, 2009, the parties request for early termination of the waiting period under the HSR Act was granted.

In addition, the merger may not be consummated unless certain filings have been submitted and approved by the European Commission pursuant to the EC Merger Regulation and any other applicable approval and waiting period requirements have been satisfied. Towers Perrin and Watson Wyatt have filed a submission with the European Commission, and we believe that all approval and waiting period requirements will be satisfied. However, Towers Perrin, Watson Wyatt and the Holding Company cannot assure you whether or when the waiting period requirements will be satisfied or required approvals obtained; nor can the companies assure you that other required regulatory approvals will be obtained and whether any such approval will be conditioned on actions materially adverse to the business or prospects of Towers Watson.

***Listing of the Towers Watson Common Stock Issued in the Merger (See page 107).*** Towers Perrin s common stock is not publicly traded. Watson Wyatt s Class A common stock is currently listed on the NYSE and NASDAQ under the symbol WW . Following completion of the merger, shares of common stock of Watson Wyatt will no longer be listed or traded on either the NYSE or NASDAQ. Shares of Towers Watson Class A common stock will be listed on the NYSE and NASDAQ under the symbol TW , subject to the approval of the respective exchanges. Towers Perrin and Watson Wyatt will use reasonable best efforts to prepare and submit to each of the NYSE and NASDAQ a listing application covering the shares of Towers Watson Class A common stock issuable in the merger; however only the listing of Towers Watson Class A common stock on the NYSE is a condition to the consummation of the merger.

***Appraisal Rights (See page 103).*** Towers Perrin shareholders are entitled to dissent from approval of the merger agreement and demand payment of the fair value of their shares of Towers Perrin common stock in accordance with the procedures under Pennsylvania law. Under the Delaware General Corporation Law (which we refer to as the DGCL ), Watson Wyatt stockholders are not entitled to appraisal rights in connection with the merger.

***Accounting Treatment (See page 106).*** Although the business combination of Towers Perrin and Watson Wyatt is a merger of equals , generally accepted accounting principles require that one of the two companies in the merger be designated as the acquirer for accounting purposes based on the available evidence. Watson Wyatt will be treated as the acquiring entity for accounting purposes.

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## SELECTED HISTORICAL AND UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following tables present (1) selected historical financial information of Towers Perrin, (2) selected historical financial information of Watson Wyatt, and (3) selected unaudited pro forma consolidated financial information of Towers Watson, reflecting the merger.

### Towers Perrin Selected Historical Financial Information

You should read the following selected financial information together with the Towers Perrin consolidated financial statements and related notes included in this document and the section entitled Towers Perrin s Management s Discussion and Analysis of Financial Condition and Results of Operations . The statement of operations data for the years ended December 31, 2008, 2007 and 2006, and the balance sheet data as of December 31, 2008 and 2007, are derived from Towers Perrin s audited financial statements, included elsewhere in this document. The statement of operations data for the years ended December 31, 2005 and 2004, and the balance sheet data as of December 31, 2006, 2005 and 2004, are derived from Towers Perrin s audited financial statements that are not included in this document. Such financial data has been adjusted for the adoption of EITF Topic No. D-98, *Classification and Measurement of Redeemable Securities*, which Towers Perrin had not adopted in the audited financial statements for these periods. The statement of operations data for the six months ended June 30, 2009 and 2008 and the balance sheet data as of June 30, 2009 are derived from Towers Perrin s unaudited interim financial statements, included elsewhere in this document. Towers Perrin s unaudited interim financial statements have been prepared on the same basis as its audited statements and, in the opinion of management, include all adjustments, consisting of normal recurring adjustments, necessary to present fairly Towers Perrin s consolidated results of operations and financial position for the periods presented. Results for interim periods are not necessarily indicative of results for the remainder of the full fiscal year or for any future period.

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| | Year Ended December 31, 2008 | 2007 | 2006 | 2005 | 2004 | Six Months Ended June 30, 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| | (in thousands) | | | | | | |
| **Statement of Operations Data:** | | | | | | | |
| **Total revenue** | **$ 1,719,769** | **$ 1,641,135** | **$ 1,460,034** | **$ 1,366,873** | **$ 1,603,137** | **$ 758,661** | **$ 892,131** |
| **Expenses:** | | | | | | | |
| Compensation and benefits | 1,206,637 | 1,129,185 | 1,080,915 | 934,205 | 1,100,053 | 537,529 | 636,612 |
| General and administrative | 256,334 | 323,026 | 194,292 | 210,537 | 275,821 | 113,596 | 123,810 |
| Occupancy-related costs | 68,561 | 61,873 | 58,217 | 68,450 | 97,287 | 34,626 | 34,872 |
| Professional and subcontracted services | 122,379 | 120,981 | 89,990 | 80,223 | 44,128 | 63,992 | 59,361 |
| Depreciation and amortization | 36,986 | 34,711 | 31,021 | 31,502 | 56,082 | 18,364 | 16,592 |
| Restructuring (benefit) expense | (351) | (5,229) | (7,274) | 34,929 | | | |
| Total expenses | 1,690,546 | 1,664,547 | 1,447,161 | 1,359,846 | 1,573,371 | 768,107 | 871,247 |
| Operating income (loss) | 29,223 | (23,412) | 12,873 | 7,027 | 29,766 | (9,446) | 20,884 |
| Gain (loss) on sale of businesses[1] | 1,237 | 1,751 | 2,756 | 372,616 | | | |
| Other non-operating income | | | | | | | |
| Investment and other income (expense), net | 23,879 | 25,850 | 24,104 | 23,873 | (1,311) | 7,832 | 10,187 |
| Equity in (loss) income of unconsolidated affiliates | (14,949) | (23,909) | (14,570) | (3,746) | 1,621 | 7,588 | (5,960) |
| **Income (loss) before income taxes** | **39,390** | **(19,720)** | **25,163** | **399,770** | **30,076** | **5,974** | **25,111** |
| Income tax expense | (34,450) | (3,785) | (44,258) | (168,453) | (18,267) | (11,880) | (6,107) |
| **Net income (loss) attributable to mandatorily redeemable common shares** | **$ 4,940** | **$ (23,505)** | **$ (19,095)** | **$ 231,317** | **$ 11,809** | **$ (5,906)** | **$ 19,004** |

| | As of December 31, 2008 | 2007 | 2006 | 2005 | 2004 | As of June 30, 2009 |
|---|---|---|---|---|---|---|
| | (in thousands) | | | | | |
| **Balance Sheet Data:** | | | | | | |
| Cash and cash equivalents | $ 486,864 | $ 503,373 | $ 580,978 | $ 551,200 | $ 424,626 | $ 459,875 |
| Total assets | 1,683,286 | 1,866,567 | 1,591,169 | 1,528,231 | 1,326,318 | 1,618,915 |
| Mandatorily redeemable common shares | 257,688 | 301,435 | 301,804 | 305,954 | 43,662 | 264,390 |
| Redeemable preferred stock | | | | | 66,631 | |
| Other shareholders deficit | (117,045) | (37,621) | (74,928) | (68,132) | (66,068) | (117,045) |

(1) In 2005 Towers Perrin transferred certain assets and liabilities of the Towers Perrin Administration Solutions (or TPAS ) line of business with a net book value of approximately $38.0 million to Electronic Data Systems, Inc. and affiliates (or EDS ) and ExcellerateHRO, a limited liability partnership 85% owned and controlled by EDS (or eHRO ), for proceeds of approximately $471.3 million, which included cash of $381.4 million and a 15% interest in the limited liability partnership. After transaction related expenses of $12.3 million, Towers Perrin recorded a pre-tax gain of $372.6 million upon closing of the transaction, which is included in gain on sale of businesses in the above statement of operations data.

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**Watson Wyatt Selected Historical Financial Information**

The following selected historical financial information for the five fiscal years ended June 30, 2009, which are presented in accordance with U.S. generally accepted accounting principles (or GAAP ), has been derived from Watson Wyatt s audited annual financial statements. This historical data is only a summary. You should read this information in conjunction with Watson Wyatt s historical audited financial statements and related notes and the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations included in Watson Wyatt s annual reports and other information on file with the U.S. Securities and Exchange Commission (or SEC ), which are incorporated by reference into this document and from which this information is derived. For more information, see Additional Information Where You Can Find Additional Information on page 251.

| | As of and for the Year Ended June 30, | | | | |
|---|---|---|---|---|---|
| *(In thousands, except per share amounts)* | **2009** | **2008** | **2007** | **2006** | **2005** |
| **Consolidated Statement of Operations Information:** | | | | | |
| Revenue | $ 1,676,029 | $ 1,760,055 | $ 1,486,523 | $ 1,271,811 | $ 737,421 |
| Income from operations | 209,383 | 226,773 | 179,305 | 132,417 | 80,785 |
| Net income | $ 146,458 | $ 155,441 | $ 116,275 | $ 87,191 | $ 52,162 |
| **Per Share Information:** | | | | | |
| Earnings per share: | | | | | |
| Basic | $ 3.43 | $ 3.65 | $ 2.74 | $ 2.11 | $ 1.60 |
| Diluted(1) | $ 3.42 | $ 3.50 | $ 2.60 | $ 2.01 | $ 1.58 |
| Dividends declared per share | $ 0.30 | $ 0.30 | $ 0.30 | $ 0.30 | $ 0.30 |
| Weighted average shares of common stock: | | | | | |
| Basic (000) | 42,690 | 42,577 | 42,413 | 41,393 | 32,541 |
| Diluted (000) | 42,861 | 44,381 | 44,684 | 43,297 | 32,845 |
| **Balance Sheet Information:** | | | | | |
| Cash and cash equivalents | $ 209,832 | $ 124,632 | $ 248,186 | $ 165,345 | $ 168,076 |
| Working capital | 228,460 | 172,241 | 326,354 | 197,312 | 236,658 |
| Goodwill and intangible assets | 728,987 | 870,943 | 594,651 | 511,116 | 22,664 |
| Total assets | $ 1,626,319 | $ 1,715,976 | $ 1,529,709 | $ 1,240,359 | $ 618,679 |
| Revolving credit facility | | | 105,000 | 30,000 | |
| Other long-term obligations(2) | 435,541 | 346,335 | 326,782 | 265,263 | 256,924 |
| Total stockholders equity | $ 853,638 | $ 984,395 | $ 787,519 | $ 648,761 | $ 234,203 |

(1) The diluted earnings per share calculation for the years ended June 30, 2008, 2007 and 2006 assumes that 1,950,000 contingent shares related to the Watson Wyatt LLP business combination were issued and outstanding since July 31, 2005. The diluted earnings per share calculation for the year ended June 30, 2008 also assumes that 218,089 contingent shares related to the business combination with Watson Wyatt Brans & Co. were issued and outstanding at July 1, 2007. All of these shares were issued during the three months ended June 30, 2008.

(2) Other long-term obligations includes accrued retirement benefits, deferred rent and accrued lease losses, deferred income taxes and other long-term tax liabilities, contingency stock payable and other non-current liabilities.

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**Selected Unaudited Pro Forma Condensed Combined Financial and Other Information**

The following unaudited pro forma condensed combined financial information for the Holding Company gives effect to the merger as if it occurred as of June 30, 2009, for purposes of the balance sheet data, and as of July 1, 2008 for purposes of the statement of operations data. The pro forma balance sheet data combines Watson Wyatt s historical audited consolidated balance sheet data as of June 30, 2009 with Towers Perrin s historical unaudited consolidated balance sheet data as of June 30, 2009. The pro forma condensed combined statement of operations data combines Watson Wyatt s historical audited consolidated statement of operations data for the fiscal year ended June 30, 2009 with Towers Perrin s historical unaudited consolidated statement of operations data for the twelve months ended June 30, 2009. Watson Wyatt s fiscal year ends on June 30 while Towers Perrin s fiscal year ends on December 31. Towers Perrin s financial information has been recast to conform with Watson Wyatt s fiscal year end. The unaudited pro forma financial information below should be read together with the respective historical financial statements and related notes and sections entitled Towers Perrin s Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this document and of Watson Wyatt incorporated by reference in this document. For more information, including a description of the assumptions on which this pro forma financial information is based, and other details, see the sections entitled Additional Information Where You Can Find Additional Information beginning on page 251 and Unaudited Pro Forma Condensed Combined Financial Statements beginning on page 207.

We believe Towers Watson will be one of the world s leading professional services firms, well positioned for sustained growth and profitability across diversified geographies and business segments. We anticipate that the proposed transaction will provide Towers Watson with financial benefits that include increased revenue opportunities and reduced operating expenses, which are not reflected in the pro forma information, including:

- The revenue growth that we expect Towers Watson to achieve from strengthening core services and expanding the existing portfolio of services.
- Anticipated pretax annual operational cost savings of approximately $80 million due to management headcount reductions and general and administrative savings, with full realization of these savings expected to take three years to achieve.
- An estimated $116 million reduction in annual aggregate Towers Perrin bonus payments to reflect compensation levels appropriate for Towers Watson as a public company. Compensation expense recorded by Towers Perrin and included in salaries and employee benefits expense has historically reflected its private company structure, where the majority of profits are paid to employees, including principals, each year. The $116 million reduction in bonus was determined by applying a methodology comparable to Watson Wyatt s historical bonus practices to Towers Perrin s financial results for the 12-month period ended June 30, 2009.
- Estimated annual savings of $41 million in compensation, benefits and other direct costs expected to result from the retirement of Class R eligible participants as of the effective time (these savings are not included in the estimated $80 million in annual operational costs savings or the estimated $116 million in bonus savings described above).

We expect to incur certain costs in connection with the merger that are not reflected in the following pro forma information, including:

- Expected one-time severance and information technology integration costs of approximately $80 million and expected additional charges as a result of integration.
- Other expected costs, such as rebranding costs, lease termination costs, facilities consolidation costs, tax restructuring, potential pension plan curtailment costs, potential increases in reserves associated with the restructuring of professional liability insurance and other integration costs.

Pro forma earnings per share, in addition to excluding the financial benefits, reduced operating expenses and costs mentioned above, reflects the impact of significant non-cash, non-recurring expenses resulting from the

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merger, including compensation expense incurred as a result of the issuance of Towers Watson restricted Class A common stock to Towers Perrin RSU holders and the incremental amortization of acquired intangible assets.

Towers Perrin is a private, employee-owned corporation. As a result, Towers Perrin s historical unaudited consolidated statement of operations for the twelve months ended June 30, 2009 does not reflect the level of net income that Towers Perrin expects to contribute to Towers Watson, as a public company.

The following pro forma information is provided for informational purposes only. Pro forma information does not purport to represent what Towers Watson s results of operation and financial position would have been had the merger been completed as of the dates indicated or be indicative of the results of operation or financial position that Towers Watson may achieve in the future.

| | As of and for the Year Ended June 30, 2009 (In thousands, except per share data) | |
|---|---|---|
| **Pro forma Statement of Operations Data** | | |
| Revenue | $ | 3,279,715 |
| Income from operations | $ | 112,570 |
| Net income attributable to controlling interests | $ | 47,211 |
| Basic and diluted earnings per common share | $ | 0.62 |
| Basic and diluted weighted-average shares of common stock | | 76,023 |
| **Pro forma Balance Sheet Data** | | |
| Cash and cash equivalents and short-term investments | $ | 650,383 |
| Goodwill and intangible assets, net | $ | 2,727,070 |
| Total assets | $ | 4,829,028 |
| Long-term debt | $ | |
| Total stockholders equity | $ | 2,212,302 |

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**Comparative Historical and Pro Forma Per Share Data**

The following table presents historical per share data for Towers Perrin and Watson Wyatt and pro forma per share data of Towers Watson. The pro forma per share data gives effect to the merger as if the merger had occurred on June 30, 2009, in the case of book value data presented, and as if the merger had occurred on July 1, 2008, in the case of earnings and dividend data. Towers Watson pro forma per share data was derived by combining information from the historical consolidated financial statements of Towers Perrin and Watson Wyatt giving effect to the merger under the acquisition method of accounting for business combinations. As a result, the pro forma combined per share data has been based upon certain assumptions and adjustments as discussed in the section entitled Unaudited Pro Forma Condensed Combined Financial Information . You should read this table in conjunction with the historical audited and unaudited consolidated financial statements of Towers Perrin contained elsewhere in this document and the historical audited consolidated financial statements of Watson Wyatt that are filed with the SEC and incorporated by reference in this document. See Additional Information Where You Can Find Additional Information and Towers Perrin s Management s Discussion and Analysis of Financial Condition and Results of Operations . The pro forma data below is presented for informational purposes only and you should not rely on the pro forma per share data as indicative of actual results had the merger occurred in the past, or of future results Towers Watson will achieve after the merger.

| | | Year ended June 30, 2009 |
|---|---|---|
| **Watson Wyatt Historical Data**[(1)] | | |
| Earnings per share: | | |
| Basic | | $ 3.43 |
| Diluted | | $ 3.42 |
| Cash dividends per share | | $ 0.30 |
| Book value per share as of June 30, 2009 | | $ 20.01 |
| | **Six months ended June 30, 2009** | **Year ended December 31, 2008** |
| **Towers Perrin Historical Data**[(2)] | | |
| Redemption value per share during the period[(3)] | $ 3,642.00 | $ 4,149.00 |
| | | **Year ended June 30, 2009** |
| **Towers Watson Pro Forma Data**[(4)] | | |
| Earnings per share: | | |
| Basic | | $ 0.62 |
| Diluted | | $ 0.62 |
| Cash dividends per share | | $ 0.30 |
| Book value per share at the end of the period | | $ 27.20 |

(1) At June 30, 2009, there were 42,657,431 shares of Watson Wyatt Class A common stock outstanding.

(2) Towers Perrin is not a publicly traded company and, accordingly, no information is presented regarding its earnings (loss) per share.

(3) Article VI of the Towers Perrin bylaws sets forth the redemption value per share of Towers Perrin common stock, which for calendar year 2009 is $3,642.00 (*i.e.*, the price at which a share of Towers Perrin common stock would be repurchased by Towers Perrin from shareholders who cease to be employees of Towers Perrin). At June 30, 2009, there were 70,319.76 shares of Towers Perrin mandatorily redeemable common stock outstanding.

(4) Towers Watson s pro forma data includes the effect of the merger on the basis described in the notes to the unaudited pro forma combined condensed financial information included elsewhere in this document.

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**Comparative Value of Securities**

***Towers Watson Class A and Class B Common Stock***

There is no trading market for Towers Perrin common stock, which is non-transferable and may only be repurchased by Towers Perrin. The following table sets forth the redemption value per share of Towers Perrin common stock (*i.e.*, the price at which a share of Towers Perrin common stock would be repurchased by Towers Perrin from shareholders who cease to be employees of Towers Perrin pursuant to Article VI of the Towers Perrin bylaws) and the closing market price per share of Watson Wyatt Class A common stock, each as of June 26, 2009 (the last business day prior to the date of public announcement of the merger) and October 30, 2009 (the latest day practicable prior to the date of this document). Although redemption value per share should not be considered indicative of what the market value of Towers Perrin common stock would be if a trading market existed, comparative information based on redemption value per share may be useful to investors because it represents the amount a Towers Perrin shareholder would receive if his or her employment with Towers Perrin ceased in 2009 before the effective time.

You are urged to obtain current market quotations for shares of Watson Wyatt Class A common stock before making your decision with respect to the approval and adoption of the merger agreement. Watson Wyatt s Class A common stock is traded on the NYSE and NASDAQ under the symbol WW . The market price of Watson Wyatt Class A common stock could change significantly before the effective time and such price along with the redemption value per share of Towers Perrin common stock, will not be indicative of the value of shares of Towers Watson Class A common stock once they start trading. Because the exchange ratios will be calculated as the ratio that will result in Towers Perrin security holders, on the one hand, and Watson Wyatt security holders, on the other hand, each receiving, in the aggregate, 50% of Towers Watson s voting common stock then outstanding immediately following the merger, the value of the shares of Towers Watson common stock that you will receive at the effective time may vary significantly from the market value of the shares of Towers Watson common stock that you would have received if the merger were consummated on the date of the merger agreement or on the date of this document.

The following table presents the implied equivalent value of each share of Towers Perrin common stock as of the dates shown below, based on the number of shares of Towers Watson Class B common stock that would be received for each share of Towers Perrin common stock if the merger had closed on such dates. In addition, this table presents the implied value of each share of Watson Wyatt Class A common stock as of the dates shown below, based on the implied value of Towers Watson Class A common stock and the one-for-one Watson Wyatt exchange ratio, as if the merger had closed on such dates.

For purposes of calculating the implied equivalent values below, the following assumptions were made:

- The number of fully diluted Watson Wyatt shares equals 42,693,993 shares as of June 26, 2009 and 42,600,632 as of October 30, 2009;
- The total outstanding shares of Towers Perrin common stock for purposes of calculating the Towers Perrin final exchange ratio is 70,319.76 shares as of June 26, 2009 and 70,209.60 shares as of October 30, 2009, which does not include any Towers Perrin RSUs or any shares issuable upon conversion of any Towers Perrin RSUs (as explained more fully in the The Merger Agreement Conversion of Stock, Stock Options and Other Awards ); and
- Based on the foregoing assumptions, the Towers Perrin final exchange ratio equals 546.426690023 for June 26, 2009 and 546.087270117 for October 30, 2009 (which was calculated, in each case, by dividing the fully diluted Watson Wyatt shares by the quotient of (a) the total outstanding shares of Towers Perrin common stock as of the relevant date, divided by (b) 0.9).

| | Towers Perrin redemption value per share | | Market Value of Watson Wyatt Class A common stock | | Implied Equivalent Value of Towers Perrin common stock | | Implied Equivalent Value of Watson Wyatt common stock | |
|---|---|---|---|---|---|---|---|---|
| June 26, 2009 | $ | 3,642.00 | $ | 41.18 | $ | 22,482.58(1) | $ | 41.18(2) |
| October 30, 2009 | $ | 3,642.00 | $ | 43.58 | $ | 24,453.79(3) | $ | 43.58(4) |

(1) Represents the product of the applicable Towers Perrin final exchange ratio 546.426690023 multiplied by the applicable final Watson Wyatt stock price ($40.37), each as of June 26, 2009.
(2) Represents the product of the Watson Wyatt final exchange ratio (1 share of Towers Watson Class A common stock for each share of Watson Wyatt Class A common stock) multiplied by the applicable closing market price per share ($41.18), each as of June 26, 2009.
(3) Represents the product of the applicable Towers Perrin final exchange ratio 546.087270117 multiplied by the applicable final Watson Wyatt stock price ($44.78), each as of October 30, 2009.
(4) Represents the product of the Watson Wyatt final exchange ratio (1 share of Towers Watson Class A common stock for each share of Watson Wyatt Class A common stock) multiplied by the applicable closing market price per share ($43.58), each as of October 30, 2009.

***Towers Watson Class R Common Stock***

The following table presents (1) the implied equivalent value of each share of Towers Perrin common stock as of the dates shown below based on the number of shares of Towers Watson Class R common stock and Towers Watson Class B-1 common stock that would be received (based on the assumptions below) for each share of Towers Perrin common stock held by a Class R Participant if the merger had closed on such dates and (2) the impact of a hypothetical Class R election on the total number of outstanding shares of Towers Watson common stock immediately following the mandatory redemption of all outstanding shares of Towers Watson Class R common stock on the first business day following the effective time. The diagrams below are based on assumptions regarding the number of shareholders who make valid Class R elections and the number of shares they designate to be exchanged in the merger for Towers Watson Class R common stock; actual results will vary depending on the overall number of shares of Towers Perrin common stock designated for conversion to shares of Towers Watson Class R common stock. For purposes of this table, the following assumptions were made:

- The amounts for fully diluted Watson Wyatt shares , Towers Perrin final exchange ratio and the total outstanding shares of Towers Perrin common stock will be the same as used to calculate the implied equivalent values in the immediately preceding table.
- The final Watson Wyatt stock price equals $40.37 as of June 26, 2009 (the last business day prior to the date of public announcement of the merger) and $44.78 as of October 30, 2009 (the latest day practicable prior to the date of this document) (the term final Watson Wyatt stock price is defined in the The Merger Agreement The Class R and Class S Elections and means the average closing price per share of Watson Wyatt Class A common stock (rounded to the nearest cent) for the 10 consecutive trading days ending on the second trading day immediately prior to the merger s closing).
- Class R Eligible Participants, who collectively owned approximately 55.7% of the 70,319.76 total shares of Towers Perrin common stock outstanding as of June 26, 2009, make valid Class R elections as to 30% of the 70,319.76 total shares outstanding, or 21,095.928 shares.
- Every Class R Eligible Participant who makes a valid Class R election elects to tender 100% of his or her shares of Towers Perrin common stock.
- The total amount of cash and Towers Watson Notes available to repurchase all shares from the Class R Eligible Participants equals $400,000,000 (which amount may be decreased if the Class R election is undersubscribed).
- The number of Towers Perrin RSUs outstanding immediately prior to the effective time is equal to 10% of the sum of such number of Towers Perrin RSUs plus the total shares of Towers Perrin common stock outstanding immediately prior to the effective time.

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| | | | Aggregate Issuance of Shares Pursuant to Class R Election | | | Impact of Redemption of Class R Shares | |
|---|---|---|---|---|---|---|---|
| | Towers Perrin redemption value per share | Market Value of Watson Wyatt Class A common stock | Total shares of Towers Watson Class R common stock to be issued | Total shares of Towers Watson Class B-1 common stock to be issued as a result of proration | Implied Equivalent Value of Towers Perrin common stock | Overall reduction in shares of Towers Watson common stock | Adjusted ownership of Towers Watson common stock by former Towers Perrin security holders |
| June 26, 2009 | $ 3,642.00 | $ 41.18 | 9,908,347.78 | 1,619,030.33 | $ 22,059.25(1) | 11.60% | 43.44% |
| October 30, 2009 | $ 3,642.00 | $ 43.58 | 8,932,559.18 | 2,569,611.46 | $ 24,453.79(2) | 10.49% | 44.17% |

(1) Represents the aggregate value received by a Class R Participant, which consists of cash, Towers Watson Notes and Towers Watson Class B-1 common stock (which aggregate value is calculated by the product of the applicable Towers Perrin final exchange ratio 546.426690023 multiplied by the applicable final Watson Wyatt stock price ($40.37), each as of June 26, 2009). The aggregate value shown does not include any interest payable on the Towers Watson Notes.

(2) Represents the aggregate value received by a Class R Participant, which consists of cash, Towers Watson Notes and Towers Watson Class B-1 common stock (which aggregate value is calculated by the product of the applicable Towers Perrin final exchange ratio 546.087270117 multiplied by the applicable final Watson Wyatt stock price ($44.78), each as of October 30, 2009). The aggregate value shown does not include any interest payable on the Towers Watson Notes.

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## RISK FACTORS

*In addition to reading and considering the other information we have included or incorporated by reference in this document, you should carefully read and consider the following factors in evaluating the merger.*

### Risks Relating to the Merger

***Because the merger consideration exchange ratios are fixed, the market value of the Towers Watson common stock issued to you may be less than the value of your current Towers Perrin or Watson Wyatt securities.***

Towers Perrin security holders who receive shares in the merger will receive a fixed number of shares of Towers Watson common stock to be calculated at the merger s closing based on the number of Towers Perrin and Watson Wyatt shares outstanding on a fully diluted basis, rather than a number of shares with a particular fixed market value (other than Guaranteed RSU Holders as defined and discussed in The Merger Agreement Conversion of Stock, Stock Options and Other Awards ). Similarly, Watson Wyatt stockholders will receive a fixed number of shares of Towers Watson Class A common stock (on a one-for-one basis) in the merger. Because the merger consideration exchange ratios will not be adjusted to reflect any changes in the relative values of Towers Perrin and Watson Wyatt, the values of Towers Watson common stock issued in the merger as compared to the Towers Perrin and Watson Wyatt securities held before the merger may be higher or lower than the values of these securities on earlier dates. The market price of Watson Wyatt Class A common stock at the effective time may vary significantly from its price on the date the merger agreement was executed, the date of this document or the date of the Watson Wyatt special meeting. If the merger is consummated after December 31, 2009, the redemption value per share of Towers Perrin common stock at the effective time may also vary significantly from the redemption value per share on the date the merger agreement was executed, the date of this document and the date of the Towers Perrin special meeting. You are urged to obtain up-to-date prices for Watson Wyatt Class A common stock. See Selected Historical and Unaudited Pro Forma Financial Information for ranges of historic prices of Towers Perrin common stock and Watson Wyatt Class A common stock.

Changes in stock price may result from a variety of factors, many of which are beyond the control of Towers Perrin and Watson Wyatt, including changes in their businesses, operations and prospects, regulatory considerations, governmental actions and legal proceedings. Market assessments of the benefits of the merger and of the likelihood that the merger will be completed, as well as general and industry-specific market and economic conditions, may also affect prices of Watson Wyatt Class A common stock. Neither Towers Perrin nor Watson Wyatt is permitted to terminate the merger agreement solely because of changes in the market price of Watson Wyatt s Class A common stock.

Your special meeting will be held before the merger is completed, and the shares of Towers Watson Class A common stock will not trade publicly until after completion of the merger. As a result, at the time of your special meeting, you will not know the market value of Towers Watson common stock that you will receive upon completion of the merger.

***The exact consideration to be received in the merger by the Class R Participants will not be known when Towers Perrin shareholders vote on the merger agreement or Class R Participants make their Class R election.***

The Class R election available to Class R Eligible Participants is subject to proration as described in The Merger Agreement The Class R and Class S Elections . The maximum number of shares of Towers Watson Class R common stock that may be issued in the merger and the exact consideration that the Class R Participants will receive will not be available at the time Towers Perrin shareholders vote on the merger agreement or when Class R Participants make their Class R election. In addition, the consideration that any particular Class R Participant will receive if he or she makes a Class R election will also not be known at the time that he or she makes the Class R election because the consideration will depend on the total number of shares of Towers Perrin common stock that Class R Participants elect to convert into shares of Towers Watson Class R common stock. If the Class R election is oversubscribed, Class R Participants will receive fewer shares of Towers Watson Class R common stock, and more shares of Towers Watson Class B-1 common stock, in exchange for their shares of Towers Perrin common stock than such Class R Participants elected to receive, which could result in, among other things, tax consequences that differ from those that would have resulted if the Class R election was not oversubscribed. See Material Income Tax Considerations for a description of the U.S. federal income tax consequences of the merger to Class R Participants. As noted elsewhere in this document, Towers Perrin and Watson Wyatt believe the Class R election may be oversubscribed because the consideration received by a Class R Participant will be more liquid than the consideration received by a Class R Eligible Participant who decides not to or fails to make a valid Class R election. If the Class R election is oversubscribed, then a Class R Participant would receive less cash and Towers Watson Notes (the more liquid consideration) and more Towers Watson Class B-1 common stock (which automatically converts into freely tradable Towers Watson Class A common stock in one year) than originally elected.

***The exact number of shares of Towers Watson restricted Class A common stock to be issued in the merger with respect to Towers Perrin RSUs will not be known until immediately prior to the effective time.***

The number of shares of Towers Watson restricted Class A common stock to be issued with respect to Towers Perrin RSUs (other than Towers Perrin RSUs issued to the Guaranteed RSU Holders) will be increased or decreased, and the merger consideration to be received by each holder of Towers Perrin RSUs (other than the Guaranteed RSU Holders) will be adjusted, pro rata based on the number of Towers Perrin RSUs that he or she holds as necessary to ensure that the aggregate number of shares of Towers Perrin RSUs (including the shares received by Guaranteed RSU Holders) equals 10% of the aggregate number of shares of Towers Watson common stock to be issued to Towers Perrin security holders in the merger.

In order to determine what number of shares equal 10% of the aggregate number of shares of Towers Watson common stock to be issued to Towers Perrin security holders in the merger, we must calculate the Towers Perrin final exchange ratio to determine the number of shares of Towers Watson Class B common stock to be received by holders of shares of Towers Perrin common stock. This calculation is not done until immediately prior to the effective time. As a result, until such time, it is not possible to calculate the aggregate number of shares of Towers Watson restricted Class A common stock to be issued to holders of Towers Perrin RSUs that equals 10% the aggregate number of shares of Towers Watson common stock to be issued to Towers Perrin security holders in the merger.

***Obtaining required approvals may delay or prevent completion of the merger or reduce the anticipated benefits of the merger.***

Completion of the merger is conditioned upon, among other things, the receipt of material governmental authorizations, consents, orders and approvals, including approvals under competition laws within the European Union. In connection with granting these approvals, governmental authorities may impose conditions on, or require divestitures or other changes relating to, the divisions, operations or assets of Towers Perrin and Watson Wyatt. Such conditions, divestitures or other changes may jeopardize or delay completion of the merger or may reduce the anticipated benefits of the merger. See The Merger Agreement Conditions to the Merger for a discussion of the conditions to the completion of the merger and Towers Perrin Proposal No. 1 and Watson Wyatt Proposal No. 1: The Merger Agreement Regulatory Requirements for a description of the regulatory approvals necessary in connection with the merger.

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***If we are not able to successfully integrate the operations of Towers Perrin and Watson Wyatt, the combined company may fail to realize the anticipated growth opportunities, cost savings and other anticipated benefits of the merger.***

Towers Perrin and Watson Wyatt operate as separate and independent companies, and will continue to do so until the completion of the merger. Following the effective time, Towers Watson management may face significant challenges in integrating the two companies technologies, organizations, procedures, policies and operations, as well as in addressing any differences in the business cultures of the two companies, and retaining key Towers Perrin and Watson Wyatt personnel. The integration process may be complex and time consuming and require substantial resources and effort. These efforts could divert management s focus and resources from other strategic opportunities and from business operations during the integration process. Difficulties may occur during the integration process, including:

- Loss of key officers and employees;
- Loss of key clients;
- Loss of revenues; and
- Increases in operating, tax or other costs.

The success of the merger will depend in part on our ability to realize the anticipated growth opportunities and cost savings from integrating the businesses of Towers Perrin and Watson Wyatt, while minimizing or eliminating any difficulties that may occur. Even if the integration of the businesses of Towers Perrin and Watson Wyatt is successful, it may not result in the realization of the full benefits of the growth opportunities and cost savings that we currently expect or these benefits may not be achieved within the anticipated time frame. Any failure to timely realize these anticipated benefits could have a material adverse effect on the revenues, expenses and operating results of Towers Watson.

In addition, Towers Watson must also integrate Watson Wyatt s and Towers Perrin s financial reporting systems, including their respective internal control over financial reporting. This process may pose challenges because Towers Perrin has not previously been subject to the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended, and the rules promulgated thereunder by the SEC. If Towers Watson cannot successfully integrate the two companies internal control over financial reporting, the reliability of Towers Watson s financial statements may be impaired and Towers Watson may not be able to meet its reporting obligations under applicable law. Any such impairment or failure could cause investor confidence and, in turn, the market price of the Towers Watson Class A common stock, to be materially adversely affected.

***The estimates of operational cost savings resulting from the merger and costs required to achieve such savings are inherently uncertain and may not be accurate.***

We anticipate that the merger will ultimately result in approximately $80 million in pretax annual operational costs savings, primarily as a result of reductions in management headcount and general and administrative expenses. While we expect to realize significant savings during the first two years following completion of the merger, we anticipate that full realization of these pretax annual operational cost savings will take three years to achieve. This figure does not include other potential cost savings, including, in general, annual savings of approximately $41 million in compensation, benefits and other direct costs expected to result from retirement of Class R Eligible Participants at the effective time. We also expect to incur approximately $80 million in one-time severance and IT integration costs in order to realize $80 million in annual operational costs savings. These operational cost savings estimates are based on a number of assumptions, including that Towers Watson will be able to implement cost saving programs such as personnel reductions and consolidation of operations, technologies, and administrative functions. In addition, our estimated expenses required to achieve operational costs savings do not include certain other costs we expect Towers Watson to incur, including those relating to rebranding, lease termination costs and facilities consolidation, among others. We may not be able to achieve the operational cost savings that we anticipate in the expected timeframe, based on the expected costs or at all. Failure to successfully implement cost savings programs on a timely basis, or the need to spend more than anticipated to implement such programs, will result in lower than expected cost savings in connection with the merger and could have a material adverse effect on the operating results of Towers Watson.

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***The merger may cause dilution to Towers Watson s earnings per share as compared with Watson Wyatt s earnings per share, which may negatively affect the market price of Towers Watson s Class A common stock.***

Towers Perrin and Watson Wyatt currently anticipate that the merger will be accretive to Towers Watson s diluted earnings per share within three years following the effective time, when compared with Watson Wyatt s earnings per share. This expectation is based on preliminary estimates which may materially change. In particular, due to legal restrictions, Towers Perrin and Watson Wyatt have not been able to share certain competitively sensitive information regarding the integration of the two companies. Towers Watson, Towers Perrin and Watson Wyatt could encounter additional transaction and integration-related costs or other factors such as the failure to realize all of the benefits anticipated in the merger. All of these factors could cause dilution to Towers Watson s earnings per share compared with Watson Wyatt s earnings per share, or decrease or delay the expected accretive effect of the merger and cause a decrease in the price of Towers Watson s Class A common stock.

***Failure to complete the merger could negatively impact Towers Perrin and Watson Wyatt and their future operations.***

If the merger is not completed for any reason, Towers Perrin and Watson Wyatt may be subjected to a number of material risks. The price of Watson Wyatt Class A common stock may decline to the extent that the current market price of Watson Wyatt Class A common stock reflects a market assumption that the merger will be completed. If the board of directors of Towers Perrin or Watson Wyatt determines to seek another business combination or the merger is not completed for any other reason, the parties may risk losing key clients and employees. In addition, some costs related to the merger, such as legal, accounting, filing, printing and mailing, must be paid by Towers Perrin and Watson Wyatt whether or not the merger is completed.

***A portion of the merger consideration received by Towers Perrin shareholders who make a valid Class R election will be treated as ordinary compensation income.***

Towers Perrin and Watson Wyatt have determined that a portion of the merger consideration received by a Class R Participant who makes a valid Class R election should be treated as ordinary compensation income to that Class R Participant and such portion will be taxable to such holder at ordinary income rates and will be subject to applicable withholding taxes. The amount treated as ordinary compensation income will be determined based on the difference in value between the merger consideration that will be received by a Class R Participant who makes a valid Class R election (i.e., cash, notes and Towers Watson Class B-1 common stock) and the merger consideration that will be received by a Towers Perrin shareholder who does not or is not eligible to make a valid Class R election. The Internal Revenue Service (which we refer to as the IRS ) may disagree with the determination of the portion treated as ordinary compensation income, in which case a Class R Participant may be subject to increased tax.

***For other reasons, a portion of the merger consideration received by certain Towers Perrin shareholders (not limited to Towers Perrin shareholders who make a Class R election) may be treated as ordinary compensation income.***

The Towers Perrin bylaws include a requirement that Towers Perrin purchase a Towers Perrin shareholder s shares following the individual s termination of employment. Milbank, Tweed, Hadley & McCloy LLP (or Milbank ), counsel to Towers Perrin, will provide its opinion dated as of the closing date that the elimination of the requirement that Towers Perrin common stock be repurchased by Towers Perrin is not a compensatory cancellation of a nonlapse restriction. Such opinion is not binding on the IRS and, accordingly, the IRS could take a contrary position. In addition, compensation income could arise if some or all of a U.S. Holder s (as defined in Material Income Tax Considerations ) Towers Perrin shares were treated as not substantially vested within the meaning of Code Section 83 prior to the merger and such holder did not make a timely Section 83(b) election with respect to such shares. In general, shares would not be treated as substantially vested for this purpose if the shares were subject to a substantial risk of forfeiture . The determination of whether any U.S. Holder s Towers Perrin shares are subject to a substantial risk of forfeiture as a result of the restrictions contained in the Towers Perrin bylaws or otherwise is based on all the facts and circumstances applicable to such holder at the time that such shares were acquired.

If some or all of a U.S. Holder s Towers Perrin shares were not treated as substantially vested prior to the merger and the U.S. Holder did not make a timely Section 83(b) election with respect to those shares, the U.S. Holder would recognize compensation income with respect to such shares at the time of the Towers Perrin merger. The amount of the compensation income recognized could be substantial for individual holders. Any compensation income would be subject to U.S. federal income tax at ordinary income tax rates in the year that the merger closes. Towers Perrin intends to take the position that none of the consideration received in the Towers Perrin merger constitutes ordinary compensation income (except with respect to a portion of the merger consideration received by a Class R Participant). See Material Income Tax Considerations Consequences of the Merger to U.S. Holders of Towers Perrin Shares Potential Alternative Tax Characterization for Towers Perrin Shares Issued in Connection with the Performance of Services for additional information.

***Directors, executive officers and stockholders of Towers Perrin and Watson Wyatt may have potential conflicts of interest in connection with the merger.***

Some of the directors and executive officers of Towers Perrin and Watson Wyatt have interests in the merger that are different from, or are in addition to, the interests of their respective company s stockholders generally. These interests may create potential conflicts of interest. These interests include positions as directors or executive officers of Towers Watson, potential benefits under employment or benefit arrangements that may be available as a result of the merger, payment or accelerated vesting of or distribution of rights or benefits under certain of their respective compensation and benefit plans or arrangements as a result of the merger, potential severance and other benefit payments in the event of termination of employment in connection with the merger, and the right to continued indemnification and insurance coverage by Towers Watson for acts or omissions occurring prior to the merger. See Towers Perrin Proposal No. 1 and Watson Wyatt Proposal No. 1: The Merger Agreement Interests of Towers Perrin s Directors, Executive Officers and Principal Shareholders in the Merger and Towers Perrin Proposal No. 1 and Watson Wyatt Proposal No. 1: The Merger Agreement Interests of Watson Wyatt s Directors, Executive Officers and Principal Stockholders in the Merger .

In recommending that their respective company s stockholders approve and adopt the merger agreement, the boards of directors of Towers Perrin and Watson Wyatt were aware of these interests and considered them in approving the transactions contemplated by the merger agreement.

***The unaudited pro forma financial data included in this document are illustrative and the actual financial position and results of operations of Towers Watson after the merger may differ materially from the unaudited pro forma financial data included in this document.***

The unaudited pro forma financial data included in this document are presented solely for illustrative purposes and are not necessarily indicative of what Towers Watson s actual financial position or results of operations would have been had the merger been completed on the dates indicated. The pro forma financial data reflect adjustments that were developed using preliminary estimates based on currently available information and certain assumptions, and may be revised as additional information becomes available. Accordingly, the final acquisition accounting adjustments may differ materially from the pro forma adjustments reflected in this document. In addition, the pro forma financial data have not been adjusted to give effect to certain expected financial benefits of the merger, such as operational cost savings or the anticipated costs to achieve these benefits, including, among others, charges against earnings or increases in tax expense resulting from integration or restructuring activities after the merger closes, the final application of purchase accounting and annual savings of approximately $41 million in compensation, benefits and other direct costs expected to result from the retirement of Class R Eligible Participants at the effective time. Neither the pro forma financial data, nor any interim period financial data included in this document upon which the pro forma financial data are based, have been audited.

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***There will be material differences between the current rights of Towers Perrin security holders and Watson Wyatt security holders and the rights they can expect to have as Towers Watson stockholders.***

Towers Perrin security holders and Watson Wyatt security holders who receive Towers Watson common stock in the merger will become Towers Watson stockholders, and their rights as stockholders will be governed by Towers Watson s certificate of incorporation and bylaws. In addition, while Towers Perrin is currently a Pennsylvania corporation governed by the PBCL, Towers Watson will be a Delaware corporation governed by the DGCL. There will be material differences among the current rights of Towers Perrin security holders and Watson Wyatt stockholders and the rights they will have as Towers Watson stockholders. For a discussion of other material differences, see Comparison of the Rights of Towers Perrin, Watson Wyatt and Towers Watson Stockholders .

***The opinion of Towers Perrin s financial advisor contains certain limitations and qualifications.***

Goldman Sachs delivered its opinion to the Towers Perrin board of directors that, as of June 26, 2009 and based upon and subject to factors and assumptions set forth in its opinion, the Towers Perrin final exchange ratio of Towers Watson Class B common stock pursuant to the merger agreement was fair from a financial point of view to the shareholders of Towers Perrin common stock. Goldman Sachs did not express any view on, and its opinion did not address, any other term or aspect of the merger agreement or the merger, including, without limitation, any Class R election or Class S election or the consideration paid in respect of the redemption of shares of Towers Watson Class R common stock or Towers Watson Class S common stock. See The Merger Agreement The Class R and Class S Elections for information regarding the Class R election and the Class S election. In addition, for purposes of rendering its opinion, Goldman Sachs did not take into account the terms and conditions of any series of Towers Watson Class B common stock to the extent they differ from the Towers Watson Class A common stock. See Description of Towers Watson s Common Stock for information regarding the terms and conditions of each of the Towers Watson Class B common stock and the Towers Watson Class A common stock. The Goldman Sachs opinion is not a recommendation as to how any Towers Perrin shareholder should vote with respect to the merger agreement, or any other matter, and should not be relied on beyond the express context in which it was provided.

***Towers Perrin shareholders and Watson Wyatt stockholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management.***

After the completion of the merger, all Towers Perrin shareholders and Watson Wyatt stockholders will own a smaller percentage of Towers Watson as compared to the percentage they currently own of Towers Perrin and Watson Wyatt, respectively. At the effective time, the Towers Perrin security holders, on one hand, and the Watson Wyatt security holders, on the other hand, each will be entitled to receive, in the aggregate, 50% of Towers Watson s voting common stock then outstanding. Consequently, the Towers Perrin shareholders, as a group, and Watson Wyatt stockholders, as a group, will each have reduced ownership and voting power in the combined company as compared to their current ownership and voting power in Towers Perrin and Watson Wyatt, respectively.

***Significant transaction costs will be incurred as a result of the merger.***

Towers Perrin and Watson Wyatt expect to incur significant one-time transaction costs, currently estimated to be approximately $29.4 million and $20.1 million, respectively, related to the merger. These transaction costs include investment banking, legal and accounting fees and expenses and filing fees, printing expenses, proxy solicitation expenses and other related charges. The companies may also incur additional unanticipated transaction costs in connection with the merger. A portion of the transaction costs related to the merger will be incurred regardless of whether the merger is completed. Additional costs will be incurred in connection with integrating the two companies businesses, such as severance and IT integration expenses, which

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we expect will total approximately $80 million, as well as other expenses, such as rebranding, facilities consolidation and lease termination costs. Costs in connection with the merger and integration may be higher than expected.

***Failure to complete the merger in certain circumstances could require Towers Perrin or Watson Wyatt to pay a termination fee or expenses.***

If the merger agreement is terminated under certain circumstances discussed more fully in The Merger Agreement Termination Fees; Expenses , Towers Perrin or Watson Wyatt, as the case may be, could be obligated to pay the other party a $65 million termination fee, or reimburse the other for expenses up to a maximum amount of $10 million. Payment of the termination fee could materially adversely affect such company s results of operations or financial condition.

***Towers Perrin is a defendant in a putative class action lawsuit.***

On November 5, 2009, Towers Perrin, members of its board of directors, and certain members of senior management were named as defendants in a putative class action filed in the United States District Court for the Eastern District of Pennsylvania. The plaintiffs in the action Alan H. Dugan, Ronald P. Giesinger, Marvin H. Greene, John G. Kneen, John T. Lynch, Bruce R. Pittenger, J. Russell Southworth, C. Roland Stichweh, Jacobus J. Van de Graaf and John C. Von Hagen are former members of the firm s senior management, who voluntarily retired from Towers Perrin at various times between 1995 and 2000. Pursuant to the corporation s bylaws as then in effect, the Towers Perrin shares held by each of these plaintiffs were redeemed by Towers Perrin at book value upon their retirement. The plaintiffs purport to sue on behalf of themselves and a class of former Towers Perrin shareholders who separated from service on or after January 1, 1971, whose shares were redeemed upon retirement, and who otherwise meet certain specified criteria. The complaint alleges that by agreeing to sell their shares back to Towers Perrin at book value upon retirement, the plaintiffs and other members of the putative class relied upon a commitment that Towers Perrin would remain privately owned in perpetuity, which commitment, they allege, will be violated by the consummation of the merger. The complaint, which does not contain a quantification of the damages sought, asserts claims for breach of contract, breach of express trust, breach of fiduciary duty, promissory estoppel, quasi-contract/unjust enrichment, and constructive trust, and seeks equitable relief including an accounting, disgorgement, rescission and/or restitution, and the imposition of a constructive trust.

Towers Perrin believes the claims are without merit and intends to vigorously defend the action. Towers Perrin and/or Towers Watson could incur significant costs defending against this claim. The outcome of this legal proceeding is inherently uncertain and could be unfavorable to Towers Perrin and/or Towers Watson.

**Risks Relating to Towers Watson s Business**

***The loss of key employees could damage or result in the loss of client relationships and could result in such employees competing against Towers Watson.***

Towers Watson s success will depend on its ability to attract, retain and motivate qualified personnel generally, including key management personnel and employees. In addition, Towers Watson s success will largely depend upon the business generation capabilities of, and quality of services provided by, its employees. In particular, Towers Watson s employees personal relationships with its clients will be a critical element of obtaining and maintaining client engagements. Losing employees who manage substantial client relationships or possess substantial experience or expertise could materially adversely affect Towers Watson s ability to secure and complete engagements, which would materially adversely affect Towers Watson s results of operations and prospects. In addition, if any of Towers Watson s key employees were to join an existing competitor or form a competing company, existing and potential clients could choose to use the services of that competitor instead of Towers Watson s services.

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There can be no assurance that confidentiality and non-solicitation/non-competition agreements signed by senior employees who were former Towers Perrin or Watson Wyatt employees before the merger, or agreements signed by Towers Watson employees in the future, will be effective in preventing a loss of business.

Towers Perrin shareholders are subject to covenants contained in Section 6.18 of Towers Perrin s bylaws regarding the solicitation of Towers Perrin clients. Currently, if a Towers Perrin shareholder does not comply with these restrictions after his or her employment terminates, Towers Perrin has the right to withhold payment of a portion of the redemption price owed to the shareholder for his or her Towers Perrin shares. After the merger, Towers Perrin will no longer have this right as Towers Perrin employees who become Towers Watson stockholders will not be required to sell their Towers Watson shares to Towers Watson if they cease to be employed by Towers Perrin. Without the deterrent effect of the risk of forfeiting their right to such cash payments, Towers Perrin shareholder employees may be more likely to breach these non-competition and non-solicitation covenants following the merger. If any key employees breach these non-competition and non-solicitation covenants and join an existing competitor or form a competing company, existing and potential clients could choose to use the services of a competitor instead of Towers Watson s services. Although we believe the non-competition and non-solicitation covenants will continue to impose restrictions on the former Towers Perrin shareholders after the effective time, there is a risk, as is currently the case, that the Towers Perrin bylaw provisions, as well as Watson Wyatt s non-compete agreements, could be held unenforceable in particular situations and jurisdictions. If such provisions were held to be unenforceable and former Towers Perrin and Watson Wyatt employees were permitted to compete with Towers Watson, such events could have a material adverse effect on Towers Watson s business.

As a condition to making a valid Class R election, a Class R Participant must agree to terminate his or her employment with Towers Perrin on or before the 30th day following the effective time (unless another time is agreed to by the Towers Watson Executive Committee) and enter into a confidentiality and non-solicitation agreement that prevents such shareholder from soliciting employees or clients of Towers Perrin, Watson Wyatt or Towers Watson for two years following termination of employment. Clients who worked with these Class R Participants may choose to use the services of a competitor instead of Towers Watson s services. In addition, if any of the Class R Participants were to join an existing competitor or form a competing company, existing and potential clients could choose to use the services of that competitor instead of Towers Watson s services.

***Changes in Towers Watson s compensation structure relative to each of Towers Perrin s and Watson Wyatt s current compensation structures could impair Towers Watson s ability to retain certain current employees of each of Towers Perrin and Watson Wyatt.***

In order to meet Towers Watson s operating margin goals and increase its level of retained earnings, following the merger, Towers Watson may change Towers Perrin s and Watson Wyatt s respective compensation structures. In particular, Towers Perrin, as a private company, has not retained a significant amount of annual earnings, resulting in significant flexibility to vary its levels of cash compensation. We expect Towers Watson s compensation practices after the effective time to be different than Towers Perrin s current practices, because a larger proportion of earnings will be retained compared to Towers Perrin s historical practice, which may affect, in particular, Towers Watson s ability to retain current employees of Towers Perrin accustomed to the existing compensation structure of Towers Perrin as a private company. Any changes in compensation structure could materially adversely affect Towers Watson s ability to retain current Towers Perrin and Watson Wyatt employees if they do not perceive Towers Watson s total compensation program to be competitive with those of other firms.

***Towers Watson s clients could terminate or reduce its services at any time, which could decrease employee utilization, adversely impacting Towers Watson s profitability and results of operation.***

Towers Watson s clients generally will be able to terminate or reduce Towers Watson s engagements at any time. If a client reduces the scope of, or terminates the use of, Towers Watson s services with little or no notice, Towers Watson s employee utilization will decline. In such cases, Towers Watson will have to rapidly re-deploy its employees to other engagements (if possible) in order to minimize the potential negative impact on Towers Watson s financial performance. In addition, because it is expected that a sizeable portion of Towers Watson s work will be project-based rather than recurring in nature, Towers Watson s employees utilization will depend on Towers Watson s ability to continually secure additional engagements.

***Current clients of Towers Perrin and Watson Wyatt may terminate the services of Towers Perrin or Watson Wyatt, which could adversely impact Towers Watson s profitability and results of operation.***

Current clients of Towers Perrin and Watson Wyatt, who are expected to become clients of Towers Watson, may terminate the services of Towers Perrin or Watson Wyatt prior to the effective time for various reasons, including as a result of the announcement of the merger or because of perceived conflicts resulting from the combination of the two companies. If a sufficient number of clients reduce the scope of, or terminate the use of, Towers Perrin s or Watson Wyatt s services prior to the effective time, these terminations could adversely impact Towers Watson s profitability and results of operation.

***Improper management of Towers Watson s engagements could hurt Towers Watson s financial results.***

If Towers Watson does not properly negotiate the price and manage the performance of its engagements, Towers Watson might incur losses on individual engagements and experience lower profit margins and, as a result, Towers Watson s overall financial results could be materially adversely affected.

***The trend of employers shifting from defined benefit plans to defined contribution plans could materially adversely affect Towers Watson s business and its operating results.***

Towers Watson will provide clients with actuarial and consulting services relating to both defined benefit and defined contribution plans. Defined benefit pension plans generally require more actuarial services than defined contribution plans because defined benefit plans typically involve large asset pools, complex calculations to determine employer costs, funding requirements and sophisticated analysis to match liabilities and assets over long periods of time. If organizations shift to defined contribution plans more rapidly than we anticipate, Towers Watson s business operations and related operating results will be materially adversely affected.

***Towers Watson s business will be negatively affected if it is not able to anticipate and keep pace with rapid changes in government regulations or if government regulations decrease the need for Towers Watson s services.***

A material portion of Towers Watson s revenue will be affected by statutory changes. Many areas in which Towers Watson will provide services are the subject of government regulation which is constantly evolving. Changes in government and accounting regulations in the United States and the United Kingdom, two of Towers Watson s principal geographic markets, affecting the value, use or delivery of benefits and human capital programs, including changes in regulations relating to health care (such as medical plans), defined contribution plans (such as 401(k) plans), defined benefit plans (such as pension plans) or executive compensation, may materially adversely affect the demand for Towers Watson s services. Changes to insurance regulatory schemes, or Towers Watson s failure to keep pace with such changes, could negatively affect demand for services in Towers Watson s Risk and Financial Services business group. For example, Towers Watson s continuing ability to provide reinsurance intermediary services depends on compliance with the rules and regulations in each of these jurisdictions. Any failure to comply with these regulations could lead to disciplinary action, including compensating clients for loss, the imposition of fines or the revocation of the authorization to operate as well as damage to Towers Watson s reputation.

In addition, Towers Watson will have significant operations throughout the world, which will further subject it to applicable laws and regulations of countries outside the United States and the United Kingdom.

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Changes in legislation or regulations and actions by regulators in particular countries, including changes in administration and enforcement policies, could require operational improvements or modifications, which may result in higher costs or hinder Towers Watson s ability to operate its business in those countries.

If Towers Watson is unable to adapt its services to applicable laws and regulations, its ability to provide effective services in these areas will be substantially diminished.

***Towers Watson s business could be negatively affected by currently proposed or future legislative or regulatory activity concerning compensation consultants.***

Recent legislative and regulatory activity in the United States has focused on the independence of compensation consultants retained to provide advice to compensation committees of publicly-traded companies. For example, on July 31, 2009, the U.S. House of Representatives passed H.R. 3269, the *Corporate and Financial Institution Compensation Fairness Act of 2009*, which requires any compensation consultant or other similar advisor to the compensation committee of a listed company to meet standards for independence to be established by SEC regulation. Companies that violate this requirement would be prohibited from listing any class of equity security with the national securities exchanges and associations. In addition, the SEC recently proposed rules that, if adopted, would result in a number of changes to required proxy disclosures, including enhanced disclosure relating to compensation consultants and potential conflicts of interest. The SEC proposed rules that require disclosure of fees paid to compensation consultants as well as a description of any additional services provided to the issuer by the compensation consultant or its affiliates and the aggregate fees paid for such additional services. Due in part to these legislative and regulatory changes, some clients of Towers Perrin and Watson Wyatt have decided to terminate their relationships with the respective company (either with respect to compensation consulting services or with respect to other consulting services) to avoid perceived or potential conflicts of interest. Additional clients of Towers Perrin and Watson Wyatt may decide to terminate their relationship with the respective company and, as a result, Towers Watson s business, financial condition and results of operations could be materially adversely affected. Such legislative and regulatory activities may also result in certain Towers Watson consultants terminating their employment and competing with Towers Watson for the business of clients that have or may terminate their executive compensation consulting relationships with Towers Perrin and/or Watson Wyatt, or may terminate their relationships with Towers Watson. Any such talent migration could have a material adverse effect on Towers Watson s business.

***Competition from firms with greater resources could result in loss of Towers Watson s market share and reduced profitability.***

The markets for Towers Watson s principal services are highly competitive. Towers Watson s competitors will include other human capital and risk management consulting and actuarial firms, as well as the human capital and risk management divisions of diversified professional services, insurance, brokerage and accounting firms. Some of Towers Watson s competitors have greater financial, technical and marketing resources than Towers Watson will have, which could enhance their ability to finance acquisitions, fund internal growth and respond more quickly to professional and technological changes. Some competitors may have or may develop a lower cost structure. New competitors or alliances among competitors could emerge, creating additional competition and gaining significant market share. In order to respond to increased competition and pricing pressure, Towers Watson might have to lower its prices, which would have an adverse effect on Towers Watson s revenues and profit margin.

***Consolidation in the industries that Towers Watson is expected to serve could materially adversely affect its business.***

Companies in the industries that Towers Watson is expected to serve may seek to achieve economies of scale and other synergies by combining with or acquiring other companies. If two or more of Towers Watson s clients merge or consolidate and combine their operations, Towers Watson may experience a decrease in the

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amount of services it performs for these clients. If one of Towers Watson s clients merges or consolidates with a company that relies on another provider for its services, Towers Watson may lose work from that client or lose the opportunity to gain additional work. The increased market power of larger companies could also increase pricing and competitive pressures on Towers Watson. Any of these possible results of industry consolidation could materially adversely affect Towers Watson s revenues and profits. Towers Watson s reinsurance intermediary business is especially susceptible to this risk given the limited number of insurance companies seeking reinsurance and reinsurance providers in the marketplace.

***Towers Watson will be subject to risks of doing business internationally.***

A sizeable portion of Towers Watson s business will be located outside of the United States. As a result, a significant portion of Towers Watson s business operations will be subject to foreign financial, tax and business risks, which could arise in the event of:

- Currency exchange rate fluctuations;
- Unexpected increases in taxes or changes in U.S. or foreign tax laws;
- Compliance with a variety of international laws, such as data privacy, employment, trade barriers and restrictions on the import and export of technologies, as well as U.S. laws affecting the activities of U.S. companies abroad, including the Foreign Corrupt Practices Act of 1977 and sanctions programs administered by the U.S. Department of Treasury Office of Foreign Assets Control;
- Absence in some jurisdictions of effective laws to protect Towers Watson s intellectual property rights;
- New regulatory requirements or changes in policies and local laws that materially affect the demand for Towers Watson s services or directly affect Towers Watson s foreign operations;
- Local economic and political conditions, including unusual, severe, or protracted recessions in foreign economies;
- The length of payment cycles and potential difficulties in collecting accounts receivable, particularly in light of the increasing number of insolvencies in the current economic environment and the numerous bankruptcy laws to which they are subject;
- Unusual and unexpected monetary exchange controls; or
- Civil disturbance or other catastrophic events that reduce business activity in other parts of the world.

These factors may lead to decreased sales or profits and therefore may have a material adverse effect on Towers Watson s business, financial condition and operating results.

***Towers Watson s inability to successfully recover should it experience a disaster or other business continuity problem could cause material financial loss, loss of human capital, regulatory actions, reputational harm or legal liability.***

Should Towers Watson experience a disaster or other business continuity problem, such as an earthquake, hurricane, terrorist attack, pandemic, security breach, power loss, telecommunications failure or other natural or man-made disaster, Towers Watson s continued success will depend, in part, on the availability of its personnel, its office facilities, and the proper functioning of its computer, telecommunication and other related systems and operations. In such an event, Towers Watson s operational size and the multiple locations from which it will operate could provide Towers Watson with an important advantage. Nevertheless, Towers Watson could still experience near term operational challenges with regard to particular areas of its operations.

Towers Watson s ability to recover from any disaster or other business continuity problem will depend on its ability to protect its technology infrastructure against damage from business continuity events that could have a significant disruptive effect on Towers Watson s operations. Towers Watson could potentially lose client data or experience material adverse interruptions to its operations or delivery of services to its clients in a disaster.

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Towers Watson will regularly assess and take steps to improve upon its business continuity plans and key management succession. However, a disaster on a significant scale or affecting certain of Towers Watson s key operating areas within or across regions, or its inability to successfully recover should Towers Watson experience a disaster or other business continuity problem, could materially interrupt Towers Watson s business operations and cause material financial loss, loss of human capital, regulatory actions, reputational harm, damaged client relationships or legal liability.

***Demand for Towers Watson s services could decrease for various reasons, including a continued general economic downturn, a decline in a client s or an industry s financial condition or prospects, or a decline in defined benefit pension plans that could materially adversely affect Towers Watson s operating results.***

Towers Watson can give no assurance that the demand for its services will grow or that Towers Watson will compete successfully with its existing competitors, new competitors or its clients internal capabilities. Towers Watson s clients demand for its services may change based on their own needs and financial conditions.

Towers Watson s results of operations will be affected directly by the level of business activity of Towers Watson s clients, which in turn will be affected by the level of economic activity in the industries and markets that they serve. Economic slowdowns in some markets, particularly in the United States, have caused and may continue to cause reduction in discretionary spending by Towers Watson s clients, result in longer client payment terms, an increase in late payments by clients and an increase in uncollectible accounts receivable, each of which may reduce the demand for Towers Watson s services, increase price competition and adversely impact Towers Watson s growth and profit margins. If Towers Watson s clients enter bankruptcy or liquidate their operations (which has already happened with some of the current clients of Towers Perrin and Watson Wyatt), Towers Watson s revenues could be materially adversely affected.

The current economic conditions have adversely impacted Towers Perrin s and Watson Wyatt s results of operations, cash flow and financial position, which are lower than previously anticipated. For example, on August 13, 2009, Watson Wyatt announced that its revenues for the fourth quarter of fiscal 2009 were $396.5 million, a decrease of 13% (a decrease of 4% constant currency) compared to revenues of $435.8 million for the fourth quarter of fiscal 2008. Similarly, Towers Perrin s revenues for the six months ended June 30, 2009 were $758.7 million, a decrease of 15.0% (a decrease of 7.5% constant currency) compared to revenues of $892.1 million for the six months ended June 30, 2008; based on current estimates, Towers Perrin believes this trend will continue, on a constant currency basis, at least through the end of calendar year 2009. There can be no assurance that continuing weakening economic conditions throughout the world will not adversely impact Towers Watson s results of operations, cash flow, financial position or prospects.

In addition, the demand for many of Towers Watson s core benefit services, including compliance-related services will be affected by government regulation and taxation of employee benefit plans. Significant changes in tax or social welfare policy or regulations could lead some employers to discontinue their employee benefit plans, including defined benefit pension plans, thereby reducing the demand for Towers Watson s services. A simplification of regulations or tax policy also could reduce the need for Towers Watson s services.

Demand for Towers Watson s services could also be negatively impacted by harm to its reputation, which could occur for a variety of reasons, many of which will be outside Towers Watson s control.

***Towers Watson s quarterly revenues could fluctuate while Towers Watson s expenses are expected to be relatively fixed.***

Quarterly variations in Towers Watson s revenues and operating results could occur as a result of a number of factors, such as:

- The significance of client engagements commenced and completed during a quarter;
- The seasonality of certain types of services. For example, Watson Wyatt s retirement revenues typically are more heavily weighted toward the first and fourth quarters of the calendar year, when

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- annual actuarial valuations are required to be completed for calendar year end companies and the related services are performed;
- The number of business days in a quarter, employee hiring and utilization rates and clients ability to terminate engagements without penalty;
- The size and scope of assignments; and
- General economic conditions.

A sizeable portion of Towers Watson s total operating expenses are expected to be relatively fixed, encompassing the majority of administrative, occupancy, communications and other expenses, depreciation and amortization, and salaries and employee benefits excluding fiscal year end incentive bonuses. Therefore, a variation in the number of client assignments or in the timing of the initiation or the completion of client assignments can cause significant variations in quarterly operating results and could result in losses.

***Reinsurance intermediary revenue is influenced by factors that will be beyond Towers Watson s control, and volatility or declines in premiums or other trends in the insurance and reinsurance markets could significantly undermine the profitability of Towers Watson s reinsurance intermediary business.***

Towers Watson is expected to derive approximately 5% of its consolidated revenue from its reinsurance intermediary business, which in turn will derive a majority of its revenue from commissions. Revenue earned in Towers Watson s capacity as a reinsurance intermediary will be based in large part on the rates that the global reinsurance marketplace prices for risks. For example, Towers Watson will not determine reinsurance premiums on which commissions are generally based.

Premiums are cyclical in nature and may vary widely based on market conditions. When premium rates decline, the commission and fees earned for placing certain reinsurance contracts and programs also tend to decrease. When premium rates rise, Towers Watson may not be able to earn increased revenue from providing intermediary services because clients may purchase less reinsurance, there may be less reinsurance capacity available, or clients may negotiate a reduction to the compensation rate or a reduced fee for Towers Watson s services.

To the extent Towers Watson s clients are or become materially adversely affected by declining business conditions in the current economic environment, they may choose to limit their purchases of insurance and reinsurance coverage, as applicable, which would inhibit Towers Watson s ability to generate commission revenue, and may decide not to utilize Towers Watson s risk management services, which would inhibit Towers Watson s ability to generate fee revenue.

***Towers Watson will advise or act on behalf of clients regarding investments whose results are not guaranteed.***

Towers Watson will provide advice on both asset allocation and selection of investment managers. For some clients, Towers Watson will be responsible for making decisions on both these matters. Asset classes may experience poor absolute performance, and investment managers may underperform their benchmarks; in both cases the investment return shortfall can be significant. Clients experiencing this underperformance may assert claims against Towers Watson and claims may be for significant amounts. Defending against these claims can involve potentially significant costs, including legal defense costs. Towers Watson s ability to limit its potential liability may be limited in certain jurisdictions or in connection with claims involving breaches of fiduciary duties or other alleged errors or omissions.

***Towers Watson investment activities may require specialized operational competencies.***

For certain clients, Towers Watson will be responsible for some portions of cash and investment management including rebalancing of investment portfolios and guidance to third parties on structure of

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derivatives and securities transactions. Failure of Towers Watson to properly execute its role can cause monetary damage to such third parties for which Towers Watson might be found liable and claims may be for significant amounts. Defending against these claims can involve potentially significant costs, including legal defense costs. Towers Watson s ability to limit its potential liability may be constrained in certain jurisdictions.

***Towers Watson s growth strategy will depend, in part, on its ability to make acquisitions, and if Towers Watson has difficulty in acquiring, overpays for, or is unable to acquire other businesses, its business may be materially adversely affected.***

Towers Watson s growth will depend in part on its ability to make acquisitions. Towers Watson may not be successful in identifying appropriate acquisition candidates or consummating acquisitions on terms acceptable or favorable to it, on the proposed timetables, or at all. Towers Watson also will face additional risks related to acquisitions, including that it could overpay for acquired businesses and that any acquired business could significantly underperform relative to its expectations. If Towers Watson is unable to identify and successfully make acquisitions, its business could be materially adversely affected.

***Towers Watson will face risks when it acquires businesses, and may have difficulty integrating or managing acquired businesses, which may harm Towers Watson s business, financial condition, results of operations or reputation.***

Towers Watson may acquire other companies in the future.

Towers Watson cannot be certain that its acquisitions will be accretive to earnings or otherwise meet its operational or strategic expectations. Acquisitions involve special risks, including the potential assumption of unanticipated liabilities and contingencies and difficulties in integrating acquired businesses, and acquired businesses may not achieve the levels of revenue, profit or productivity Towers Watson anticipates or otherwise perform as Towers Watson expects. In addition, if the operating performance of an acquired business deteriorates significantly, Towers Watson may need to write down the value of the goodwill and other acquisition-related intangible assets recorded on its balance sheet.

Towers Watson may be unable to effectively integrate an acquired business into its organization, and may not succeed in managing such acquired businesses or the larger company that results from such acquisitions. The process of integration of an acquired business may subject Towers Watson to a number of risks, including:

- Diversion of management attention;
- Amortization of intangible assets, adversely affecting Towers Watson s reported results of operations;
- Inability to retain the management, key personnel and other employees of the acquired business;
- Inability to establish uniform standards, controls, systems, procedures and policies;
- Inability to retain the acquired company s clients;
- Exposure to legal claims for activities of the acquired business prior to acquisition; and
- Incurrence of additional expenses in connection with the integration process.

If acquisitions are not successfully integrated, Towers Watson s business, financial condition and results of operations could be materially adversely affected, as well as its professional reputation.

***Damage to Towers Watson s reputation could damage its businesses.***

Maintaining a positive reputation will be critical to Towers Watson s ability to attract and maintain relationships with clients and employees. Damage to Towers Watson s reputation could therefore cause significant harm to its business and prospects. Harm to Towers Watson s reputation can arise from numerous sources, including, among others, employee misconduct, litigation or regulatory action, failing to deliver minimum standards of service and quality, compliance failures and unethical behavior. Negative publicity regarding Towers Watson, whether or not true, may also result in harm to Towers Watson s prospects.

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Towers Watson could also suffer significant reputational harm if Towers Watson fails to properly identify and manage potential conflicts of interest. The failure or perceived failure to adequately address, conflicts of interest could affect the willingness of clients to deal with Towers Watson, or give rise to litigation or enforcement actions. There can be no assurance that conflicts of interest will not arise in the future that could cause material harm to Towers Watson.

***Towers Watson could be subject to claims arising from its work, as well as government inquiries and investigations, which could materially adversely affect Towers Watson s reputation and business.***

Professional services providers, including those in the human capital and risk management sectors such as Towers Perrin and Watson Wyatt, are subject to claims by their clients. Clients who may become dissatisfied with Towers Watson s services or clients and third parties who claim they suffered damages caused by Towers Watson s services may bring lawsuits against Towers Watson. The nature of Towers Watson s work, particularly its actuarial services, necessarily will involve the use of assumptions and the preparation of estimates relating to future and contingent events, the actual outcome of which Towers Watson cannot know in advance. Towers Watson s actuarial services will also rely on substantial amounts of data provided by clients, the accuracy and quality of which Towers Watson cannot ensure. In addition, Towers Watson could make computational, software programming or data management errors in connection with the services it provides to clients.

Clients may seek to hold Towers Watson responsible for the financial consequences of variances between assumptions and estimates and actual outcomes or for errors. For example, clients may make:

- Claims that actuarial assumptions were unreasonable or that there were computational errors leading to pension plan underfunding or under-reserving for insurance claim liabilities;
- Claims of failure to review adequately or detect deficiencies in data, which could lead to an underestimation of pension plan or insurance claim liabilities; and
- Claims that employee benefit plan documents were misinterpreted or plan amendments were faulty, leading to unintended plan benefits or overpayments to beneficiaries.

Given that Towers Watson frequently will work with large pension funds and insurance companies, relatively small percentage errors or variances can create significant financial variances and result in significant claims for unintended or unfunded liabilities. The risks from such variances or errors could be aggravated in an environment of declining pension fund asset values and insurance company capital levels. In almost all cases, Towers Watson s exposure to liability with respect to a particular engagement will be substantially greater than the revenue opportunity that the engagement will generate for Towers Watson.

In the case of liability for pension plan actuarial errors, a client s claims might focus on the client s alleged reliance that actuarial assumptions were reasonable and, based on such reliance, the client made benefit commitments the client may later claim are not affordable or funding decisions that result in plan underfunding if and when actual outcomes vary from actuarial assumptions.

Defending lawsuits arising out of any of Towers Watson s services could require substantial amounts of management attention, which could affect management s focus on operations, adversely affect Towers Watson s financial performance and result in increased insurance costs or a reduction in the amount of available insurance coverage. In addition to defense costs and liability exposure which may be significant, claims may produce negative publicity that could hurt Towers Watson s reputation and business.

Finally, Towers Watson may be subject to inquiries and investigations by federal, state or other governmental agencies regarding aspects of its business, especially regulated businesses such as its broker dealer and investment advisory services. Such inquiries or investigations may consume significant management time and result in significant legal fees.

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***Towers Watson s reinsurance intermediary business could be subject to claims arising from its work, which could materially adversely affect Towers Watson s reputation and business.***

Towers Watson s reinsurance intermediary business may be subject to claims brought against it by clients or third parties. Clients are likely to assert claims if they fail to make full recoveries in respect of their own claims. If reinsurers with whom Towers Watson places business for its clients become insolvent or otherwise fail to make claims payments, this may also result in claims against Towers Watson.

Towers Watson s reinsurance business will assist its clients in placing reinsurance and handling related claims, which could involve substantial amounts of money. If Towers Watson s work results in claims, claimants may seek large damage awards and defending these claims can involve potentially significant costs. Claims could, by way of example, arise as a result of Towers Watson s reinsurance intermediaries failing to:

- Place the reinsurance coverage requested by the client;
- Report claims on a timely basis or as required by the reinsurance contract or program;
- Communicate complete and accurate information to reinsurers relating to the risks being reinsured; or
- Appropriately model or advise Towers Watson s clients in relation to the extent and scope of reinsurance coverage that is advisable for a client s needs.

Moreover, Towers Perrin s reinsurance intermediary contracts, generally do not limit the maximum liability to which Towers Perrin, as a subsidiary of Towers Watson, may be exposed for claims involving alleged errors or omissions.

***Towers Watson may be engaged in providing services outside of the core human capital and risk management business currently conducted by Towers Perrin and Watson Wyatt, which may carry greater risk of liability.***

Towers Watson intends to continue to grow the business of providing professional services to institutional investors and financial services companies. The risk of claims from these lines of business may be greater than from Towers Watson s core human capital and risk management business and claims may be for significant amounts. For example, Towers Watson may assist a pension plan to hedge its exposure to changes in interest rates. If the hedge does not perform as expected, Towers Watson could be exposed to claims. Contractual provisions intended to mitigate risk may not be enforceable.

***Towers Watson s business will face rapid technological change and Towers Watson s failure to respond to this change quickly could materially adversely affect Towers Watson s business.***

To remain competitive in Towers Watson s practice areas, Towers Watson will have to identify and offer the most current technologies and methodologies. In some cases, significant technology choices and investments are required. If Towers Watson does not respond correctly, quickly or in a cost-effective manner, Towers Watson s business and operating results might be harmed.

The effort to gain technological expertise and develop new technologies in Towers Watson s business may require Towers Watson to incur significant expenses and, in some cases, to implement these new technologies globally. If Towers Watson cannot offer new technologies as quickly or effectively as its competitors, Towers Watson could lose market share. Towers Watson also could lose market share if its competitors develop more cost-effective technologies than Towers Watson will offer or develop.

***Limited protection of Towers Watson intellectual property could harm Towers Watson s business.***

Towers Watson cannot guarantee that trade secret, trademark and copyright law protections will be adequate to deter misappropriation of Towers Watson s intellectual property (including its software, which may become an increasingly important part of Towers Watson s business). Existing laws of some countries in which Towers Watson will provide services or products may offer only limited protection of its intellectual property rights. Redressing infringements may consume significant management time and financial resources. Also, Towers Watson may be unable to detect the unauthorized use of its intellectual property and take the necessary steps to enforce Towers Watson s rights, which may have a material adverse impact on the business, financial condition or results of operations of Towers Watson.

***Towers Watson could have liability or its reputation could be damaged if it does not protect client data or information systems or if its information systems are breached.***

Towers Watson will depend on information technology networks and systems to process, transmit and store electronic information and to communicate among its locations around the world and with its alliance partners and clients. Security breaches could lead to shutdowns or disruptions of Towers Watson s systems and potential unauthorized disclosure of confidential information. Towers Watson will also be required at times to manage, utilize and store sensitive or confidential client or employee data. As a result, Towers Watson will be subject to numerous U.S. and foreign jurisdiction laws and regulations designed to protect this information, such as the European Union Directive on Data Protection and various U.S. federal and state laws governing the protection of health or other individually identifiable information. If any person, including any of Towers Watson s employees, fails to comply with, disregards or intentionally breaches Towers Watson s established controls with respect to such data or otherwise mismanages or misappropriates that data, Towers Watson could be subject to monetary damages, fines or criminal prosecution. Unauthorized disclosure of sensitive or confidential client or employee data, whether through systems failure, accident, employee negligence, fraud or misappropriation, could damage Towers Watson s reputation and cause it to lose clients. Similarly, unauthorized access to or through Towers Watson s information systems or those it develops for its clients, whether by Towers Watson s employees or third parties, could result in significant additional expenses (including expenses relating to notification of data security breaches and costs of credit monitoring services), negative publicity, legal liability and damage to Towers Watson s reputation, as well as require substantial resources and effort of management, thereby diverting management s focus and resources from business operations.

***Insurance may become more difficult or expensive to obtain.***

The availability, terms and price of insurance (including, but not limited to, insurance for errors and omissions, directors and officers, and employment practices) are subject to many variables, including general insurance market conditions, loss experience in related industries and in the actuarial and benefits consulting industry, and the specific claims experience of an individual firm. Towers Watson will be subject to various regulatory requirements relating to insurance as well as client requirements. There can be no assurance that Towers Watson will be able to obtain insurance on terms comparable to those Towers Perrin or Watson Wyatt has obtained in the past, at cost effective rates or with reasonable claim retentions. Increases in the cost of insurance could affect Towers Watson s profitability and the unavailability of insurance to cover certain risks could have a material adverse effect on Towers Watson s financial condition or Towers Watson s ability to transact business in certain geographies, particularly in any specific period.

***Towers Watson and its subsidiaries could encounter significant obstacles securing primary insurance coverage for errors and omissions liability risks on favorable or acceptable terms.***

Towers Perrin and Watson Wyatt currently obtain primary insurance for errors and omissions liability risks from a Vermont group captive insurance company known as Professional Consultants Insurance Company (which we refer to as PCIC ). The current shareholders and insureds of PCIC are Towers Perrin, Watson Wyatt, and Milliman, Inc. While no decision has yet been made whether PCIC will continue to be the primary insurer, in the event the shareholders of PCIC determine that it should be placed into run-off mode (meaning PCIC continues to administer and pay existing claims, but does not write new insurance policies), which determination can be made by the shareholders at any time, Towers Watson will need to obtain primary insurance coverage in

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another manner, such as through a single-parent captive insurance company, from one or more commercial insurance providers or through a combination of these or other available alternatives. Alternatives to PCIC could result in different coverage terms, higher premiums and/or higher loss retentions or deductibles, than those Towers Perrin and Watson Wyatt have been able to obtain with PCIC as the primary issuer. Alternative insurance arrangements also could result in increased earnings volatility for Towers Watson. In addition, the unavailability at any future time of primary insurance coverage for errors and omissions liability risk due to future loss experience, market conditions or other factors could have a material adverse effect on Towers Watson s financial condition or Towers Watson s ability to transact business in certain geographies, particularly in any specific period.

***Both Towers Perrin and Watson Wyatt have material pension liabilities that will be liabilities of Towers Watson following the merger, which liabilities can fluctuate significantly with changes in interest rates.***

Both Towers Perrin and Watson Wyatt have material pension liabilities, which will be assumed by Towers Watson at the effective time. Watson Wyatt s projected benefit obligation at June 30, 2009 was $1.1 billion, of which $255.4 million represented unfunded pension liabilities. Towers Perrin s projected benefit obligation at December 31, 2008 was $1.7 billion, of which, $455.8 million represented unfunded pension liabilities. Movements in the interest rate environment could have a material effect on the level of liabilities in these plans at any given time. These pension plans have minimum funding requirements that may require material amounts of periodic additional funding. Cash required to fund pension plans may have to be diverted from other corporate initiatives.

***Towers Watson may not be able to obtain financing on favorable terms.***

The maintenance and growth of Towers Watson s business will depend on its access to capital, which will depend in large part on cash flow generated by its business and the availability of equity and debt financing. There can be no assurance that Towers Watson s operations will generate sufficient positive cash flow to finance all of Towers Watson s capital needs or that Towers Watson will be able to obtain equity or debt financing on favorable terms or at all. Towers Watson expects to enter into a credit agreement with one or more lenders, to close contemporaneously with the merger s closing providing for a revolving credit facility of up to $500 million. As discussed elsewhere in this document, during the first 12 months following the effective date, Towers Watson will have significant cash requirements arising from the redemption of Towers Watson Class R common stock and payment of principal and interest under the Towers Watson Notes, as well as one-time fees and expenses relating to the merger. Towers Watson intends to fund such commitments by drawing down on such facility, if necessary. There can be no assurance that Towers Watson will be able to enter into a credit agreement on favorable terms or at all. Recent distress in the global credit markets has adversely impacted the availability of credit. Towers Watson s ability to enter into a credit agreement may be limited if market and general economic conditions continue to deteriorate or if Towers Watson is unable to meet certain closing conditions including the absence of a material adverse effect. If Towers Watson is unable to secure financing under a new credit agreement, it may incur fees to lenders under existing credit agreements with Towers Perrin and Watson Wyatt to obtain their consent to the merger.

***Towers Watson intends to enter into a revolving credit facility, which will contain a number of restrictive covenants that may restrict Towers Watson s operations.***

Towers Perrin and Watson Wyatt have entered into a commitment letter (the Commitment Letter ) with Bank of America, N.A., PNC Bank, National Association and certain other parties with respect to a revolving credit facility of up to $500 million to be made available to Towers Watson following the closing of the merger (the Senior Credit Facility ), as described at Towers Perrin Proposal No. 1 and Watson Wyatt Proposal No. 1: The Merger Agreement Senior Credit Facility .

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Towers Perrin and Watson Wyatt expect the Towers Watson credit agreement will contain a number of customary restrictive covenants imposing operating and financial restrictions on Towers Watson and certain of its subsidiaries, including restrictions that may limit their ability to engage in acts that may be in Towers Watson s long-term best interests. These covenants are likely to include, among others, limitations (and in some cases, prohibitions) that would, directly or indirectly, restrict Towers Watson s ability to:

- Incur liens or additional indebtedness (including guarantees or contingent obligations);
- Engage in mergers and other fundamental changes;
- Sell or otherwise dispose of property or assets;
- Pay dividends and other distributions; and
- Change the nature of its business.

The credit agreement also is expected to contain financial covenants that would limit Towers Watson s interest expense and total debt relative to EBIDTA.

Any operating restrictions and financial covenants in Towers Watson s credit agreement and any future financing agreements may limit Towers Watson s ability to finance future operations or capital needs or to engage in other business activities. Towers Watson s ability to comply with any financial covenants could be materially affected by events beyond its control, and there can be no assurance that it will satisfy any such requirements. If Towers Watson fails to comply with these covenants, Towers Watson may need to seek waivers or amendments of such covenants, seek alternative or additional sources of financing or reduce its expenditures. Towers Watson may be unable to obtain such waivers, amendments or alternative or additional financing at all, or on terms favorable to Towers Watson.

The credit agreement is expected to specify several events of default, including non-payment, certain cross-defaults, certain bankruptcy events, covenant or representation breaches and certain changes in control. If an event of default occurs, the lenders under the credit agreement are expected to be able to elect to declare all outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable. Towers Watson may not be able to repay all amounts due under the credit agreement in the event these amounts are declared due upon an event of default.

**Risks Relating to an Investment in Towers Watson s Securities**

***There has been no prior public market for Towers Watson Class A common stock.***

Before this offering, no public market existed for the Towers Watson Class A common stock. Towers Watson plans to apply to list the Towers Watson Class A common stock on the NYSE and on NASDAQ. However, an active public market for the Towers Watson Class A common stock may not develop or be sustained after the completion of the merger, which could affect the ability to sell, or depress the market price of, the Towers Watson Class A common stock. Towers Watson cannot predict the extent to which a trading market will develop or how liquid that market might become.

***The market price of Towers Watson Class A common stock may decline if we do not achieve the anticipated benefits of the merger.***

The market price of Towers Watson Class A common stock may decline if, among other factors, the integration of the Towers Perrin and Watson Wyatt businesses is unsuccessful, the operational cost savings estimates are not realized or the transaction costs related to the merger are greater than expected. The market price of Towers Watson Class A common stock also may decline if we do not achieve the perceived benefits of the merger as rapidly as, or to the extent, anticipated by financial or industry analysts or if the effect of the merger on Towers Watson s financial results is not consistent with the expectations of financial or industry analysts.

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***The stock price of Towers Watson Class A common stock may be volatile.***

The stock price of the Towers Watson Class A common stock may be volatile and subject to wide fluctuations. In addition, the trading volume of the Towers Watson Class A common stock may fluctuate and cause significant price variations to occur. Some of the factors that could cause fluctuations in the stock price or trading volume of the Towers Watson Class A common stock include:

- General market and economic conditions, including market conditions in the human capital and risk and financial management consulting industries;
- Actual or expected variations in quarterly operating results;
- Differences between actual operating results and those expected by investors and analysts;
- Changes in recommendations by securities analysts;
- Operations and stock performance of competitors;
- Accounting charges, including charges relating to the impairment of goodwill;
- Significant acquisitions or strategic alliances by Towers Watson or by competitors;
- Sales of the Towers Watson Class A common stock, including sales by Towers Watson s directors and officers or significant investors;
- Recruitment or departure of key personnel;
- Loss of key clients; and
- Changes in reserves for professional liability claims.

We cannot assure you that the stock price of the Towers Watson Class A common stock will not fluctuate or decline significantly in the future. In addition, the stock market in general can experience considerable price and volume fluctuations that may be unrelated to Towers Watson s performance.

***Shares of Towers Watson common stock eligible for public sale after completion of the merger could adversely affect the stock price.***

Immediately at the effective time, Towers Perrin security holders will be entitled to receive, in the aggregate, 50% of Towers Watson s voting common stock then outstanding. These shares will be subject to various restrictions following the effective time as described more fully in this document. See The Merger Agreement Vesting, Forfeiture, Transfer and Reallocation Provisions . For example, shares of Towers Watson Class B common stock will automatically convert into freely tradable Towers Watson Class A common stock in equal annual installments over four years from the effective time. In addition, transfer restrictions on shares of Towers Watson restricted Class A common stock to be received by a holder of Towers Perrin RSUs will 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 RSU award agreement). For a hypothetical example showing the timing and volume of shares that will become available for sale in the public market following the merger, see Description of Towers Watson s Common Stock Capital Stock Lapsing of Transfer Restrictions . The sales or potential sales of a substantial number of shares of Towers Watson Class A common stock in the public market after the Towers Watson Class B common stock converts or shares of Towers Watson restricted Class A common stock vest could depress the market price of Towers Watson Class A common stock at such time and could then impair the ability of Towers Watson to raise capital through the sale of additional securities.

***Shares of Towers Watson common stock received by Towers Perrin security holders in the merger are subject to, among other things, restrictions on transfer, which may prevent their holders from realizing gains or minimizing losses during certain time periods.***

As discussed elsewhere in this document, shares of Towers Watson common stock received by Towers Perrin security holders in the merger may not be sold or transferred for a period of time, except in limited circumstances, following the effective time. For a description of these transfer and other restrictions, and the circumstances in which they lapse or are removed, see The Merger Agreement Vesting, Forfeiture, Transfer and Reallocation Provisions .

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During the duration of these restrictions, Towers Perrin security holders will be precluded from realizing any gains or minimizing losses from the increase or decrease in the market price of the shares of Towers Watson Class A common stock.

***Towers Watson has not yet determined its dividend policy and may not pay dividends.***

Towers Watson has not yet determined its dividend policy. Any determination to pay dividends in the future will be at the discretion of the Towers Watson board of directors and will depend upon Towers Watson s results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law, rule or regulation, business and investment strategy, and other factors that the Towers Watson board of directors deems relevant. Although Watson Wyatt has historically paid quarterly dividends to its stockholders, the Towers Watson board of directors may determine not to pay periodic or other dividends to holders of Towers Watson common stock. If Towers Watson does not pay dividends, then the return on an investment in its common stock will depend entirely upon any future appreciation in its stock price. There is no guarantee that Towers Watson s common stock will appreciate in value or maintain its value.

***There will be no trading market for the Towers Watson Class B common stock or the Towers Watson Notes.***

None of the Towers Watson Class B common stock or Towers Watson Notes will be listed on any securities exchange or included in any automated quotation system and no trading market for such classes of common stock or the Towers Watson Notes is expected to develop. The transfer of the Towers Watson Class B common stock will be restricted under Towers Watson s governing documents and the transfer of the Towers Watson Notes will be restricted under the indenture governing the Towers Watson Notes (we refer to this indenture, a form of which is attached to this document as Annex F, as the Towers Watson Notes Indenture ). As a result of these restrictions, holders of such securities will not be able to dispose of such securities other than in the limited circumstances described in The Merger Agreement Vesting, Forfeiture, Transfer and Reallocation Provisions .

***The right to receive payment on the Towers Watson Notes will be subordinate to Towers Watson s obligations to its senior creditors and will be effectively subordinated to the existing and future debt and other liabilities of Towers Watson s subsidiaries to the extent of the assets of such subsidiaries.***

The Towers Watson Notes will rank junior to Towers Watson s obligations to its senior creditors, which are expected to generally include all of its third-party creditors other than trade creditors. All payments on the Towers Watson Notes will be blocked in the event of a payment default to senior creditors or a default that entitles lenders to accelerate the maturity of such debt. In addition, the terms of the Towers Watson Notes do not limit the amount of additional indebtedness Towers Watson can create, incur, assume or guarantee in the future. In the event of a distribution of Towers Watson s assets upon any insolvency, dissolution or reorganization, the payment of principal and interest to its senior creditors will have priority over the payment of principal and interest on the Towers Watson Notes. Towers Watson may not have sufficient assets remaining to pay amounts due on of the Towers Watson Notes after it has paid principal and interest to its senior creditors.

Further, the Towers Watson Notes will be effectively subordinated to the liabilities of Towers Watson s subsidiaries, following the effective time, including Towers Perrin and Watson Wyatt. Any right of Towers Watson to receive the assets of any of its subsidiaries upon a subsidiary s insolvency, dissolution or reorganization, and the dependant right of holders of the Towers Watson Notes to have rights in those assets, will be subject to the prior claim of any creditors of that subsidiary.

***Towers Watson may not have sufficient cash to pay the Towers Watson Notes.***

Towers Watson will conduct substantially all of its business following the effective time through operating subsidiaries, including Towers Perrin and Watson Wyatt. Accordingly, Towers Watson s ability to repay the Towers Watson Notes will depend on the earnings of and distribution of funds from Towers Perrin and Watson Wyatt. Each of these subsidiaries will be distinct legal entities and, under certain circumstances, legal and contractual restrictions may limit Towers Watson s ability to obtain cash from them. If Towers Watson does not have sufficient cash to repay the Towers Watson Notes for any reason, it will be forced to take actions such as revising or delaying strategic plans, reducing or delaying capital expenditures, selling assets, restructuring or refinancing debt or seeking additional equity capital. Towers Watson may not be able to effect any of these remedies on satisfactory terms, or at all.

***The Towers Watson Notes will not require Towers Watson to achieve or maintain minimum financial results, refrain from incurring additional debt or limit its ability to take specified actions. The lack of any of these provisions could negatively impact holders of the Towers Watson Notes.***

The terms of the Towers Watson Notes Indenture will not require Towers Watson to achieve or maintain any minimum financial results relating to its financial position or results of operations. In addition, the Towers Watson Notes Indenture will not contain any operating covenants, restrict Towers Watson from incurring additional debt that is senior to, or *pari passu* with, the rights of the holders of the Towers Watson Notes to receive payment or restrict Towers Watson from paying dividends, incurring liens or repurchasing any of its indebtedness or capital stock. Towers Watson will not be required to redeem the Towers Watson Notes in the event Towers Watson undergoes a change of control. Towers Watson s ability to take any of these actions could diminish its ability to repay the Towers Watson Notes when due.

***If Towers Watson is not able to implement any recommended improvements in its internal control over financial reporting or favorably assess the effectiveness of its internal control over financial reporting, or if its independent registered public accounting firm is not able to provide an unqualified attestation report on the effectiveness of Towers Watson s internal control over financial reporting, the stock price for Towers Watson Class A common stock could be materially adversely affected.***

If Towers Watson s internal control over financial reporting is not effective, the reliability of Towers Watson s financial statements could be impaired. After the merger, Towers Watson expects to devote considerable resources, including management s time and other internal resources, to a continuing effort to comply with regulatory requirements relating to internal control and the preparation of financial statements, including implementing any changes recommended by Towers Watson s independent registered public accounting firm. In particular, these efforts will focus on Towers Perrin and its subsidiaries, which have not previously been subject to the requirements of Section 404 or 302 of the Sarbanes-Oxley Act of 2002, as amended, and the rules promulgated thereunder by the SEC. Towers Watson will be required to certify to and report on, and its independent registered public accounting firm will be required to attest to, the effectiveness of Towers Watson s internal control over financial reporting on an annual basis after completion of the merger. If Towers Watson cannot favorably assess the effectiveness of its internal control over financial reporting, or if Towers Watson s independent registered public accounting firm is unable to provide an unqualified attestation report on the effectiveness of Towers Watson s internal control over financial reporting, investor confidence and, in turn, the market price of the Towers Watson Class A common stock could be materially adversely affected.

During preparation of Towers Perrin s financial statements for the year ended December 31, 2008, Towers Perrin identified a material weakness relating to the financial system applications used for accounting and accounts receivable and the processes surrounding the use of these systems. Specifically, Towers Perrin concluded that the financial system applications used for accounting and accounts receivable and the processes surrounding the use of these systems did not include adequately designed internal controls to ensure the appropriate foreign currency translation and remeasurement of accounts receivable. During the first quarter of 2009, Towers Perrin s management implemented new controls to address this material weakness. As of the date of this document, Towers Perrin s management has not conducted testing of the operating effectiveness of those new controls and procedures.

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There can be no assurance that Towers Watson will be able to implement and maintain any recommended improvements in Towers Watson s controls over its financial reporting. Any failure to do so could cause the reliability of Towers Watson s financial statements to be impaired and could also cause Towers Watson to fail to meet its reporting obligations under applicable law, either of which could cause investor confidence and, in turn, the market price of the Towers Watson Class A common stock, to be materially adversely affected.

***Towers Watson will have various mechanisms in place that could prevent a change in control that a stockholder might favor.***

Towers Watson s certificate of incorporation and bylaws will contain provisions that might discourage, delay or prevent a change in control that a stockholder might favor. Towers Watson s certificate of incorporation or bylaws will:

- Authorize the issuance of preferred stock without fixed characteristics, which could be issued by Towers Watson s board of directors pursuant to a shareholder rights plan and deter a takeover attempt;
- Provide that only the Chief Executive Officer, President or board of directors may call a special meeting of stockholders;
- Limit business at special stockholder meetings to such business as is brought before the meeting by or at the direction of Towers Watson s board of directors;
- Prohibit stockholder action by written consent, and require all stockholder actions to be taken at an annual or special meeting of the stockholders;
- Provide Towers Watson s board of directors with exclusive power to change the number of directors;
- Provide that all vacancies on Towers Watson s board of directors, including new directorships, may only be filled by a resolution adopted by a majority of the directors then in office;
- Not opt out of Section 203 of the Delaware General Corporation Law, which prohibits business combinations between a corporation and any interested stockholder for a period of three years following the time that such stockholder became an interested stockholder;
- Require a super-majority vote for the stockholders to amend Towers Watson s bylaws; and
- Prohibit any stockholder from presenting a proposal or director nomination at an annual stockholders meeting unless such stockholder provides Towers Watson with sufficient advance notice.

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## THE COMPANIES

### Towers, Perrin, Forster & Crosby, Inc.

Towers Perrin is a global professional services firm that helps organizations improve performance through effective people, risk and financial management. The firm provides innovative solutions in the areas of human capital strategy, program design and management, and in the areas of risk and capital management, insurance and reinsurance intermediary services, and actuarial consulting.

Towers Perrin was incorporated in Pennsylvania in 1934 as Towers, Perrin, Forster & Crosby, Inc. Over the course of several decades, Towers Perrin has made strategic acquisitions to broaden its market presence and expand its expertise. For example, in 1986, Towers Perrin acquired Tillinghast, Nelson & Warren, establishing the combined company as a leading consulting firm to the insurance industry. In 2002, Towers Perrin acquired Denis M. Clayton & Co., Ltd., a British reinsurance intermediary, which expanded Towers Perrin s geographic presence in Europe and gave Towers Perrin access to the Lloyds market. In 2005, Towers Perrin acquired Rauser AG, a leading German pension consultancy, which brought retirement consulting expertise and capabilities in a key market for multinational companies and large local employers. Towers Perrin s most recent acquisition, in 2007, was of International Survey Research Corporation, a leading global employee research and consulting firm with advanced research techniques that help align organizational culture, employee behavior and financial results.

Towers Perrin s services help clients solve many of the most pressing issues facing organizations worldwide today, including increasingly complex human capital challenges and a growing need for sophisticated risk and capital management. Towers Perrin believes it has developed many of the most innovative services and products in the areas in which it delivers solutions, including several types of managed care and consumer-based health plans that have evolved to meet changing client needs; a prescription drug collaborative purchasing program to help employers control costs; state-of-the-art financial modeling software for insurance companies; and the development of a comprehensive portfolio of services to help insurance organizations understand the links between risk and capital and manage these risks on an enterprise-wide basis. In addition, Towers Perrin s ability to respond rapidly to emerging issues has allowed it to help clients react to both risks and opportunities in practical ways. Recent examples include Towers Perrin s work on managing businesses in turbulent times, its white papers on the costs and risks inherent in specific natural disasters and its work helping clients manage escalating health care costs.

Towers Perrin s clients include many of the world s largest corporations, public and private institutions and non-profit organizations. In 2008, Towers Perrin provided its services to over 75% of the Fortune Global 500 companies, over 60% of the Fortune 1000 companies, and over 85% of the world s 50 largest insurance companies, as ranked by a recent Forbes 2000 list. Towers Perrin believes that it has been able to maintain many of its key client relationships for several decades because of its outstanding service and its reputation for being a trusted advisor to its clients.

#### *Business Overview*

As leading economies worldwide become more services-oriented, human capital and financial management have become increasingly important to companies and other organizations. As business becomes increasingly global, it is becoming more complex, which Towers Perrin believes is making it more difficult for companies to maintain a competitive edge. Towers Perrin s expertise in human capital management and risk and capital management helps companies achieve and maintain a competitive edge in the current complex environment.

The top talent in an organization often drives and helps maintain the organization s competitive advantage. At the same time, as people costs such as benefits and salaries have a larger impact on the bottom line, cost management and containment has become an increasingly significant issue. Balancing the need to attract, retain and engage talent with the necessity of controlling people costs has become a priority for senior

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management at many organizations. Towers Perrin helps organizations effectively manage their investment in people and develop and implement workforce strategies that align with business needs, address critical talent issues, drive higher performance and optimize the return on their investment in people.

The need to understand and manage capital and risk on an enterprise-wide level has been a priority for financial and insurance companies for many years. Today, due to increased scrutiny by rating agencies, more rigorous governance regulations in many countries and a growing internal need for management to better understand an organization s risks, non-financial companies are also strengthening their approach to enterprise risk management. Towers Perrin provides actuarial, financial and risk management consulting and software solutions to insurance and financial services companies and advises other organizations on solutions for managing retirement program risk, enterprise risk management and self-insurance. Towers Perrin also provides global reinsurance intermediary and related risk transfer services and consulting expertise.

Towers Perrin provides its services through three closely interrelated business groups: Benefits Consulting, Talent and Rewards Consulting, and Risk and Financial Services.

Through Benefits Consulting, Towers Perrin helps its clients with various matters relating to employee benefits, such as:

- Designing, implementing and managing retirement plans;
- Providing actuarial services, including developing and implementing pension risk management and retiree medical strategies;
- Designing, implementing and managing health and welfare benefits;
- Controlling the cost of all benefits;
- Designing, implementing and managing benefits in the context of mergers and acquisitions; and
- Designing and implementing nontraditional benefits.

Through Talent and Rewards Consulting, Towers Perrin helps its clients with various matters relating to talent management, compensation and employee communication, such as:

- Designing executive compensation;
- Developing employee compensation programs that drive performance;
- Implementing culture change programs, especially after a merger, acquisition or restructuring;
- Developing and implementing effective employee communication strategies;
- Conducting organizational and employee engagement surveys;
- Providing strategic workforce planning;
- Managing talent for competitive advantage;
- Restructuring the human resources function for greater strategic effectiveness; and
- Restructuring and reviewing total rewards programs.

Risk and Financial Services helps its insurance industry clients with various matters relating to risk and financial management such as:

- Helping clients design and implement Enterprise Risk Management programs;
- Valuing liabilities and economic value for financial reporting and management purposes;
- Facilitating risk transfer transactions such as reinsurance and various capital markets alternatives;
- Supporting mergers, acquisitions and restructurings with actuarial appraisals, reserve reviews, and various due diligence assistance;
- Providing financial modeling software systems and implementation consulting; and
- Offering other services such as product development, predictive modeling, strategies for entry into new markets, claim consulting, catastrophe modeling and other software solutions.

Towers Perrin helps non-insurance entities with risk management issues such as evaluating and optimizing their insurance programs as part of their overall risk and capital management processes, and designing and implementing risk mitigation strategies for their retirement programs to align their risk profile with overall financial objectives.

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**Watson Wyatt Worldwide, Inc.**

Watson Wyatt is a global consulting firm focusing on providing human capital and financial management consulting services. Including predecessors, Watson Wyatt has been in business since 1878. In the U.S., Watson Wyatt was founded in 1946, and conducted business as The Wyatt Company until changing its name to Watson Wyatt & Company in connection with the establishment of the Watson Wyatt Worldwide alliance in 1995 with R. Watson & Sons, a leading United Kingdom-based actuarial, benefits and human resources consulting partnership founded in 1878. In 2000, the firm incorporated Watson Wyatt & Company Holdings to serve as a holding company with operations conducted by its subsidiaries. To better serve the increasingly global needs of clients, on July 31, 2005, the firm acquired substantially all of the assets and assumed liabilities of Watson Wyatt LLP. The company s name was changed to Watson Wyatt Worldwide, Inc. on January 1, 2006, to reflect the company s global capabilities and identity in the marketplace.

Watson Wyatt helps its clients enhance business performance by improving their ability to attract, retain and motivate qualified employees. Watson Wyatt focuses on delivering consulting services that help its clients anticipate, identify and capitalize on emerging opportunities in human capital management. The firm also provides independent financial advice regarding all aspects of life assurance and general insurance, as well as investment advice to assist clients in developing disciplined and efficient investment strategies to meet investment goals. Its target market clients include those companies in the Fortune 1000, Pension & Investments (P&I) 1000, FTSE 1000, and equivalent organizations in markets around the world. As of June 30, 2009, Watson Wyatt provided services through approximately 7,700 associates in 107 offices located in 33 countries. Watson Wyatt s Class A common stock is currently traded on the NYSE and NASDAQ under the symbol WW .

*Business Overview*

As leading economies worldwide become more services-oriented, human capital and financial management have become increasingly important to companies and other organizations. The heightened competition for skilled employees, unprecedented changes in workforce demographics, regulatory changes related to compensation and retiree benefits and rising employee-related costs have increased the importance of effective human capital management. Insurance and investment decisions become increasingly complex and important in the face of changing economies and dynamic financial markets. Watson Wyatt helps clients address these issues by combining expertise in human capital and financial management with consulting and technology, to improve the design and implementation of various human capital and financial programs, including retirement, health care, compensation, insurance and investment plans.

Watson Wyatt designs, develops and implements human capital and risk management strategies and programs through its closely interrelated practice areas. The company s global operations include five segments: Benefits, Technology and Administration Solutions, Human Capital, Investment Consulting, and Insurance & Financial Services.

***Benefits Group***

- Design and management of benefit programs
- Actuarial services including development of funding and risk management strategies
- Expatriate and international human capital strategies
- Mergers and acquisitions
- Strategic workforce planning
- Compliance and governance

***Technology and Administration Solutions Group***

- Web-based applications for health and welfare, pension and compensation administration
- Administration outsourcing solutions for health and welfare, pension and flexible benefits

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- Consulting on strategic human resources technology and service delivery, including SharePoint portal implementation and other HR and enterprise portals
- Targeted online compensation and benefits statements, content management and call center case management solutions
- Reward and talent management strategy, design and technology solutions

***Human Capital Group***

- Advice concerning compensation plans, including broad-based and executive compensation, stock and other long-term incentive programs
- Strategies to align workforce performance with business objectives
- Organization effectiveness consulting
- Talent management consulting, including workforce planning, performance management, succession planning and other programs
- Strategies for attracting, retaining and motivating employees
- Data services

***Investment Consulting Group***

- Investment consulting services to pension plans and other institutional funds
- Input on governance and regulatory issues
- Analysis of asset allocation and investment strategies
- Investment structure analysis, selection and evaluation of managers and performance monitoring
- Implementation/fiduciary services for defined benefit and defined contribution investment programs via our Advanced Investment Solutions (AIS) services and Defined Contribution Solution (DCS) services

***Insurance & Financial Services Group***

- Independent actuarial and strategic advice
- Assessment and advice regarding financial condition and risk management
- Financial modeling software tools for product design and pricing, planning and projections, reporting, valuations and risk management

While Watson Wyatt focuses its consulting services in the areas described above, its management believes that one of the company s primary strengths is its ability to draw upon consultants from different practices to deliver integrated services to meet the needs of clients. This capability includes communication and change management implementation support services. Additional information about Watson Wyatt and its subsidiaries is included in the information incorporated by reference into this document. See Additional Information Where You Can Find Additional Information on page 251.

**Jupiter Saturn Holding Company**

The Holding Company is a newly formed Delaware corporation that has not conducted any activities other than those incident to its formation, the matters contemplated by the merger agreement and the preparation of this document. The Holding Company is jointly owned by Towers Perrin and Watson Wyatt. Upon completion of the merger, (1) the Holding Company will change its name to Towers Watson & Co., (2) Towers Perrin and Watson Wyatt will each become a wholly owned subsidiary of Towers Watson, and (3) the current stockholders of Towers Perrin and Watson Wyatt will become stockholders of Towers Watson. The business of Towers Watson will be the combined businesses currently conducted by Towers Perrin and Watson Wyatt.

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## THE SPECIAL MEETINGS AND PROXY SOLICITATION

This document is being furnished to you in connection with the solicitation of proxies by your board of directors in connection with the Towers Perrin special meeting of shareholders and the Watson Wyatt special meeting of stockholders, as applicable.

| | **Towers Perrin** | **Watson Wyatt** |
|---|---|---|
| *Date, Time and Place* | December 18, 2009 | December 18, 2009 |
| | 9:00 a.m., local time | 10:00 a.m., local time |
| | Stamford Marriott Hotel & Spa | Westin Arlington Gateway |
| | 243 Tresser Boulevard | 801 N. Glebe Road |
| | Stamford, Connecticut | Arlington, Virginia |
| | The Towers Perrin special meeting may be adjourned or postponed to another date, time or place for proper purposes, including for the purpose of soliciting additional proxies. | The Watson Wyatt special meeting may be adjourned or postponed to another date, time or place for proper purposes, including for the purpose of soliciting additional proxies. |
| *Matters to be Considered* | To consider and vote upon the approval and adoption of the merger agreement, as it may be amended from time to time.<br><br>To consider and vote upon the amendment of Article VI of Towers Perrin s bylaws, which contains transfer and ownership restrictions on shares of Towers Perrin common stock that must be amended to complete the merger.<br><br>To consider and vote upon adjournment(s) of the Towers Perrin special meeting to permit further solicitation of proxies to vote in favor of foregoing proposals.<br><br>To transact such other business as may properly be presented at the special meeting or any adjournment(s) of the Towers Perrin special meeting. | To consider and vote upon the approval and adoption of the merger agreement, as it may be amended from time to time.<br><br>To consider and vote upon the approval of the Towers Watson Incentive Plan.<br><br>To consider and vote upon adjournment(s) of the Watson Wyatt special meeting to permit further solicitation of proxies to vote in favor of foregoing proposals.<br><br>To transact such other business as may properly be presented at the Watson Wyatt special meeting or any adjournment(s) of the special meeting. |
| | At the present time, Towers Perrin knows of no other matters that will be presented for consideration at the Towers Perrin special meeting. | At the present time, Watson Wyatt knows of no other matters that will be presented for consideration at the Watson Wyatt special meeting. |

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| | Towers Perrin | Watson Wyatt |
|---|---|---|
| *Record Date* | November 2, 2009 | November 3, 2009 |
| | You may vote at the Towers Perrin special meeting and at any adjournment(s) thereof if you owned shares of Towers Perrin common stock as of the record date. ***For the avoidance of doubt, holders of any other Towers Perrin security, such as Towers Perrin RSUs or warrants, do not have voting rights and will not be entitled to vote at the Towers Perrin special meeting on any matter.*** | Stockholders of record at the close of business on November 3, 2009 are entitled to notice of and to vote the shares of Watson Wyatt Class A common stock held by them on such date, at the Watson Wyatt special meeting and at any adjournment(s) thereof. |
| | | A list of Watson Wyatt Class A stockholders will be available for inspection at least 10 days prior to the Watson Wyatt special meeting at the Office of the Secretary of Watson Wyatt, 901 N. Glebe Road, Arlington, Virginia 22203. |
| *Shares Outstanding* | At the close of business on November 2, 2009, the Towers Perrin record date, Towers Perrin had outstanding and entitled to vote 70,209.60 shares of common stock. The Towers Perrin common stock is Towers Perrin s only class of outstanding voting securities and will vote as a single class on all matters to be presented at the Towers Perrin special meeting. Each share (or fraction thereof) of Towers Perrin common stock outstanding on the record date is entitled to one vote (or fraction thereof) per share of common stock. | At the close of business on November 3, 2009, the Watson Wyatt record date, there were 42,307,754 shares of Watson Wyatt Class A common stock outstanding and entitled to vote at the Watson Wyatt special meeting. The Watson Wyatt Class A common stock is Watson Wyatt s only class of outstanding voting securities and will vote as a single class on all matters to be presented at the Watson Wyatt special meeting. Each share of Watson Wyatt Class A common stock entitles the holder thereof to one vote on each matter to be considered. |
| *Quorum* | The presence, in person or by proxy, of the holders of a majority of the outstanding shares of Towers Perrin common stock entitled to vote will constitute a quorum. | The presence, in person or by proxy, of Watson Wyatt stockholders holding a majority of the outstanding shares of Watson Wyatt Class A common stock entitled to vote at the Watson Wyatt special meeting will constitute a quorum. |

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| | Towers Perrin | Watson Wyatt |
|---|---|---|
| *Required Vote* | The affirmative vote of the holders of at least two-thirds of the issued and outstanding shares of Towers Perrin common stock at the special meeting is required to approve the merger agreement and the proposal to amend Article VI of Towers Perrin s bylaws (the PBCL only requires the affirmative vote of the holders of a majority of the votes cast at the Towers Perrin special meeting to approve the merger agreement, however, the merger agreement requires the affirmative vote of holders of two-thirds of the issued and outstanding shares of Towers Perrin common stock). | The affirmative vote of the holders of a majority of the outstanding shares of Watson Wyatt Class A common stock is required to approve the merger agreement. The affirmative vote of the holders of a majority of the votes represented and entitled to vote on the subject matter at the Watson Wyatt special meeting is required to approve all other proposals at the Watson Wyatt special meeting. |
| | The affirmative vote of the holders of a majority of the votes cast at the Towers Perrin special meeting is required to approve any other proposal at Towers Perrin s special meeting. | If you abstain or fail to vote your shares in person or by proxy in favor of approving and adopting the merger agreement, it will have the same effect as a vote **AGAINST** adoption of the merger agreement proposal. With respect to the other proposals presented at the Watson Wyatt special meeting, abstentions will have the same effect as a vote **AGAINST** such other proposals, and a failure to vote your shares in person or by proxy will have no effect. |
| | With respect to the proposals to approve and adopt the merger agreement and to amend Article VI of Towers Perrin s bylaws, assuming the presence of a quorum, the failure to submit a proxy card or the failure to vote in person at the Towers Perrin special meeting and abstentions from voting will have the effect of a vote **AGAINST** each of these proposals. With respect to all other proposals, assuming the presence of a quorum, the failure to submit a proxy card or the failure to vote in person at the Towers Perrin special meeting and abstentions will have no effect on any such proposal. | |
| | ***It is important to note that the merger will not be completed unless the holders of two-thirds of the issued and outstanding shares of Towers Perrin common stock vote FOR both the proposal to approve and adopt the merger agreement and the proposal to amend Article VI of Towers Perrin s bylaws.*** | |

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| | Towers Perrin | Watson Wyatt |
|---|---|---|
| *Recommendation of the Board of Directors* | **Towers Perrin s board of directors has unanimously approved the merger agreement and determined that the merger agreement is advisable and in the best interests of Towers Perrin, its shareholders and other constituencies.**<br><br>**Accordingly, the Towers Perrin board of directors recommends that Towers Perrin shareholders vote to (1) approve and adopt the merger agreement and (2) amend Article VI of Towers Perrin s bylaws.** | **Watson Wyatt s board of directors has unanimously determined that the merger agreement and the transactions contemplated by the merger agreement are advisable, fair to, and in the best interests of Watson Wyatt and its stockholders and has approved the adoption of the merger agreement.**<br><br>**Accordingly, the Watson Wyatt board of directors recommends that Watson Wyatt stockholders vote to (1) approve and adopt the merger agreement, and (2) approve the Towers Watson Incentive Plan.** |
| *Voting Procedures* | A proxy card will be sent to each Towers Perrin shareholder and Watson Wyatt stockholder of record entitled to vote.<br><br>If you have timely and properly submitted your proxy, clearly indicated your vote and have not revoked your proxy, your shares of common stock will be voted as indicated at your special meeting. If you have timely and properly submitted your proxy but have not clearly indicated your vote, your shares of common stock will be voted **FOR** the proposals above at your special meeting. If any other matters are properly presented at your special meeting for consideration, the persons named in your proxy will have the discretion to vote on these matters in accordance with their best judgment.<br><br>Proxies voted **AGAINST** the proposal related to the merger agreement, or solely in the case of Towers Perrin shareholders, **AGAINST** the amendment of Article VI of Towers Perrin s bylaws, will not be voted **FOR** any adjournment of your special meeting for the purpose of soliciting additional proxies. | |
| | You may:<br><br>Submit a proxy electronically by completing and submitting your proxy card by following the instructions provided thereon; or<br><br>Attend the Towers Perrin special meeting and vote in person. | You may submit a proxy using any of the following methods:<br><br>Complete, sign and mail your enclosed proxy card in the postage-paid envelope;<br><br>Phone the toll-free number listed on the proxy card and follow the recorded instructions; or<br><br>Go to the Internet website listed on the proxy card and follow the instructions provided.<br><br>You may also attend the Watson Wyatt special meeting and vote in person. |

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| | Towers Perrin | Watson Wyatt |
|---|---|---|
| *Revocation* | You may revoke your proxy at any time prior to its exercise by:<br><br>Properly completing and executing a later-dated proxy and submitting such proxy electronically prior to midnight eastern time on the day prior to the Towers Perrin special meeting; or<br><br>Appearing and voting in person at the Towers Perrin special meeting.<br><br>Your presence at the Towers Perrin special meeting without voting will not automatically revoke your proxy, and any revocation after closing of the polls at the Towers Perrin special meeting will not affect votes previously taken. | You may revoke your proxy at any time prior to its exercise by:<br><br>Filing a revocation notice or a duly executed proxy to vote your shares bearing a later date with the Secretary of Watson Wyatt at 901 N. Glebe Road, Arlington, Virginia 22203;<br><br>Using the toll-free number or Internet website listed on the proxy card and following the instructions provided prior to 11:59 p.m. ET on the day prior to the special meeting; or<br><br>Appearing and voting in person at the Watson Wyatt special meeting.<br><br>If you need assistance in changing or revoking your proxy, please contact Innisfree M&A Incorporated toll free at (877) 825-8631 (stockholders). Bankers and brokers may call collect at (212) 750-5833.<br><br>Your presence without voting at the Watson Wyatt special meeting will not automatically revoke your proxy, and any revocation after closing of the polls at the Watson Wyatt special meeting will not affect votes previously taken. |
| *Solicitation of Proxy Materials* | The accompanying proxy is being solicited on behalf of Towers Perrin s board of directors. The expenses of preparing, printing and mailing the proxy and materials used in the solicitation will be borne by Towers Perrin. Proxies may be solicited from Towers Perrin shareholders personally or by telephone and other electronic means by Towers Perrin s directors, officers and employees, who will not receive additional compensation for performing that service but will be reimbursed for any reasonable expenses that they incur. | Watson Wyatt s board of directors is making this proxy solicitation. The cost of soliciting proxies will be borne by Watson Wyatt and Watson Wyatt has hired Innisfree M&A Incorporated, a proxy solicitation firm, to assist in soliciting proxies for a fee not to exceed $50,000 plus reasonable expenses. Proxies may be solicited from Watson Wyatt stockholders personally or by telephone and other electronic means by Watson Wyatt s directors, officers and employees, who will not receive additional compensation for performing that service but will be reimbursed for any reasonable expenses that they incur. Watson Wyatt will, upon request, |

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| | Towers Perrin | Watson Wyatt |
|---|---|---|
| | | reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation material to the beneficial owners of Watson Wyatt s common stock. Other proxy solicitation expenses that Watson Wyatt will pay include those for preparation, mailing and tabulating the proxies. |
| Shares Held in Street Name | Not applicable. | If your shares of Watson Wyatt Class A common stock are held in nominee or street name , you will receive separate voting instructions from your broker or nominee with your proxy materials. Although most brokers and nominees offer telephone and Internet voting, availability and specific processes will depend on their voting arrangements. Please consult your broker or nominee. |
| *Broker non votes* | Not applicable. | If you are a Watson Wyatt stockholder and you abstain from voting or fail to instruct your broker to vote your shares and the broker submits an unvoted proxy, the resulting broker non-vote will be counted toward a quorum at the Watson Wyatt special meeting, but will not be counted as a vote for any proposals, and will have the effect of a vote **AGAINST** the proposal to approve and adopt the merger agreement. However, broker non-votes will have no effect on any other proposal to be considered at the Watson Wyatt special meeting.<br><br>Broker non-votes occur when a person holding shares of Watson Wyatt Class A common stock through a bank or brokerage account does not provide instructions as to how such shares should be voted, and the broker does not exercise discretion to vote those shares on a particular matter. |

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| | Towers Perrin | Watson Wyatt |
|---|---|---|
| *Householding Delivery of Proxy Materials* | Not applicable. | To reduce the expenses of delivering duplicate proxy materials to Watson Wyatt stockholders, Watson Wyatt is relying upon SEC rules that permit Watson Wyatt to deliver only one joint proxy statement/prospectus to multiple stockholders who share an address unless Watson Wyatt receives contrary instructions from any stockholder at that address. If you share an address with another stockholder and have received only one copy of this document, you may write or call Watson Wyatt as specified below to request a separate copy of this document and Watson Wyatt will promptly send it to you at no cost to you: Secretary, Watson Wyatt, 901 N. Glebe Road, Arlington, Virginia 22203, or by telephone at 703-258-8000. |
| *Auditors* | KPMG LLP serves as Towers Perrin s independent public accountants. | Deloitte & Touche LLP serves as Watson Wyatt s independent auditor. Representatives of Deloitte & Touche LLP plan to attend the Watson Wyatt special meeting and will be available to answer appropriate questions. Its representatives will also have an opportunity to make a statement at the Watson Wyatt special meeting if they so desire, although it is not expected that any statement will be made. |

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## TOWERS PERRIN PROPOSAL NO. 1 AND WATSON WYATT PROPOSAL NO. 1:

## THE MERGER AGREEMENT

### General

On June 26, 2009, Towers Perrin and Watson Wyatt agreed to combine in a merger of equals . Pursuant to the merger agreement, Towers Perrin and Watson Wyatt will each become a wholly owned subsidiary of Towers Watson. Immediately following the effective time, Towers Perrin security holders, on the one hand, and Watson Wyatt security holders, on the other hand, will each be entitled to receive, in the aggregate, 50% of Towers Watson s voting common stock then outstanding.

*While we believe that the description in this section covers the material terms of the merger agreement and the transactions contemplated by the merger agreement, this summary may not contain all of the information that is important to you. You should read this entire document and the other documents we refer to carefully for a more complete understanding of the merger, including the merger agreement which is attached to this document as Annex A. In addition, we encourage you to read the business and financial information of Towers Perrin and Watson Wyatt provided elsewhere in this document and incorporated by reference into this document in the case of Watson Wyatt. You may obtain the information incorporated by reference without charge by following the instructions in the section entitled Additional Information Where You Can Find Additional Information beginning on page 251.*

### Background of the Merger

The boards of directors of Towers Perrin and Watson Wyatt continually review their respective company s results of operations and competitive positions in the industries in which they operate, as well as their strategic alternatives. In connection with these reviews, each of Towers Perrin and Watson Wyatt from time to time has evaluated potential transactions, including acquisitions and business combinations, and in the case of Towers Perrin, an initial public offering, that would further its strategic objectives.

As part of this continual review, beginning in 2004, Towers Perrin began to refine its long-term strategic goals, which had focused on organic growth from current and new businesses and inorganic growth through additional and potentially larger acquisitions. Towers Perrin s management and board of directors began to explore the feasibility of conducting an initial public offering of Towers Perrin s common stock because it became clear that having a currency in the form of a publicly traded stock was the preferred method to achieving Towers Perrin s long-term strategy of gaining scale and allowing Towers Perrin to be more opportunistic in, for example, considering acquisition candidates. In connection with exploring an initial public offering, Towers Perrin engaged Goldman Sachs and Milbank to provide financial and legal advisory services, respectively. The process whereby the Towers Perrin board of directors evaluated, considered and prepared for an initial public offering continued until mid-2009.

As part of Watson Wyatt s ongoing strategy for strengthening its presence worldwide, Watson Wyatt has completed a number of both substantial and smaller acquisitions since its initial public offering in 2000, resulting in new or expanded operations in the United States and abroad. More significant acquisitions in recent years included the 2005 acquisition of Watson Wyatt LLP in the United Kingdom, the 2007 acquisition of Watson Wyatt Brans & Co. in the Netherlands, and the 2007 acquisition of Dr. Dr. Heissmann GmbH in Germany. During the course of these acquisitions, Watson Wyatt s senior management and board of directors considered strategies to strengthen the firm s position in geographic regions and lines of business where they believed the company would benefit from an increased presence, and to improve the competitiveness of its existing business. In late 2007 and early 2008, Watson Wyatt s President, Chief Executive Officer and Chairman of the Board, Mr. John J. Haley, had more detailed discussions regarding possible business combinations with members of senior management and engaged in preliminary conversations with Watson Wyatt s financial advisor to consider a possible strategy for assessing potential candidates for a business combination.

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At a meeting of Watson Wyatt s board of directors on February 8, 2008, Mr. Haley led a discussion of the competitive landscape and possible transactions in which Watson Wyatt would merge with one or more firms with complementary talent resources, marketplace leadership, practice strengths, geographic presence and corporate values, and with potential for operational efficiencies in connection with a business combination. The discussion also focused on possible combinations that could emerge in the industry among various of Watson Wyatt s key competitors. As part of these discussions with the board, Watson Wyatt considered potential business combinations with four of its key competitors, in order to explore the possibility of a transformative transaction that could enhance Watson Wyatt stockholders returns over the long term by better positioning the company to address the next generation of human capital and insurance/financial services business challenges. As a threshold matter, Mr. Haley and the Watson Wyatt board of directors limited their review of Watson Wyatt merger candidate firms to firms with a similar strategic focus and reputation, as well as similar corporate cultures which emphasize the importance of integrity, quality of service and favorable employee relations.

In early April 2008, the Watson Wyatt board of directors authorized Mr. Haley to continue to explore whether certain of these candidates (including Towers Perrin) would have an interest in a potential combination with Watson Wyatt, and to engage in preliminary discussions with such candidates. After further discussions with members of senior management and Watson Wyatt s financial advisor, Mr. Haley called Mr. Mark V. Mactas, President, Chief Executive Officer and Chairman of the Board of Towers Perrin, to consider whether an in-person meeting to discuss a possible transaction might be fruitful. Mr. Haley emphasized to Mr. Mactas that any such meeting would be preliminary in nature and would not represent a decision to pursue a transaction. Mr. Mactas informed Mr. Haley that he would consider the matter. After Mr. Haley s initial inquiries and review with respect to these candidates, Watson Wyatt s senior management and board of directors decided that further discussions with Towers Perrin were warranted. Later in April 2008, Mr. Haley met with Mr. Mactas in New York City to discuss the possibility of a business combination.

On April 30, 2008, at a regularly scheduled meeting, the Towers Perrin board of directors reviewed the company s progress with respect to the planned initial public offering. At this time, Mr. Mactas informed the Towers Perrin board of directors about his recent conversations with Mr. Haley regarding a possible strategic transaction with Watson Wyatt. The Towers Perrin board of directors considered the matter and instructed Mr. Mactas to keep the Towers Perrin board of directors apprised of any developments.

In mid-May, Messrs. Haley and Mactas met again and Mr. Haley expressed Watson Wyatt s view of the potential benefits of a merger between Towers Perrin and Watson Wyatt, the high level growth strategy for Watson Wyatt and some broad outlines about how a combination could be structured. Mr. Mactas advised Mr. Haley that he believed it would be worthwhile to explore further the possibility of a business combination transaction between Towers Perrin and Watson Wyatt.

Over the course of the next several months, continuing through the beginning of the 2009 calendar year, various representatives of Towers Perrin and Watson Wyatt senior management had numerous calls and meetings to discuss the potential strategic and cultural alignment between the two firms. Through December 2008, discussions focused in large part on governance and the companies relative valuations. In the latter stages of this dialogue, the parties preliminarily agreed to explore a merger of equals , in light of the companies similar levels of revenue and headcount, as well as their comparable businesses and reputations, pursuant to which (1) the current Towers Perrin shareholders and certain designated employees, on the one hand, and the current Watson Wyatt security holders, on the other hand, would each receive, in the aggregate, consideration comprised of 50% of the equity in the combined entity, (2) the board of directors of the combined company would include an equal number of directors designated by each party, (3) Mr. Haley would serve as the Chairman of the Board and Chief Executive Officer of the combined entity and Mr. Mactas would serve as the Deputy Chairman of the Board, President and Chief Operating Officer, and (4) the brand name would include elements drawn from the names of both companies. In addition, the parties preliminarily discussed the concepts behind, and the need for provisions in a merger agreement relating to, the Class R Eligible Participants, which would provide an incentive for certain Towers Perrin shareholders to commit to terminate their employment with Towers Perrin and which, by reducing the number of shares that would otherwise be outstanding post-closing,

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would also have an anti-dilutive effect on the combined company s stockholders. As a private company, Towers Perrin s bylaws provide that shares of its common stock may only be held by current employees. Upon termination of employment, shares are automatically redeemed by Towers Perrin for a per share amount equal to the total shareholder investment on the preceding December 31st, as reflected in Towers Perrin s audited financial statements, less the liquidation value of preferred shares then outstanding (and subject to pension related adjustments), divided by the number of shares of common stock (net of treasury shares) then outstanding. Because Towers Perrin had announced to its shareholders in 2005 that it was contemplating an initial public offering, Towers Perrin believed that a number of its employee shareholders who were eligible for retirement had delayed retiring in hopes of selling their shares in or following the initial public offering at a higher price than they would receive if they retired while the company remained private. As such, the parties recognized that it was important to provide an incentive for these Towers Perrin shareholders to retire at closing, which was expected to result in operating cost savings for the combined company. In order to provide this incentive, the parties agreed to offer eligible Towers Perrin shareholders the opportunity to exchange their Towers Perrin shares for cash, one-year promissory notes and shares of Towers Watson common stock that become freely tradable one year after the effective time. As discussed below, eligible Towers Perrin shareholders who do not elect to retire would instead exchange their Towers Perrin shares for shares of Towers Watson common stock that would become freely tradable over a four-year period.

The parties also discussed implementing lock-up restrictions for shares issued to Towers Perrin shareholders. These restrictions were intended to provide for an orderly distribution of Towers Watson shares into the public market. To achieve this objective, the parties agreed that Towers Perrin shareholders who did not elect to retire at closing would exchange their Towers Perrin shares in the merger for Towers Watson Class B common stock, which would not be freely tradable. Instead, the Towers Watson Class B common stock would convert into freely tradable Towers Watson Class A common stock over a four-year period, with 25% of the Class B common stock converting into Class A common stock on each of the first four anniversaries of the effective time. A similar staged lock-up had been successfully implemented in connection with Watson Wyatt s initial public offering, and other significant business combination transactions involving Watson Wyatt.

In addition, Towers Perrin wanted to provide equity incentives to Towers Perrin employees who did not hold meaningful or any amounts of Towers Perrin stock to remain with the combined company after the merger. Therefore, Towers Perrin proposed allocating to such Towers Perrin employees 5% of Towers Watson s equity, which would otherwise have been part of the merger consideration issuable to Towers Perrin shareholders. Ultimately, the parties agreed that (1) Towers Perrin would grant restricted stock units to a broad-based group of employees selected by Towers Perrin and that these restricted stock units would be exchanged in the merger for an aggregate amount equal to 5% of the combined company s voting equity (in the form of shares of Towers Watson restricted Class A common stock) outstanding at the effective time, (2) in order to encourage these Towers Perrin employees to remain Towers Watson employees, the shares of Towers Watson restricted Class A common stock would vest over three years and would be forfeited if the employee was terminated for cause or resigned, and (3) because this Class A common stock otherwise would have been distributed pro rata to the Towers Perrin shareholders in the merger, the Towers Perrin shareholders would receive any shares of Towers Watson restricted Class A common stock forfeited by Towers Watson employees.

On August 19, 2008, at a special meeting of the Towers Perrin board of directors held in connection with the planned initial public offering, Towers Perrin management provided an update on the preliminary discussions with Watson Wyatt.

During the fall of 2008 and continuing until the signing of the merger agreement on June 26, 2009, each of Mr. Haley and Mr. Mactas had frequent discussions with each other and their respective board of directors and certain members of each company s senior management to provide them with updates and solicit their views on strategic, financial and legal issues in connection with exploring the potential transaction.

On September 12, 2008, the Watson Wyatt board of directors held a regularly scheduled meeting. Mr. Haley provided a general status update on the discussions with Towers Perrin, including the favorable

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impressions of Watson Wyatt s senior management following meetings with Towers Perrin s senior management earlier that week. The Watson Wyatt board of directors formed a special committee with Ms. Linda D. Rabbitt serving as chair, and initially also comprised of Mr. John C. Wright and Mr. Gilbert T. Ray, but subsequently expanded in February 2009 to include all of Watson Wyatt s independent directors, to evaluate the terms of a potential business combination with Towers Perrin, determine whether any possible transaction is fair to, and in the best interests of, Watson Wyatt and its stockholders and recommend to the full board what action, if any, should be taken with respect to any such transaction (we refer to this committee as the Watson Wyatt Special Committee ).

On September 23, 2008, at a regularly scheduled meeting of the Towers Perrin board of directors, Towers Perrin management and the Towers Perrin board of directors reviewed, assessed and reaffirmed the firm s strategy including the decision to pursue an initial public offering of Towers Perrin s common stock. Management provided the Towers Perrin board of directors with a detailed review of the status of the planned initial public offering. Management also provided an update to the Towers Perrin board of directors on the status of the discussions and an analysis of the potential opportunity to merge with Watson Wyatt. The Towers Perrin board of directors posed numerous questions about a potential transaction with Watson Wyatt particularly in light of Towers Perrin s plans for an initial public offering. The Towers Perrin board of directors discussed with management the need to ensure that certain fundamental matters were addressed prior to continuing discussions with Watson Wyatt. These matters related to governance, relative valuations of the parties and brand name.

On October 7, 2008, the Watson Wyatt Special Committee met with Mr. Haley and certain other members of senior management. Representatives of BofA Merrill Lynch, which was engaged as Watson Wyatt s financial advisor for the potential transaction with Towers Perrin effective as of October 7, 2008, and Gibson, Dunn & Crutcher LLP (or Gibson Dunn ), Watson Wyatt s outside legal advisor for the transaction, also attended. The committee discussed the preliminary significant transaction terms, anticipated transaction process and timing, and reviewed financial matters related to the potential transaction with senior management and BofA Merrill Lynch.

On November 11 and 12, 2008, at a regularly scheduled meeting, Towers Perrin management briefed the Towers Perrin board of directors on the discussions with Watson Wyatt. Management also provided the Towers Perrin board of directors with a detailed report on the progress for readying Towers Perrin for an initial public offering. After consideration and discussion, the Towers Perrin board of directors directed management to provide further analysis of the alternatives. After further discussion the Towers Perrin board of directors reaffirmed its support for pursuing an initial public offering at this time. Drinker Biddle & Reath LLP, Towers Perrin s Pennsylvania counsel, discussed with the Towers Perrin board of directors the legal standards applicable to the Towers Perrin board of directors decisions and actions in these contexts, in particular, the fact that when discharging its duties, the Towers Perrin board of directors may, in considering the best interests of the corporation, consider, among other things and to the extent deemed appropriate, the effects of any action upon any or all groups affected by such action, including shareholders, employees, suppliers, clients and creditors of the corporation.

On November 13, 2008, Towers Perrin formally engaged Goldman Sachs to act as Towers Perrin s exclusive financial advisor to assist in the evaluation of the potential transaction with Watson Wyatt.

On November 14, 2008, Watson Wyatt s board of directors held a meeting, with certain members of senior management in attendance. Mr. Haley presented an overview of the rationale behind the proposed transaction with Towers Perrin, including the opportunity for each firm to expand its global presence, strengthen organizational capabilities and offer clients enhanced products and services, by combining with an enterprise that has complementary talent resources, practice strengths and geographic presence.

Also on November 14, 2008, Towers Perrin and Watson Wyatt entered into a mutual confidentiality agreement whereby the parties agreed, among other things, that any information received by either party in evaluating any proposed transaction would be kept confidential. Discussions of the potential transaction prior to this time had primarily been on a conceptual level and based on publicly available information. Notwithstanding the foregoing, diligence remained somewhat limited, in part to exclude information that might be deemed competitively sensitive. The mutual confidentiality agreement also restricted both parties from soliciting or encouraging any other merger, business combination or similar transactions while the parties were discussing a possible merger. These no-shop restrictions would expire on March 14, 2009, or such earlier date as the parties mutually agreed to discontinue their discussions. These limitations did not restrict Towers Perrin s ability to pursue an initial public offering as an alternative to merging with Watson Wyatt.

On November 18, 2008, the parties met in Washington, D.C. Representatives of Watson Wyatt, BofA Merrill Lynch, Towers Perrin and Goldman Sachs attended. During the meeting, the parties exchanged financial information related to general business results and discussed generally the parameters of future negotiations, potential due diligence and documentation.

On December 6, 2008, the Watson Wyatt Special Committee held a meeting with Mr. Haley, which was also attended by certain other members of senior management and representatives of BofA Merrill Lynch. At this meeting, members of senior management reported to, and answered questions from, the Watson Wyatt Special Committee on the progress of the negotiations since Watson Wyatt s November 14th board meeting.

Over the course of the next several weeks, representatives of Towers Perrin and Watson Wyatt had several meetings and conference calls to continue to discuss various matters including the mechanics relating to the merger consideration to be received by Towers Perrin security holders.

On December 15, 2008, at a special meeting, the Towers Perrin board of directors received an update from management on the proposed transaction with Watson Wyatt, including management s views on the strategic rationale for the proposed transaction and the key operational and financial considerations of any proposed transaction. Goldman Sachs then made a presentation to the Towers Perrin board of directors that provided, based on the various factors and assumptions therein and preliminary pro forma combined financial information provided by Towers Perrin management, a financial analysis of the proposed merger with Watson Wyatt. The Towers Perrin board of directors debated the benefits and risks associated with the proposed transaction with Watson Wyatt as compared to the other strategic alternatives, and informed management of related matters that required additional clarity.

On January 21, 2009, Watson Wyatt sent an initial merger agreement draft to Towers Perrin as a starting point for further discussions.

On January 22, 2009, the parties held a meeting in New York City, which was attended by certain members of senior management of Towers Perrin and Watson Wyatt and representatives of each of Milbank and Gibson Dunn. The parties discussed various timing aspects and due diligence matters relating to the proposed merger, as well as Towers Perrin s preliminary views on the draft merger agreement. From January until the signing of the merger agreement, representatives of Watson Wyatt and Towers Perrin and their respective legal and financial advisors conducted legal, financial, tax and operational due diligence of the other company, engaging in numerous telephonic and in-person conferences.

During January and February 2009, the parties and their respective legal advisors met several times to continue to discuss various matters, including corporate governance, due diligence matters and brand name, and to begin negotiating the initial merger agreement draft. Topics discussed included, without limitation, (1) the transaction s structure, (2) the mechanics and vesting, forfeiture, transfer and reallocation provisions applicable to the various classes of Towers Watson common stock to be received by Towers Perrin security holders in the merger, (3) provisions applicable to the conversion of Watson Wyatt securities to be exchanged in the merger, (4) the expected efforts of the parties to obtain requisite regulatory approvals, (5) the ability of and conditions required in order for each board of directors to make an Adverse Recommendation Change (this term is defined

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below in the section entitled The Merger Agreement Covenants and Other Agreements Non-Solicitation ), and (6) the continuation of certain retirement benefit plans. During this time period, Towers Perrin proposed a transaction structure in which a new holding company would become the parent company of the two parties at closing. Shortly after this proposal was made, the parties agreed to implement this transaction structure.

On January 31, 2009, Mr. Haley provided a progress report by telephone conference to the Watson Wyatt Special Committee.

During January and February 2009, Mr. Haley and Mr. Mactas discussed the potential need to engage a consulting firm to assist with the integration planning process in the event the parties reached a definitive agreement. After evaluating various consultants, Towers Perrin and Watson Wyatt entered into a confidentiality and non-disclosure agreement with Monitor Company Group Limited Partnership, a consulting firm, effective as of February 12, 2009.

On February 9, 2009, senior management of Towers Perrin and Watson Wyatt and representatives of each of Milbank and Gibson Dunn met in Washington, D.C. to discuss certain due diligence items as well as various terms of the merger agreement.

On February 11-13, 2009, the Watson Wyatt board of directors held a regularly scheduled meeting at which certain members of senior management briefed the Watson Wyatt board of directors on the status of the negotiations. The Watson Wyatt Special Committee met in an executive session (without management representatives present) to review financial matters relating to the potential merger with representatives of BofA Merrill Lynch, and to review the fiduciary duties of the Watson Wyatt board of directors and other legal considerations with Gibson Dunn in connection with the proposed transaction with Towers Perrin. Thereafter, certain members of senior management gave presentations to the Watson Wyatt Special Committee on the proposed terms of the merger with Towers Perrin.

On February 13, 2009, Mr. Mactas met with the Watson Wyatt board of directors to discuss his views about the proposed combination and to answer any questions that the Watson Wyatt board of directors had concerning Towers Perrin and the proposed merger.

On February 14, 2009, Towers Perrin delivered a revised draft of the merger agreement to Watson Wyatt to reflect several counterproposals to certain terms of the merger agreement that had been offered and discussed during the course of the meetings during the previous weeks. Of note, the counterproposals included, without limitation, (1) a transaction structure in which the Holding Company is formed and wholly owned subsidiaries of the Holding Company merge with and into Towers Perrin and Watson Wyatt, (2) changes to the merger consideration to be received by Towers Perrin security holders, (3) changes to the covenant regarding requisite regulatory approvals requiring that each party use its reasonable best efforts to obtain such approvals, including selling assets if necessary, and (4) changes to the circumstances under which the Towers Perrin board of directors may make an Adverse Recommendation Change.

On February 19 and 20, 2009, at its regularly scheduled meeting, the Towers Perrin board of directors received an update from management, Goldman Sachs and Milbank regarding the ongoing negotiations with Watson Wyatt. Management reviewed the strategic rationale for the potential merger, the risks and benefits as compared to the initial public offering and the proposed terms of a transaction with Watson Wyatt. Goldman Sachs updated the Towers Perrin board of directors on the state of the capital markets and the proposed merger with Watson Wyatt. The Towers Perrin board of directors acknowledged the strategic benefits of the complementary nature of the Towers Perrin and Watson Wyatt businesses. The Towers Perrin board of directors fully discussed the matters of governance, relative valuations, the challenges of culture and integration associated with the proposed transaction with Watson Wyatt, as well as the benefits and risks associated with each of the proposed transaction with Watson Wyatt and the proposed initial public offering. The Towers Perrin board of directors instructed management to keep the Towers Perrin board of directors apprised of the progress of the negotiations with Watson Wyatt.

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On February 26, 2009, certain members of senior management of Towers Perrin and Watson Wyatt and representatives of each of Milbank and Gibson Dunn met in New York City to discuss certain due diligence items as well as various terms of the merger agreement draft circulated by Towers Perrin on February 14, 2009.

In March 2009, Watson Wyatt engaged Ernst & Young LLP to assist in the financial due diligence process. Watson Wyatt senior management and finance personnel met with Ernst & Young on a regular basis during the period from March through June 2009. During these meetings Watson Wyatt and Ernst & Young personnel discussed various aspects of financial and accounting due diligence, including the preparation of a work plan, status of each party s diligence data rooms, interaction with Watson Wyatt s audit committee and the review of diligence findings and required follow-up.

In March 2009, Towers Perrin engaged PricewaterhouseCoopers LLP (or PwC ) to assist in the financial due diligence process. Towers Perrin senior management and finance personnel met with PwC on a regular basis through June 2009. During these meetings, Towers Perrin and PwC personnel discussed various aspects of financial and accounting due diligence, including the preparation of a work plan, status of each party s diligence data rooms, and the review of diligence findings and required follow-up.

On March 10, 2009, Mr. Haley met with the Towers Perrin board of directors in New York City to discuss his views about the proposed combination and to answer any questions that the Towers Perrin board of directors had about Watson Wyatt and the proposed merger. Following Mr. Haley s departure, the Towers Perrin board of directors formed a special due diligence committee to meet with management to review the due diligence process and findings.

On March 14, 2009, Mr. Haley briefed the Watson Wyatt Special Committee by telephone on the progress of the negotiations. The Watson Wyatt Special Committee discussed, among other matters related to the transaction, the future composition of the combined entity s board of directors and the process for resolving matters related to board governance.

On March 16, 2009, Watson Wyatt sent to Towers Perrin a revised merger agreement to reflect several counterproposals to certain terms of the merger agreement that had been offered and discussed during the February 26th meeting in New York City. These counterproposals included among others, (1) further refinements to the transaction structure and vesting, forfeiture, transfer and reallocation provisions applicable to the various classes of Towers Watson common stock to be received by Towers Perrin security holders in the merger, (2) changes to covenants and conditions relating to obtaining requisite regulatory approval of the transaction and (3) changes to non-solicitation and stockholder meeting covenants.

On March 30, 2009, Gibson Dunn delivered to Towers Perrin and Milbank initial drafts of ancillary transaction documents, including a draft indenture governing the Towers Watson Notes to be issued to those eligible Towers Perrin shareholders who elect to receive merger consideration in the form of cash and Towers Watson Notes (the Class R Participants), as well as a form of voting agreement to be entered into by directors and executive officers of each company. The parties and their legal advisors exchanged comments on, and drafts of, these agreements during the ensuing weeks.

On March 31, 2009, Watson Wyatt, Towers Perrin, Gibson Dunn and Milbank entered into a common interest and joint defense agreement in connection with the proposed transaction to establish the process of exchanging confidential business, financial, technical and other information that is protected by the attorney-client privilege or the attorney work product doctrine. In order to address potential antitrust concerns arising from the fact that Towers Perrin and Watson Wyatt are competitors, the firms agreed that each party would only share certain competitively sensitive information with specified outside advisors of the other party, and not with the other party itself. Up until this point, the due diligence materials exchanged between the parties excluded information that might be deemed competitively sensitive.

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On April 3, 2009, certain members of Watson Wyatt and Towers Perrin senior management met with Monitor Group personnel in New York City to establish an integration planning committee to explore integration logistics and potential revenue and cost synergies of a transaction. At that meeting, the parties discussed the role of the integration committee and agreed to a series of additional meetings. Between April 3, 2009 and June 16, 2009, the integration committee met five additional times in Washington, D.C. and New York City. Among the committee s highest priorities was to assist the parties in evaluating potential synergies of a transaction. The committee also discussed the architecture and process for integration planning activities and communication plans for the announcement of the proposed transaction, all of which were subject to execution of final documentation.

On April 7, 2009, certain senior management of Towers Perrin and Watson Wyatt and representatives of each of Milbank and Gibson Dunn held meetings to review the status of due diligence with respect to each company and to negotiate various terms of the merger agreement and related matters, including, without limitation, (1) the representations and warranties and covenants included in the draft merger agreement, (2) the methodology for calculating the Towers Perrin final exchange ratio, (3) the parties expected efforts to obtain all requisite regulatory approvals, (4) non-solicitation and stockholder meeting covenants and (5) the state of incorporation of Towers Watson.

On April 16, 2009, Milbank sent to Gibson Dunn and Watson Wyatt a revised merger agreement to reflect the earlier discussions between the parties.

Over the course of the next several weeks, several telephonic meetings were held in which (1) Milbank and Gibson Dunn discussed numerous legal issues relating to the merger agreement, including the merger consideration to be received by Towers Perrin security holders (including the proposed vesting, forfeiture, transfer and reallocation provisions applicable to the shares of Towers Watson common stock to be received by the Towers Perrin security holders in the merger) and (2) members of senior management of Towers Perrin and Watson Wyatt and representatives of each of Milbank and Gibson Dunn discussed various timing aspects and due diligence matters relating to the proposed merger.

On May 20, 2009, members of senior management of Towers Perrin and Watson Wyatt and representatives from each of Goldman Sachs and BofA Merrill Lynch met in Washington, D.C. At that meeting, Towers Perrin and Watson Wyatt each made presentations concerning their respective businesses, including, among other items, discussions about their business segments, corporate and management structures, and financial performance.

On May 27, 2009, following continued negotiations between the parties during the preceding weeks, Gibson Dunn sent to Milbank and Towers Perrin a revised merger agreement to reflect several counterproposals to certain terms of the merger agreement. The counterproposals included, without limitation, (1) changes to certain covenants that would be in effect between signing and closing, closing conditions and termination rights and (2) provisions applicable to the conversion of Watson Wyatt securities to be exchanged in the merger.

On May 28, 2009, at a regularly scheduled meeting, Towers Perrin s management updated the Towers Perrin board of directors on numerous matters relating to the proposed merger, including, without limitation, the ongoing discussions regarding corporate governance and leadership of the combined entity, the status of the due diligence work including tax and financial due diligence, the merger agreement negotiations, related regulatory matters, the potential impact of the proposed merger upon Towers Perrin s professional liability insurance provided by PCIC, and the engagement of Monitor Group to coordinate the integration planning activities.

On June 6, 2009, certain members of senior management of Towers Perrin and Watson Wyatt and representatives of each of Milbank and Gibson Dunn held a telephonic meeting to negotiate various terms of the merger agreement and related matters, including, among others, (1) the changes proposed in the May 27th draft of the merger agreement, (2) restrictions, if any, on Towers Perrin s preparations for an initial public offering,

(3) continuing discussions on the state of incorporation for Towers Watson, (4) the closing condition with respect to professional liability claims and (5) the continuation of certain employee benefits after closing.

On June 10, 2009, Milbank sent to Gibson Dunn and Watson Wyatt a revised merger agreement to reflect the previous discussions. The proposed revisions related primarily to issues discussed on the June 6, 2009 conference call.

Also on June 10, 2009, senior management of Towers Perrin and Watson Wyatt and representatives from each of Goldman Sachs and BofA Merrill Lynch met in New York City. At that meeting, Towers Perrin and Watson Wyatt each made updated presentations concerning their respective businesses, including, among other items, discussions about their business segments, corporate and management structures, and financial performance.

Also on June 10, 2009, representatives of Towers Perrin management, Milbank and the special due diligence committee of the Towers Perrin board of directors held a telephonic meeting to review the due diligence process and the preliminary legal and business due diligence findings. The special due diligence committee had a follow-up telephonic meeting with Towers Perrin s management and Milbank on June 21, 2009 principally to review the results of the financial due diligence.

On June 11 and 12, 2009, Watson Wyatt s board of directors received a comprehensive briefing on the proposed transaction at a regularly scheduled meeting. Mr. Haley led a review and discussion of the strategic rationale for the transaction, including the companies complementary geographic reach and lines of business and Watson Wyatt s position in the overall competitive landscape. For more information regarding the rationale for the transaction, please see the section entitled Recommendation of Watson Wyatt s Board of Directors and Reasons for the Merger. He also gave a presentation about Towers Perrin s reinsurance intermediary business. At these meetings, representatives of BofA Merrill Lynch reviewed with the Watson Wyatt board of directors certain financial matters, and certain members of senior management reviewed with the Watson Wyatt board of directors non-financial due diligence, the potential impact of the proposed transaction on Watson Wyatt s current professional liability insurance provided by PCIC, the regulatory process and a potential timetable for completion of the proposed merger. Representatives of Monitor Group were also present for a discussion of potential synergies. In addition, certain members of senior management and representatives of Gibson Dunn reviewed the key terms of the merger agreement and related transaction documents, including, but not limited to, (1) the merger consideration to be received by Watson Wyatt security holders, (2) the merger consideration to be received by Towers Perrin security holders (including the proposed vesting, forfeiture, transfer and reallocation provisions applicable to the shares of Towers Watson common stock to be received by the Towers Perrin security holders in the merger), (3) the representations and warranties to be made by each party, (4) the covenants to be performed by each party (including the non-solicitation covenant and related fiduciary out provision and the ability to terminate the merger agreement under certain circumstances), (5) the conditions that must be fulfilled for the proposed merger to be consummated and (6) the proposed termination fee of $75 million or expense reimbursement of up to $10 million, and the circumstances under which each party would be required to pay the other such termination fee or expenses. The Watson Wyatt board of directors then discussed the foregoing.

On June 15, 2009, the Towers Perrin board of directors held a special meeting for the purpose of reviewing and considering, among other things, the principal terms of the draft merger agreement, the due diligence process and findings and an updated financial analysis of the proposed merger. Milbank reviewed with the Towers Perrin board of directors the legal standards applicable to the Towers Perrin board of directors consideration of and decisions and actions with respect to the proposed business combination transaction with Watson Wyatt. Towers Perrin management and Goldman Sachs then provided a financial update on the proposed merger. Milbank, together with Towers Perrin management, then provided an update as to the status of negotiations with Watson Wyatt and reviewed the key provisions of the merger agreement draft, including, but not limited to, (1) the merger consideration to be received (including the proposed vesting, forfeiture, transfer and reallocation provisions applicable to the shares of Towers Watson common stock to be received by the

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Towers Perrin security holders in the merger), (2) the representations and warranties to be made by each party, (3) the covenants to be performed by each party (including the non-solicitation covenant and related fiduciary out provision and the ability to terminate the merger agreement after receipt of an Acquisition Proposal under certain circumstances) and (4) the conditions that must be fulfilled for the proposed merger to be consummated. Milbank also informed the Towers Perrin board of directors about the proposed termination fee of $75 million or expense reimbursement of up to $10 million, and the circumstances under which each party would be required to pay the other such termination fee or expenses. Towers Perrin management then reviewed the due diligence process and related findings previously discussed with the committee of the board of directors formed to monitor the due diligence process. Towers Perrin management also reviewed the potential impact of the proposed transaction on Towers Perrin s current professional liability insurance provided by PCIC. The Towers Perrin board of directors then considered and discussed at length all topics, including the due diligence results as well as the merger agreement and the factors described under Recommendation of Towers Perrin s Board of Directors and Reasons for the Merger in connection with the proposed merger.

On June 17, 2009 the Towers Perrin board of directors held a board conference call for the purposes of discussing merger related matters and having a further discussion of the proposed combination.

On June 20, 2009, the Watson Wyatt Special Committee held a meeting with Mr. Haley and other members of senior management, which was also attended by a representative of Gibson Dunn. Members of senior management updated the committee on legal and financial due diligence, and the status of negotiations on the merger agreement.

From June 19 through June 26, 2009, certain members of senior management of Towers Perrin and Watson Wyatt and representatives of each of Milbank and Gibson Dunn held several telephonic meetings to continue to negotiate the merger agreement, during which time several revised drafts of the merger agreement were distributed between the respective parties. During this time, the parties agreed to certain proposals including, among others, (1) a covenant restricting Towers Perrin s ability through the date of the Towers Perrin special meeting to, among other things, prepare or file with the SEC a registration statement on Form S-1 for shares of Towers Perrin common stock to be issued in an initial public offering, (2) a reduction in the proposed termination fee to $65 million, (3) further refinements to the methodology for calculating the Towers Perrin final exchange ratio and the mechanics and vesting, forfeiture, transfer and reallocation provisions applicable to the various classes of Towers Watson common stock to be received by Towers Perrin security holders in the merger, (4) incorporating Towers Watson in Delaware, (5) clarifying the covenants regarding requisite regulatory approvals and (6) provisions relating to tax issues.

The voting agreement between each party and directors and executive officers of the other party was finalized on June 24, 2009.

On June 25, 2009, the Towers Perrin board of directors held a special meeting for the purpose of reviewing, considering and approving the proposed merger with Watson Wyatt. The Towers Perrin board of directors was reminded of its fiduciary duties as reviewed in detail at its June 15th special meeting. Towers Perrin management then provided a review of the due diligence process and presented management s updated summary of the material findings and conclusions. Milbank then provided an update on the status of negotiations with Watson Wyatt, highlighting the key provisions of the merger agreement draft that had been resolved since the Towers Perrin board of directors last met on June 15th. Following Milbank s update, Goldman Sachs provided the Towers Perrin board of directors with a market update in the context of the proposed merger and discussed with them the assumptions, limitations and factors that would be included in any Goldman Sachs fairness opinion on the transaction. The Towers Perrin board of directors then considered and discussed at length the due diligence findings as well as the proposed merger and the factors described under Recommendation of Towers Perrin s Board of Directors and Reasons for the Merger in connection with the proposed merger with Watson Wyatt. PwC was also present to answer any questions regarding financial due diligence that the Towers Perrin board of directors had. The Towers Perrin board then adjourned the special meeting until June 26, 2009.

On June 26, 2009, Gibson Dunn circulated a revised merger agreement to reflect the issues resolved over the prior days.

Also on June 26, 2009, at 5:00 p.m., New York City time, Watson Wyatt s board of directors met to consider the proposed transaction. First, the Watson Wyatt Special Committee convened with certain members of senior management and representatives of Gibson Dunn and BofA Merrill Lynch. Senior management reviewed the final revisions to the merger agreement and related transaction documents and reported that there were no material additions to the legal due diligence report of June 12, 2009. Senior management also provided the directors with a report on final financial and tax considerations and conclusions arising from the financial due diligence process. Representatives of BofA Merrill Lynch reviewed with the full Watson Wyatt board of directors BofA Merrill Lynch s financial analysis of the Watson Wyatt final exchange ratio and delivered to the Watson Wyatt board of directors an oral opinion, which was later confirmed by delivery of a written opinion dated June 26, 2009, to the effect that, as of that date and based on and subject to various assumptions and limitations described in its opinion, the Watson Wyatt final exchange ratio provided for in the merger was fair, from a financial point of view, to the holders of Watson Wyatt common stock. Finally, senior management reviewed a draft press release announcing the transaction. Upon completion of these presentations and subsequent discussion, the Watson Wyatt Special Committee adopted resolutions recommending that the full Watson Wyatt board of directors approve the merger agreement and the transactions contemplated thereby. The full Watson Wyatt board of directors then convened, considered the Watson Wyatt Special Committee s recommendations and adopted resolutions unanimously approving the merger agreement and the transactions contemplated thereby.

Later that same day, at 5:15 p.m., New York City time, the Towers Perrin board of directors reconvened its previously adjourned special meeting to deliberate and review the final changes to the merger agreement and related documents. Milbank reviewed the final resolution of the remaining open issues in the merger agreement. Goldman Sachs orally delivered Goldman Sachs opinion, which was subsequently confirmed in writing, that as of June 26, 2009, and based upon and subject to the factors and assumptions set forth in their opinion, the Towers Perrin final exchange ratio of Towers Watson Class B common stock pursuant to the merger agreement was fair, from a financial point of view, to Towers Perrin shareholders. Following review and discussion among the members of the Towers Perrin board of directors (which included consideration of the factors described under Recommendation of Towers Perrin s Board of Directors and Reasons for the Merger ), the Towers Perrin board of directors unanimously determined that the merger agreement was in the best interests of Towers Perrin, its shareholders and other constituencies and declared it advisable to enter into the merger agreement.

As noted above, Towers Perrin s management and board of directors continued to consider and prepare for an initial public offering while also engaging in merger agreement negotiations with Watson Wyatt. Towers Perrin did not abandon this alternative until the merger agreement was executed. In declaring it advisable to enter into the merger agreement, the Towers Perrin board of directors determined that the merger with Watson Wyatt was the preferred transaction over an initial public offering because, among other things, of the belief that (1) given the shared values and strategic alignment of Towers Perrin and Watson Wyatt, Towers Perrin had a unique opportunity to accelerate the pursuit of its strategic objectives due to the increased size, scale, depth of talent and geographic coverage of the combined company that would in turn provide Towers Perrin with greater organic and inorganic growth opportunities, (2) those potentially greater growth opportunities would enhance its ability to serve the current and future needs of its clients, (3) such potentially greater growth opportunities would lead in turn to an even greater ability to recruit top talent and provide more career opportunities for Towers Perrin s employees, (4) obtaining a currency in the form of publicly traded stock would be achieved more quickly by means of the merger, (5) the merger represented a unique strategic opportunity to combine two strong companies that would create one of the world s leading professional services firms, well positioned for sustained growth and profitability across its geographies and business segments, (6) Towers Perrin s shareholders would have an opportunity to become stockholders of a company with greater financial and market strength than Towers Perrin could achieve on its own, and (7) the combined company would be able to provide a broader and deeper range of global services to the firm s clients, thereby creating greater organic and inorganic growth opportunities.

Shortly thereafter, also on June 26, 2009, Towers Perrin and Watson Wyatt executed the merger agreement, and the voting agreements also were executed.

On June 28, 2009, Towers Perrin and Watson Wyatt issued a joint press release announcing the signing of the merger agreement.

On or about August 10, 2009, the parties became aware that the structure of the merger consideration could result in unintended tax consequences in certain foreign jurisdictions, and concluded that an amendment to the merger agreement would be necessary to address these issues. During the next several weeks the parties negotiated and agreed upon the changes that they desired to make to the merger agreement to address these issues, as well as additional clarifications. The parties also finalized the forms of Towers Watson s Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws and agreed that the forms of these documents would be approved as part of the amendment to the merger agreement.

On October 19, 2009, Towers Perrin, Watson Wyatt, the Holding Company, Watson Wyatt Merger Corp. and Towers Perrin Merger Corp. entered into an amendment to the Agreement and Plan of Merger (which we refer to as Amendment No. 1 ). In general, the terms of Amendment No. 1 provide for the following: (1) the issuance in the merger by the Holding Company of non-transferable shares of Class F stock to all Towers Perrin shareholders, which will represent only the contingent right to receive a pro rata portion of a number of shares of Towers Watson Class A common stock equal to the number of shares of Towers Watson restricted Class A common stock forfeited by former Towers Perrin employees; (2) additional flexibility for the parties to structure certain stock awards granted to Towers Perrin employees in particular jurisdictions to provide tax deferral; (3) the assumption and conversion of certain outstanding options to purchase shares of Watson Wyatt Class A common stock held by certain Watson Wyatt employees (which we refer to as the Watson Wyatt options ) into fully-vested options to purchase Towers Watson Class A shares at the effective time of the merger on a one-for-one basis, at the same exercise price and on the same terms and conditions as the Watson Wyatt options; (4) certain adjustments to the Towers Perrin final exchange ratio applicable to the conversion of Towers Perrin common stock at the effective time, to account for the Watson Wyatt options converted in the merger; (5) the extension of the required retirement date for retiring Class R Participants from the effective time to 30 days thereafter; and (6) approval of the Towers Watson Amended and Restated Certificate of Incorporation and Bylaws that will go into effect at the effective time.

**Recommendation of Towers Perrin s Board of Directors and Reasons for the Merger**

After considering the effects on all constituencies affected by the merger, including shareholders, employees, clients and creditors, the Towers Perrin board of directors determined that it is in the best interest of Towers Perrin, its shareholders and other constituencies, and declared it advisable, to enter into the merger agreement. **Accordingly**, **the Towers Perrin board of directors unanimously approved the merger agreement and unanimously recommends that Towers Perrin shareholders vote FOR (1) the approval and adoption of the merger agreement**, **and (2) amending Article VI of Towers Perrin s bylaws.**

In reaching its decision to approve the merger agreement and to recommend the merger agreement to its shareholders, the Towers Perrin board of directors consulted with Towers Perrin s management as well as its legal and financial advisors with respect to strategic, financial, operational, business, legal and regulatory considerations, including, but not limited to the following:

***Opportunity to Participate in a Stronger Combined Company After the Merger***

- The cultural fit and shared values of the two companies.
- The expectation that the merger represents a unique strategic opportunity to combine two strong companies that will create one of the world s leading professional services firms, well positioned

for sustained growth and profitability across its geographies and business segments, and in turn create value for its clients, employees and shareholders.

The structure of the transaction as a merger of equals in which Towers Perrin would have substantial participation in the management and governance of the combined company.

- Ø The combined company would be led by a strong, experienced management team, including Mark V. Mactas, currently President, Chief Executive Officer and Chairman of the Board of Towers Perrin, and other senior Towers Perrin executives, assuring the continuity of the mission, vision and values that drove Towers Perrin as a stand-alone company.
- Ø Towers Perrin designees will collectively constitute one-half of all directors on Towers Watson s board of directors.

The opportunity for Towers Perrin s shareholders to become stockholders of a company with greater financial and market strength than Towers Perrin on its own, in particular:

- Ø The ability to leverage complementary human capital business lines across a larger customer base in diverse markets.
- Ø The opportunity to strengthen the combined company s presence in a greater number of domestic markets and globally.
- Ø The combined company s position as a more competitive organization in the human capital, risk management and financial management industries.
- Ø The greater ability to execute future inorganic growth options.
- Ø The ability to offer a greater range and depth of investment consulting services to Towers Perrin s clients.

***Financial Terms; Consideration Received; Continued Interest in the Combined Company***

At the effective time, Towers Perrin security holders will be entitled to receive 50% of the shares of the voting common stock of the combined company, Towers Watson, then outstanding.

- Ø In addition, subject to proration as described more fully in this document, Towers Perrin shareholders who are Class R Eligible Participants may elect (subject to committing to terminate their employment with Towers Perrin on or before the 30th day following the effective time (unless another time is agreed to by the Towers Watson Executive Committee) and entering into a confidentiality and non-solicitation agreement) to designate between 50% and 100% of their Towers Perrin shares to be converted into shares of Towers Watson Class R common stock, which will be automatically redeemed by Towers Watson on the first business day following the effective time for an amount equally comprised of cash and Towers Watson Notes.

The market liquidity that will result from exchanging stock in a private company for publicly traded securities of Towers Watson.

The merger agreement provides for consideration to be received by Towers Perrin shareholders based on an exchange ratio that will be calculated at the merger s closing without regard to the prevailing market price for the shares of Watson Wyatt Class A common stock.

Goldman Sachs, Towers Perrin s financial advisor, made presentations to Towers Perrin s board of directors concerning financial aspects of the merger and the initial public offering process, and delivered its oral opinion, later confirmed in writing, that as of the date of that opinion and based upon and subject to the factors and assumptions set forth in the opinion, the Towers Perrin final exchange ratio of Towers Watson Class B common stock pursuant to the merger agreement was fair from a financial point of view to the Towers Perrin shareholders.

***Lock-Up of Towers Watson Common Stock***

The Towers Watson common stock received by Towers Perrin security holders at the effective time would be subject to, among other things, certain vesting, forfeiture, transfer and reallocation provisions, as applicable (and as described more fully in this document).

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The Towers Perrin board of directors belief that all of these provisions and restrictions were:

- Necessary to prevent the possibility of an immediate and uncontrolled distribution of Towers Watson Class A common stock that would otherwise be issued immediately after completion of the merger, thereby reducing the possibility that the volume of shares distributed at the effective time will cause a substantial decline in the stock price of Towers Watson Class A common stock as compared with the pre-closing price of Watson Wyatt Class A common stock. Such a decline would adversely affect Towers Watson stockholders and could impair the ability of Towers Watson to use its stock for future acquisitions and other purposes.
- Not necessary to impose on the Towers Watson Class A common stock issued in the merger to the Watson Wyatt stockholders because their shares of Watson Wyatt Class A common stock were already freely transferable (except shares subject to restrictions on transfer imposed by the U.S. federal securities laws) and an orderly market in such freely tradable shares already exists.

***Additional Considerations***

The short-term and long-term interests of Towers Perrin that may be best served by the continued independence of Towers Perrin. Those interests included, among others, Towers Perrin s ability to conduct its operations without the influence of external constituencies, including public shareholders; its ability to continue to operate under an existing brand that is already known and respected; the ability of Towers Perrin management to execute an existing strategic business plan (including conducting an initial public offering); the additional flexibility Towers Perrin has as a private company to tailor compensation programs; and its ability to continue to expand existing client relationships without facing the integration risks associated with a transaction of the size and magnitude of the proposed merger with Watson Wyatt.

As a result of an examination of Towers Perrin s long-term strategic alternatives (during which the Towers Perrin board of directors considered other options available to Towers Perrin as an independent company including conducting an initial public offering of the shares of Towers Perrin s common stock), the conclusion of the Towers Perrin board of directors that a merger of equals with Watson Wyatt represented a more feasible and desirable path for expanding the business, both geographically and by product areas, and accessing the public currency needed for future growth opportunities, over the other option available to Towers Perrin.

- Moreover, the conclusion of the Towers Perrin s board of directors and management that, in order to further Towers Perrin s long-term strategy as an independent company of gaining scale and acquiring new capabilities (and the difficulties in doing so as a private company), it was critical for Towers Perrin to have a currency in the form of a publicly traded stock so that the company would be able to respond quickly and effectively to any growth opportunities that may arise; Towers Perrin s board of directors believes this objective can best be accomplished by the merger of equals with Watson Wyatt, which involves exchanging stock in Towers Perrin, a private company, for publicly traded securities of Towers Watson.
- The belief of the Towers Perrin board of directors that the merger represented a more desirable path than the initial public offering because, among other things, (1) given the shared values and strategic alignment of Towers Perrin and Watson Wyatt, Towers Perrin had a unique opportunity to accelerate the pursuit of its strategic objectives due to the increased size, scale, depth of talent and geographic coverage of the combined company that would in turn provide Towers Perrin with greater organic and inorganic growth opportunities, (2) those potentially greater growth opportunities would enhance its ability to serve the current and future needs of its clients, (3) such potentially greater growth opportunities would lead in turn to an even greater ability to recruit top talent and provide more career opportunities for Towers Perrin s employees, (4) obtaining a currency in the form of publicly traded stock would be achieved more quickly by means of the merger, (5) the merger represented a unique strategic opportunity to combine two strong companies that

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would create one of the world s leading professional services firms, well positioned for sustained growth and profitability across its geographies and business segments, (6) Towers Perrin s shareholders would have an opportunity to become stockholders of a company with greater financial and market strength than Towers Perrin could achieve on its own, and (7) the combined company would be able to provide a broader and deeper range of global services to the firm s clients, thereby creating greater organic and inorganic growth opportunities.

The structure of the merger, including the use of a holding company, maintains both Towers Perrin and Watson Wyatt as surviving separate legal entities, which is consistent with a merger of equals transaction.

The expectation that the merger would be a tax-free transaction for U.S. federal income tax purposes for Towers Perrin shareholders receiving solely Towers Watson Class B common stock.

The proposals to approve and adopt the merger agreement and amend Article VI of Towers Perrin s bylaws will require the affirmative vote of the holders of at least two-thirds of the issued and outstanding shares of Towers Perrin common stock at the Towers Perrin special meeting.

The benefits and social and economic effects of the merger on Towers Perrin, its shareholders, employees and other constituencies.

The anticipated pretax annual synergies of the merger of approximately $80 million (with full realization of synergies expected in three years with a cost of approximately $80 million).

The terms of the merger agreement that permit Towers Perrin s board of directors to, among other things:

Ø Respond to unsolicited offers by furnishing information to and participating in discussions or negotiations with other bidders in the event that the Towers Perrin board of directors determines in good faith (after consultation with its outside counsel and its financial advisor) that such proposal constitutes or is reasonably likely to lead to a Superior Proposal (this term is defined below in the section entitled The Merger Agreement Covenants and Other Agreements Non-Solicitation ).

Ø Make an Adverse Recommendation Change (this term is defined below in the section entitled The Merger Agreement Covenants and Other Agreements Non-Solicitation ) in response to a Superior Proposal if the Towers Perrin board of directors determines in good faith (after consultation with outside counsel) that the failure to do so would result in a breach of its fiduciary duties under Pennsylvania law.

***Potential Negative Factors***

The potential negative impact of client or employee defections after announcement of the merger.

The possibility of management and employee disruption associated with the merger and integrating the operations of the companies, including the risk that, despite the efforts of the combined company, employees of Towers Perrin might not remain employed with the combined company.

The risk that the cultures of the two companies may not be as compatible as anticipated.

The risk that the merger might not be completed in a timely manner or at all.

The risk that if the merger is not completed as anticipated, Towers Perrin will be further behind in effectuating its long-term strategy of obtaining a currency in the form of publicly-traded stock.

The risk that regulatory agencies may not approve the merger or may impose terms and conditions on their approvals that would materially and adversely affect future financial results of the combined company.

The potential limited liquidity of shares of Towers Watson common stock to be received by Towers Perrin security holders in the merger, as well as the applicable vesting, forfeiture, transfer and reallocation provisions.

The risk of diverting management focus and resources from other strategic opportunities and from operational matters while working to implement the merger.

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- The fact that the retirement business will represent a larger percentage of the revenues of Towers Watson than at Towers Perrin, which arguably contrasts with Towers Perrin s current strategy to diversify its business portfolio.
- The potential impact on the executive compensation business due to perceived conflicts of interest, given the political and regulatory environment in the United States.
- The challenges and difficulties, foreseen and unforeseen, relating to integrating the operations of Towers Perrin and Watson Wyatt.
- The risk that the anticipated synergies and other potential benefits of the merger may not be fully realized or realized at all.
- The risk that the combined entity chooses, for whatever reason, a strategic direction that is substantially inconsistent with the fundamental direction set by Towers Perrin s management and Towers Perrin s board of directors as a stand-alone entity.
- The restrictions on the conduct of Towers Perrin s business during the period between signing of the merger agreement and the completion of the merger or the termination of the merger agreement.
- The investment banking, legal and accounting fees and expenses of Towers Perrin related to the merger.
- The merger agreement s requirement that Towers Perrin hold a special meeting of its shareholders to approve the merger agreement, including under circumstances where an alternative transaction has been proposed that may be more advantageous to Towers Perrin shareholders.
- The risk that either Towers Perrin shareholders or Watson Wyatt stockholders may fail to approve the merger.
- The risk that the combined company may no longer be able to obtain errors and omissions insurance through PCIC and may face significantly greater challenges in obtaining errors and omissions liability insurance coverage.
- The requirement under the merger agreement that if the merger agreement is terminated under certain circumstances, Towers Perrin would be required to pay Watson Wyatt a termination fee of $65 million or may have to reimburse Watson Wyatt for all reasonably documented expenses up to a maximum of $10 million.
- The various other risks associated with the merger and the business of Towers Perrin, Watson Wyatt and the combined company described under Risk Factors on page 28.

Despite the foregoing, the Towers Perrin board of directors believed and continues to believe that these potential risks and drawbacks are greatly outweighed by the potential benefits that the Towers Perrin board of directors expects Towers Perrin and its shareholders to achieve as a result of the merger.

In considering the merger, the Towers Perrin board of directors was, and is, aware of the interests of certain officers and directors of and advisors to Towers Perrin and its board of directors in the merger, as described under Towers Perrin Proposal No. 1 and Watson Wyatt Proposal No. 1: The Merger Agreement Interests of Towers Perrin s Directors, Executive Officers and Principal Shareholders in the Merger .

*The foregoing discussion of the factors considered by the Towers Perrin board of directors is not intended to be exhaustive, but, rather, includes the material factors considered by the Towers Perrin board of directors. In reaching its decision to approve the merger agreement, the Towers Perrin board of directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The Towers Perrin board of directors considered all these factors as a whole, including discussions with, and questioning of, Towers Perrin s management and Towers Perrin s financial and legal advisors, and overall considered the factors to be favorable to, and to support, its determination. You should note that this explanation of the Towers Perrin board of directors reasoning and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading Cautionary Statement Concerning Forward-Looking Statements .*

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**For the reasons set forth above, the Towers Perrin board of directors unanimously determined that the merger agreement is advisable and in the best interests of Towers Perrin, its shareholders and its other constituencies, and unanimously approved and adopted the merger agreement. The Towers Perrin board of directors unanimously recommends that the Towers Perrin shareholders vote FOR the (1) approval and adoption of the merger agreement, and (2) amendment of Article VI of Towers Perrin s bylaws.**

**Recommendation of Watson Wyatt s Board of Directors and Reasons for the Merger**

The Watson Wyatt board of directors has determined that the merger agreement and the transactions contemplated thereby are advisable and in the best interests of Watson Wyatt and its stockholders. The Watson Wyatt board of directors also has determined that the merger is consistent with, and in furtherance of, Watson Wyatt s business strategies and goals. **Accordingly**, **the Watson Wyatt board of directors unanimously approved the merger agreement and unanimously recommends that Watson Wyatt stockholders vote FOR the approval and adoption of the merger agreement.**

The Watson Wyatt board of directors believes that the merger presents a strategic opportunity to expand through a combination with the complementary human capital and risk management business of Towers Perrin. In reaching its decision to approve the merger agreement and recommend the adoption of the merger agreement to its stockholders, Watson Wyatt s board of directors consulted with management, as well as its legal and financial advisors, and considered a number of factors, including, among others, the following:

Each of Watson Wyatt s and Towers Perrin s business, operations, financial condition, asset quality, earnings and, in the case of Watson Wyatt, stock performance. In reviewing these factors, including the information obtained through due diligence, the board of directors considered that Towers Perrin s business and operations complement those of Watson Wyatt and that Towers Perrin s earnings, and the synergies potentially available in the merger, create the opportunity for the combined company to have superior future earnings and prospects compared to Watson Wyatt s future earnings and prospects on a stand-alone basis. In particular, the board of directors considered the following:

- Ø The ability to leverage complementary human capital business lines across a larger customer base in diverse markets.
- Ø The opportunity to strengthen the combined company s presence in a greater number of lines of business and geographies.
- Ø The combined company s position as a more competitive organization in the human capital, risk management and financial management industries.
- Ø The combined company s ability to draw upon more expansive resources to better serve its clients, thereby increasing the value of the combined company to its stockholders.
- Ø The expectation that the proposed merger would be accretive to diluted earnings per share by approximately $0.13 per share during the third full fiscal year following the effective time (assuming the merger closes in December 2009). In projecting earnings per share for the combined company, Watson Wyatt made various assumptions about future operating results of Watson Wyatt and Towers Perrin, including that the bonus pool for Towers Perrin principals would be calculated on a similar basis to the bonus pool for Watson Wyatt employees. This assumption reflects the Watson Wyatt board of directors expectation that Towers Perrin s compensation structure and expense would be reduced following the effective time. As a private company, Towers Perrin has historically not retained earnings and instead distributed most of its profits in the form of bonuses to its employees.
- Ø The expectation that the merger will result in $80 million in pretax annual operational costs savings, primarily as a result of reductions in management headcount and general and administrative expenses.
- Ø Estimated annual savings of approximately $35 million (which estimate was later revised to $41 million) expected to result from the retirement of Class R Eligible Participants at the effective time.

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The structure of the merger and consideration to be received by Watson Wyatt and Towers Perrin security holders. In particular, Watson Wyatt s board of directors considered the following:

- Ø Watson Wyatt security holders will be entitled to receive, in the aggregate, 50% of Towers Watson s voting common stock then outstanding;
- Ø Consideration will be received by Watson Wyatt security holders in the form of publicly-traded shares of Towers Watson Class A common stock; and
- Ø Consideration will received by Towers Perrin shareholders in the form of Towers Watson Class B common stock, which will not be publicly traded, and will generally convert into Towers Watson Class A common stock over a four year period. To the extent that Towers Perrin shareholders make Class R and Class S elections, the number of shares of Towers Watson Class B common stock outstanding as of the first business day after the effective time, and the related dilution of Watson Wyatt stockholders, will be decreased.

The structure of the transaction as a merger of equals in which Watson Wyatt s board of directors and management would have substantial participation in the combined company. In particular, Watson Wyatt s board of directors considered the following:

- Ø That the board of directors of the combined company would consist of an equal number of directors selected by Watson Wyatt and by Towers Perrin.
- Ø Watson Wyatt s President, Chief Executive Officer and Chairman of its board of directors, John J. Haley, will serve as the Chief Executive Officer and Chairman of the board of directors of the combined company.
- Ø The significant participation of other Watson Wyatt officers in senior management of the combined company.

Its conclusion after its analysis that the businesses of Towers Perrin and Watson Wyatt are a complementary fit because of the nature of the markets served and services offered by Towers Perrin and Watson Wyatt and the expectation that the merger would provide expanded services offerings, greater opportunities for cross-servicing, cost savings opportunities and enhanced opportunities for growth.

Towers Perrin and Watson Wyatt s shared belief in a disciplined and thoughtful approach to the combination, structured to maximize the potential for synergies and minimize the loss of clients and to further diversify the combined company s operating risk profile versus those of the stand-alone companies.

The expectation that the merger will be generally tax-free for United States federal income tax purposes to Watson Wyatt s stockholders.

Its review with its legal advisor, Gibson Dunn, of the merger agreement and other related documents, including the provisions in the merger agreement designed to enhance the probability that the merger will be completed.

Its review and discussions with Watson Wyatt s management concerning the due diligence examination of Towers Perrin s operations, and financial condition.

Its expectation that the required regulatory approvals could be obtained and the likelihood that regulatory approvals will be received in a timely manner and without unacceptable conditions.

The perceived similarity in corporate cultures, which would facilitate integration and implementation of the merger.

The opinion of BofA Merrill Lynch, dated June 26, 2009, to Watson Wyatt s board of directors as to the fairness, from a financial point of view and as of the date of the opinion, of the Watson Wyatt exchange ratio to the holders of Watson Wyatt common stock, as more fully described below in the section entitled Opinion of Watson Wyatt s Financial Advisor .

The Watson Wyatt board of directors also considered potential associated risks in connection with its deliberations of the proposed merger, including:

The challenges of combining the businesses, assets and workforces of two large companies, which could impact the success of the combined company and the ability to achieve anticipated operational cost savings and other expected synergies. In this regard, the Watson Wyatt board of

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directors considered that the combined company would benefit from the continued participation of certain Watson Wyatt directors and the strength of Watson Wyatt s management team.

The risk that the anticipated synergies and other potential benefits of the merger may not be fully or partially realized and may be more expensive to achieve than anticipated, and the risk that the merger could be dilutive to Towers Watson s earnings per share, as compared with Watson Wyatt s earnings per share.

Ø Anticipated pretax annual operational costs savings of $80 million are expected to take three years to fully realize. Towers Watson is expected to incur approximately $80 million in one-time severance and IT integration costs in order to realize these costs savings. If these costs are larger than anticipated, or annual savings take longer to realize, it may take longer for the merger to be accretive to earnings per share.

The risk that the costs that the combined company is expected to incur to integrate the companies, including those relating to rebranding, lease termination and facilities consolidation, among others, could be greater than anticipated. The parties were not legally permitted to share sufficient information to produce reliable and informed estimates of the expected integration costs. As such, the Watson Wyatt board of directors was unable to quantify these expected integration costs with any precision, but did not expect them to be material to its evaluation of the transaction.

The interests of Watson Wyatt executive officers and directors with respect to the merger apart from their interests as holders of Watson Wyatt Class A common stock, and the risk that these interests might influence their decision with respect to the merger.

The one-for-one exchange ratio of shares of Towers Watson Class A common stock for shares of Watson Wyatt Class A common stock is fixed, and will not be adjusted at closing based on the market value of Watson Wyatt Class A common stock or the value of Towers Perrin common stock.

The fact that under the terms of the merger agreement, Watson Wyatt s ability to solicit and pursue other acquisition proposals is restricted.

The fact that the merger agreement restricts Watson Wyatt s ability to operate its business during the period between the signing of the merger agreement and the completion of the merger.

The $65 million termination fee payable to Towers Perrin upon the occurrence of certain events, and the potential effect of such termination fee.

The risk that the merger may not be consummated in a timely manner.

The fact that under the terms of the merger agreement, Watson Wyatt is required to hold a special meeting of its stockholders to approve the merger agreement, including under circumstances where an alternative transaction has been proposed that may be more advantageous to Watson Wyatt stockholders.

Possible loss of key management or other personnel, or of large clients.

The risk to Watson Wyatt s business, operations and financial results in the event that the merger is not consummated.

The risks that delays or difficulties in completing the integration could adversely affect the combined company s operating results and preclude the achievement of some benefits anticipated from the merger.

The risk of diverting management focus and resources from operational matters and other strategic opportunities while focusing on the merger.

The risk that the combined company may no longer be able to obtain errors and omissions insurance through PCIC and may face significantly greater challenges in obtaining errors and omissions liability insurance coverage on similar pricing and terms to those currently available to Towers Perrin and Watson Wyatt.

The challenges of integrating the companies financial reporting and internal control systems, particularly in light of the fact that Towers Perrin, as a private company, has not been subject to the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended, or the rules promulgated thereunder by the SEC and the Public Company Accounting Oversight Board.

Tax risks relating to the merger.

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The Watson Wyatt board of directors realizes that there can be no assurance about future results of the combined company, including results expected or considered in the factors listed above, such as assumptions regarding growth rates, potential revenue enhancements, anticipated cost savings and earnings accretion. However, the Watson Wyatt board of directors concluded that the potential positive factors outweighed the potential risks of completing the merger.

*The foregoing discussion of the information and factors considered by the Watson Wyatt board of directors is not exhaustive, but includes all material factors considered by the Watson Wyatt board of directors. In view of the wide variety of factors considered by the Watson Wyatt board of directors in connection with its evaluation of the merger and the complexity of such matters, the Watson Wyatt board of directors did not consider it practical to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific factors that it considered in reaching its decision. The Watson Wyatt board of directors conducted a discussion of the factors described above, including asking questions of Watson Wyatt s management and Watson Wyatt s legal and financial advisors, and reached a unanimous decision that the proposed merger was in the best interests of Watson Wyatt and its stockholders. In considering the factors described above, individual members of the Watson Wyatt board of directors may have given different weights to different factors. The Watson Wyatt board of directors relied on the experience and expertise of its financial advisor for quantitative analysis of the financial terms of the merger. You should note that this explanation of the Watson Wyatt board of directors reasoning and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading Cautionary Statement Concerning Forward-Looking Statements .*

**Opinion of Towers Perrin s Financial Advisor**

Goldman Sachs rendered its opinion to Towers Perrin s board of directors that, as of June 26, 2009 and based upon and subject to the factors and assumptions set forth in the opinion, the Towers Perrin final exchange ratio of Towers Watson Class B common stock pursuant to the merger agreement was fair from a financial point of view to the Towers Perrin shareholders.

**The full text of the written opinion of Goldman Sachs, dated June 26, 2009, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex C. Goldman Sachs provided its opinion for the information and assistance of Towers Perrin s board of directors in connection with its consideration of the merger. The Goldman Sachs opinion is not a recommendation as to how any Towers Perrin shareholder should vote with respect to the merger agreement, or any other matter.**

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

- The merger agreement;
- The audited consolidated financial statements of Towers Perrin for the last five fiscal years ended December 31 and Annual Reports on Form 10-K of Watson Wyatt for the last five fiscal years ended June 30;
- Certain Current Reports on Form 8-K and Quarterly Reports on Form 10-Q of Watson Wyatt;
- Certain other communications from Towers Perrin to its shareholders and Watson Wyatt to its stockholders, including proxy statements and related materials;
- Certain publicly available research analyst reports for Watson Wyatt; and
- Certain internal financial analyses and forecasts for Towers Perrin and Watson Wyatt prepared by Towers Perrin s management, as approved for Goldman Sachs use by Towers Perrin, including certain cost savings and operating synergies projected by management of each of Towers Perrin and Watson Wyatt to result from the transactions contemplated by the merger agreement, as prepared by management of each of Towers Perrin and Watson Wyatt and approved for Goldman Sachs use.

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Goldman Sachs also held discussions with members of senior management of each of Towers Perrin and Watson Wyatt regarding their assessments of the strategic rationale for, and the potential benefits of, the transactions contemplated by the merger agreement and the past and current business operations, financial condition, and future prospects of their respective companies. In addition, Goldman Sachs reviewed the reported price and trading activity for Watson Wyatt Class A common stock, compared certain financial and stock market information for Watson Wyatt and certain financial information for Towers Perrin with similar financial and stock market information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the business services industry specifically and in other industries generally and performed such other studies and analyses, and considered such other factors, as it considered appropriate.

For purposes of rendering the opinion described above, Goldman Sachs relied upon and assumed, without assuming any responsibility for independent verification, the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or reviewed by it. Goldman Sachs assumed, with Towers Perrin s consent, that the internal financial analyses and forecasts for Towers Perrin and Watson Wyatt prepared by Towers Perrin s management, including the projections of certain cost savings and operating synergies to result from the transactions contemplated by the merger agreement, were reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of Towers Perrin. In addition, for purposes of rendering the opinion described above, Goldman Sachs did not take into account the terms and conditions of any series of Towers Watson Class B common stock to the extent they differ from the Towers Watson Class A common stock. In addition, Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of Towers Watson, Towers Perrin or Watson Wyatt or any of their respective subsidiaries, and it was not furnished with any such evaluation or appraisal. Goldman Sachs also assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the transactions contemplated by the merger agreement will be obtained without any adverse effect on Towers Watson, Towers Perrin or Watson Wyatt or the expected benefits of the transactions contemplated by the merger agreement in any way meaningful to its analysis. Goldman Sachs also assumed that the transactions contemplated by the merger agreement will be consummated on the terms set forth in the merger agreement, without the waiver or modification of any term or condition the effect of which would be in any way meaningful to its analysis.

Goldman Sachs opinion does not address any legal, regulatory, tax or accounting matters nor does it address the underlying business decision of Towers Perrin to engage in the transactions contemplated by the merger agreement, or the relative merits of the transactions contemplated by the merger agreement as compared to any strategic alternatives that may be available to Towers Perrin. In addition, Goldman Sachs does not express any opinion as to the impact of the transactions contemplated by the merger agreement on the solvency or viability of Towers Watson, Towers Perrin or Watson Wyatt or the ability of Towers Watson, Towers Perrin or Watson Wyatt to pay its obligations when they come due. Goldman Sachs opinion addresses only the fairness from a financial point of view, as of the date of the opinion, of the Towers Perrin final exchange ratio of Towers Watson Class B common stock pursuant to the merger agreement to Towers Perrin shareholders. Goldman Sachs opinion does not express any view on, and does not address, any other term or aspect of the merger agreement or the transactions contemplated by the merger agreement, including, without limitation, any Class R election or Class S election, the consideration paid in respect of the redemption of the Towers Watson Class R common stock and the Towers Watson Class S common stock, the fairness of the transactions contemplated by the merger agreement to, or any consideration received by, the holders of any other class of securities, creditors, or other constituencies of Towers Watson, Towers Perrin or Watson Wyatt; or the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of Towers Watson, Towers Perrin or Watson Wyatt, or any class of such persons in connection with the transactions contemplated by the merger agreement, whether relative to the Towers Perrin final exchange ratio of Towers Watson Class B common stock pursuant to the merger agreement or otherwise. Goldman Sachs is not expressing any opinion as to the prices at which shares of Towers Watson Class A common stock will trade at any time. Goldman Sachs opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to it as of, the date of the opinion and Goldman Sachs assumed no responsibility for updating, revising or reaffirming its opinion based on circumstances, developments or events occurring after the date of its opinion. Goldman Sachs opinion was approved by a fairness committee of Goldman Sachs.

The following is a summary of the material financial analyses delivered by Goldman Sachs to the board of directors of Towers Perrin in connection with rendering the opinion described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs, nor does the order of analyses described represent relative importance or weight given to those analyses by Goldman Sachs. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Goldman Sachs financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before June 26, 2009, and is not necessarily indicative of current market conditions. All estimated numbers for Towers Perrin throughout Goldman Sachs analyses exclude one-time charges related to the issuance of Towers Watson restricted Class A common stock (issued upon conversion of Towers Perrin RSUs in the merger), which shares vest in equal annual installments over three years from the effective time. All 2009 estimates, or 2009E , figures are based on Towers Perrin s management s pro forma assumptions as of June 26, 2009, which assume that Towers Perrin has been public for the full year, with such assumptions including adoption of a public company compensation model, and which reconciles Towers Perrin and Watson Wyatt s errors and omissions accounting policies.

In rendering its opinion that the Towers Perrin final exchange ratio of Towers Watson Class B common stock was fair from a financial point of view to the shareholders of Towers Perrin common stock, Goldman Sachs used the number of shares of Towers Perrin and Watson Wyatt common stock outstanding as of June 26, 2009, provided by Towers Perrin and Watson Wyatt management, respectively, and assumed, among other things, that (i) the same number of shares will be outstanding immediately prior to the completion of the merger, (ii) the Towers Perrin security holders will have an implied ownership of 50% of Towers Watson and (iii) the pool of cash and Towers Watson Notes available for redemption of Towers Watson Class R common stock will be an amount equal to $200 million.

*Selected Companies Analysis*. Goldman Sachs reviewed and compared certain financial information for Watson Wyatt to corresponding financial information, ratios and public market multiples for the following publicly traded corporations in the business services industry:

Human Resources Consulting Company:

- Hewitt Associates, Inc.

Specialty Consulting Companies:

- CRAI International, Inc.
- FTI Consulting, Inc.
- Huron Consulting Group Inc.
- LECG Corporation
- Navigant Consulting, Inc.

Although none of the selected companies is directly comparable to Towers Perrin or Watson Wyatt, the companies included were chosen because they are publicly traded companies with operations that for purposes of analysis may be considered similar to certain operations of Towers Perrin and Watson Wyatt.

Goldman Sachs also calculated and compared various financial multiples and ratios based on information it obtained from SEC filings and the Institutional Brokers Estimate System, or IBES , and other Wall Street research. The multiples and ratios of Watson Wyatt were calculated using the closing price of Watson Wyatt s Class A common stock on June 26, 2009. The multiples and ratios for each of the selected

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companies were based on the most recent publicly available information. With respect to the selected companies, Goldman Sachs calculated the:

- Enterprise value as a multiple of projected calendarized 2009 sales;
- Enterprise value as a multiple of projected calendarized 2010 sales;
- Enterprise value as a multiple of latest twelve months, or LTM , earnings before interest, taxes and depreciation and amortization, or EBITDA ;
- Enterprise value as a multiple of calendarized projected 2009 EBITDA; and
- Enterprise value as a multiple of calendarized projected 2010 EBITDA.

The results of these analyses are summarized as follows:

| Enterprise Value as a multiple of: | Specialty Consulting Composite Range | Specialty Consulting Composite Median | HR Consulting Composite** | Watson Wyatt |
|---|---|---|---|---|
| 2009 Sales | 0.3x-2.2x | 1.2x | 1.0x | 1.0x |
| 2010 Sales | 0.3x-1.9x | 1.1x | 1.0x | 1.0x |
| LTM EBITDA* | 7.6x-11.1x | 9.0x | 5.3x | 6.1x |
| 2009 EBITDA | 7.4x-9.8x | 8.1x | 5.2x | 6.3x |
| 2010 EBITDA | 5.7x-8.4x | 7.0x | 5.0x | 6.0x |

* LTM numbers are based on the latest publicly available information, as of June 26, 2009. 2009 Sales and 2009 and 2010 EBITDA numbers are based on IBES median estimates and/or other Wall Street research.

** The HR Consulting Composite consists of Hewitt Associates, Inc.

Goldman Sachs also calculated the selected companies projected calendarized, for a fiscal year ended December 31st, price/earnings multiples for 2009 and 2010 and compared them to the results for Watson Wyatt. The following table presents the results of this analysis:

| Calendarized Price/Earnings* Multiples: | Specialty Consulting Composite Range | Specialty Consulting Composite Median | HR Consulting Composite | Watson Wyatt |
|---|---|---|---|---|
| 2009 | 14.8x-19.8x | 16.9x | 11.6x | 12.4x |
| 2010 | 12.0x-15.6x | 13.9x | 10.7x | 12.2x |

* Earnings are based on IBES median estimates and/or other Wall Street research.

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*Implied Valuation Analysis*. Goldman Sachs performed certain analyses, based on historical information and projections provided by management of Towers Perrin. At a price of $41.18 for each share of Watson Wyatt Class A common stock and assuming an implied ownership of Towers Watson of 50% by Towers Perrin security holders, Goldman Sachs calculated an indicative Towers Perrin s equity value of $1,784 million and an indicative enterprise value of $1,623 million, assuming that Towers Perrin has cash of $405 million and bonuses payable of $244 million as of December 31, 2009. Goldman Sachs also calculated Towers Perrin s implied enterprise value as a multiple of 2008 sales, 2009E sales and 2010E sales, its implied enterprise value as a multiple of 2009E EBITDA on a pro forma basis and 2010E EBITDA, its implied enterprise value as a multiple of 2009E earnings before interest and taxes, or EBIT , on a pro forma basis and 2010E EBIT, and its implied equity value as a multiple of 2009E net income on a pro forma basis and 2010E net income. The following table presents the results of Goldman Sachs analysis based on an implied ownership of 50% of Towers Watson common stock by Towers Perrin security holders:

| Metric | Year | Towers Perrin |
|---|---|---|
| | 2008A | 0.94x |
| Implied Enterprise Value / Sales | 2009E* | 1.03x |
| | 2010E | 1.00x |
| Implied Enterprise Value / EBITDA | 2009E PF** | 8.0x |
| | 2010E | 7.1x |
| Implied Enterprise Value / EBIT | 2009E PF** | 9.7x |
| | 2010E | 8.5x |
| Implied Equity Value / Net Income | 2009E PF** | 18.0x |
| | 2010E | 15.2x |

* All estimated numbers for Towers Perrin throughout Goldman Sachs analyses exclude one-time charges related to the issuance of Towers Watson restricted Class A common stock (issued upon conversion of Towers Perrin RSUs in the merger), which shares vest in equal annual installments over three years from the effective time.

** All 2009E figures are based on Towers Perrin s management s pro forma assumptions as of the date provided which assume that Towers Perrin has been public for the full year and which reconciles Towers Perrin s and Watson Wyatt s errors and omissions accounting policies.

*Illustrative Discounted Cash Flow Analysis*. Goldman Sachs performed an illustrative discounted cash flow analysis on Towers Perrin using Towers Perrin s management forecasts through 2013.

Goldman Sachs calculated indications of net present value of free cash flows for Towers Perrin for the years 2009 through 2013 using discount rates ranging from 10.0% to 12.0% discounted to June 30, 2009. Goldman Sachs then calculated implied enterprise values using illustrative terminal values calculated as of the calendar year-end 2013E and multiples ranging from 6.0x EBITDA to 7.5x EBITDA. These illustrative terminal values were then discounted to calculate implied indications of present values of the enterprise value using discount rates ranging from 10.0% to 12.0%. The discount rates were chosen by utilizing a weighted average cost of capital analysis. This analysis resulted in a range of illustrative discounted cash flow enterprise values of Towers Perrin of $1,371 million to $1,729 million.

Goldman Sachs also performed an illustrative discounted cash flow analysis on Watson Wyatt using Watson Wyatt projections that were based on estimates provided by Towers Perrin s management.

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Goldman Sachs calculated indications of net present value of free cash flows for Watson Wyatt for the years 2009 through 2013 using discount rates ranging from 10.0% to 12.0% discounted to June 30, 2009. Goldman Sachs then calculated implied enterprise values using illustrative terminal values calculated as of the calendar year-end 2013E and multiples ranging from 6.0x EBITDA to 7.5x EBITDA. These illustrative terminal values were then discounted to calculate implied indications of present values of enterprise value using discount rates ranging from 10.0% to 12.0%. The discount rates were chosen by utilizing a weighted average cost of capital analysis. This analysis resulted in a range of illustrative discounted cash flow enterprise values of Watson Wyatt of $1,788 million to $2,232 million.

*Selected Transactions Analysis*. Goldman Sachs analyzed certain information relating to the following selected transactions in the human resources business services industry since 1996:

| Year | Acquirer | Target |
|---|---|---|
| 2007 | Watson Wyatt Worldwide | Dr. Dr. Heissmann GmBH |
| 2006 | Aegon | Clark Inc. |
| 2005 | ACS | Mellon HR |
| 2005 | EDS | Towers Perrin s HR Outsourcing |
| 2005 | Watson Wyatt & Co. | Watson Wyatt LLP |
| 1996 | Mellon Bank | Buck Consultants |

For each of the selected transactions, using information from press releases and Capital IQ, Goldman Sachs calculated the enterprise value as a multiple of latest twelve months sales. While none of the companies that participated in the selected transactions are directly comparable to Towers Perrin, the companies that participated in the selected transactions are companies with operations that, for the purposes of analysis, may be considered similar to certain of Towers Perrin s results, market size and product profile.

The following table presents the results of this analysis:

| Enterprise Value as a multiple of: | Selected Transactions Range |
|---|---|
| LTM Sales | 1.1x-1.9x |

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*Pro Forma Merger Analysis*. Goldman Sachs prepared illustrative pro forma analyses of the potential financial impact of the merger using earnings estimates for Towers Perrin per Towers Perrin s management forecasts and calendarized earnings estimates of Watson Wyatt provided by Towers Perrin s management and tax and expense assumptions provided by Towers Perrin s management. For the years 2010 and 2011, Goldman Sachs compared the projected calendarized earnings per share of Watson Wyatt on a standalone basis to the projected calendarized earnings per share of the common stock of the combined entity resulting from the merger under three scenarios: (1) no synergies are achieved, which we refer to as the No Synergies Scenario, (2) 30% of the synergies are achieved in 2010E and 85% in 2011E, which we refer to as the Ramp-Up Scenario and (3) 100% of the synergies are achieved in both 2010E and 2011E, which we refer to as the Run-Rate Scenario. In all three scenarios Goldman Sachs assumed, among other assumptions, that the forecasts for Towers Perrin and the estimates for Watson Wyatt, both of which were provided to Goldman Sachs by Towers Perrin s management, will be achieved and that 50% of Towers Watson is owned by former Towers Perrin shareholders. The following table presents the results of this analysis:

| | Watson Wyatt Stand-Alone | No Synergies | Ramp-Up of Synergies | Run-Rate of Synergies |
|---|---|---|---|---|
| 2010E CY EPS | $ 3.31 | $ 2.87 | $ 3.02 | $ 3.37 |
| % Change vs. Stand-Alone | | (13.1)% | (8.6)% | 2.0% |
| 2011E CY EPS | $ 3.61 | $ 3.29 | $ 3.72 | $ 3.80 |
| % Change vs. Stand-Alone | | (8.7)% | 3.1% | 5.3% |

Goldman Sachs also calculated an implied current stock price, based on Watson Wyatt s 2010E-2011E implied price/earnings multiples using Towers Perrin s management estimates for Watson Wyatt, under each of the three scenarios outlined above, and compared those implied current stock prices to Watson Wyatt s Class A common stock share price of $41.18 as of June 26, 2009. Based on Goldman Sachs analysis, under the No Synergies Scenario the implied current share price of the combined company would range from $35.78 based on implied 2010E price/earnings multiples and $37.60 based on implied 2011E price/earnings multiples, under the Ramp-Up Scenario the implied current share price of the combined company would range from $37.65 based on implied 2010E price/earnings multiples and $42.48 based on 2011E implied price/earnings multiples, and under Run-Rate Scenario the implied current share price of the combined company would range from $42.01 based on implied 2010E price/earnings multiples and $43.36 based on implied 2011E price/earnings multiples.

*Implied Exchange Ratio Analysis.* Goldman Sachs performed an implied exchange ratio analysis, comparing the implied transaction exchange ratio of 554.37 against the implied range of exchange ratios that resulted from using the implied total equity value of Towers Perrin that was calculated under the following three types of analyses: (1) comparable public companies[1], (2) precedent transactions, and (3) illustrative discounted cash flow. The implied transaction exchange ratio of 554.37, which assumed that Towers Perrin security holders will have an implied ownership of 50% of Towers Watson, was calculated by Goldman Sachs by using Watson Wyatt s fully diluted share count of 43,314,518 as of June 26, 2009, subtracting from that number 4,331,452, which is the assumed number of shares of Towers Watson restricted Class A common stock to be issued upon the conversion of the Towers Perrin RSUs in the merger, and then dividing the result by 70,320, which was the number of shares of Towers Perrin common stock that was outstanding as of June 26, 2009. Goldman Sachs assumed that the same number of shares of Towers Perrin and Watson Wyatt will be outstanding immediately prior to the completion of the merger.

[1] A group of companies in the business services industry which includes Hewitt Associates, Inc., CRAI International, Inc., FTI Consulting, Inc., Huron Consulting Group Inc., LECG Corporation, and Navigant Consulting, Inc.

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Under the comparable company analysis and assuming a trading multiple that is the median of its peer group (CRAI International, Inc., FTI Consulting, Inc., Huron Consulting Group Inc., Hewitt Associates, Inc., LECG Corporation and Navigant Consulting, Inc.), an enterprise value/2010E EBITDA multiple of 5.0x-7.5x, and 2010E EBITDA of $227 million, an implied total equity value of Towers Perrin would be between $1,300 million and $1,875 million. By way of comparison, under this analysis and assuming a trading multiple that is the median of its peer group (same group as above), an enterprise value/CY2010E EBITDA multiple of 5.0x-7.5x, and CY2010E EBITDA of $282 million, an implied total equity value of Watson Wyatt would be between $1,408 million and $2,112 million.

Under the precedent transaction analysis, using $1,720 million for 2008A revenue and assuming a median enterprise value/revenue multiple of 1.1x-1.4x, an implied total equity value of Towers Perrin would be between $2,050 million and $2,550 million.

Under the illustrative discounted cash flow analysis and assuming a terminal multiple of 2013E EBITDA of 6.0x-7.5x, an implied perpetuity growth rate of 2.2%-4.6% and discount rates ranging from 10.5%-11.5%, an implied total equity value of Towers Perrin would be between $1,550 million and $1,850 million.

In all cases the calculation of Towers Perrin s equity value assumes cash of $405 million (excluding cash related to reinsurance payables of $110 million) less bonuses payable of $244 million as of December 31, 2009. The implied exchange ratio analysis also assumes that Towers Perrin s warrants will be cancelled (which occurs if an initial public offering is not completed on or prior to December 31, 2009 or upon consummation of a change in control transaction, which includes the merger) and therefore will have no impact on the implied exchange ratio calculation. It also assumes that there is no cost to receiving or exercising the Towers Perrin RSUs (which have an exercise price of $0.00) and that one-third of the shares of the Towers Perrin RSUs vest on each of the first three anniversaries of the effective time.

The following table presents the results of the implied exchange ratio analysis using the implied equity values derived from the three analyses outlined above:

| | Implied Total Towers Perrin Equity Value ($ in millions) | | Implied Exchange Ratio* | | Implied Transaction Exchange Ratio |
|---|---|---|---|---|---|
| | **Low** | **High** | **Low** | **High** | |
| Comparable Public Companies | $ 1,300 | $ 1,875 | 404 | 583 | 554 |
| Precedent Transactions | $ 2,050 | $ 2,550 | 637 | 793 | 554 |
| Illustrative Discounted Cash Flow | $ 1,550 | $ 1,850 | 482 | 575 | 554 |

* Uses the price of Watson Wyatt Class A common stock as of June 26, 2009.

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*Contribution Analysis*. Goldman Sachs analyzed the relative potential contribution of Towers Perrin and Watson Wyatt to the combined entity on 2009E, 2010E and 2011E revenue and EBITDA and on the combined entity s discounted cash flows, which was based on financial data and on the assumptions provided to Goldman Sachs by Towers Perrin management. The following table presents the results of this analysis:

| Metrics | Towers Perrin<br>Revenue Contribution: | Watson Wyatt |
|---|---|---|
| 2009E | 48.6% | 51.4% |
| 2010E | 48.7% | 51.3% |
| 2011E | 48.9% | 51.1% |
| | **Pro Forma EBITDA Contribution:** | |
| 2009E | 42.1% | 57.9% |
| 2010E | 44.6% | 55.4% |
| 2011E | 44.9% | 55.1% |
| DCF Contribution* | 46.0% | 54.0% |

* Assumes a terminal EBITDA multiple of 6.75x and a discount rate of 11.0%. The discounted cash flow analysis nets out accrued bonuses of $175 million for Watson Wyatt and $244 million for Towers Perrin per Towers Perrin s management against the cash balance, and eliminates the accrued bonuses from the future calculation of the change in working capital.

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs opinion. In arriving at its fairness determination, Goldman Sachs considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. No company or transaction used in the above analyses as a comparison is directly comparable to Towers Perrin or Watson Wyatt or the contemplated merger.

Goldman Sachs prepared these analyses for purposes of Goldman Sachs providing its opinion to Towers Perrin s board of directors as to the fairness from a financial point of view, as of the date of the opinion, of the Towers Perrin final exchange ratio of Towers Watson Class B common stock pursuant to the merger agreement to the holders of Towers Perrin common stock. These analyses do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of Towers Watson, Towers Perrin, Watson Wyatt, Goldman Sachs or any other person assumes responsibility if future results are different from those forecast.

The Towers Perrin final exchange ratio was determined through arms -length negotiations between Towers Perrin and Watson Wyatt and was approved by Towers Perrin s board of directors. Goldman Sachs provided advice to Towers Perrin during these negotiations. Goldman Sachs did not, however, recommend any specific exchange ratio to Towers Perrin or its board of directors or that any specific exchange ratio constituted the only appropriate exchange ratio for the merger.

As described above, Goldman Sachs opinion to Towers Perrin s board of directors was one of many factors taken into consideration by Towers Perrin s board of directors in making its determination to approve the merger agreement. The foregoing summary does not purport to be a complete description of the analyses performed by Goldman Sachs in connection with the fairness opinion and is qualified in its entirety by reference to the written opinion of Goldman Sachs attached as Annex C.

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Goldman, Sachs & Co. and its affiliates are engaged in investment banking and financial advisory services, securities trading, investment management, principal investment, financial planning, benefits counseling, risk management, hedging, financing, brokerage activities and other financial and non-financial activities and services for various persons and entities. In the ordinary course of these activities and services, Goldman, Sachs & Co. and its affiliates may at any time make or hold long or short positions and investments, as well as actively trade or effect transactions, in the equity, debt and other securities (or related derivative securities) and financial instruments (including bank loans and other obligations) of Towers Perrin, Watson Wyatt and any of their affiliates or any currency or commodity that may be involved in the transaction for their own account and for the accounts of their customers. Goldman Sachs acted as financial advisor to Towers Perrin in connection with, and participated in certain of the negotiations leading to, the transactions contemplated by the merger agreement. Goldman Sachs also may provide investment banking and other financial services to Towers Watson, Towers Perrin and Watson Wyatt and their respective affiliates in the future. In connection with the above-described services Goldman Sachs has received, and may receive in the future, compensation.

The board of directors of Towers Perrin selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the merger. Pursuant to a letter agreement dated November 13, 2008, Towers Perrin engaged Goldman Sachs to act as its financial advisor in connection with the possible merger or business combination of Towers Perrin and Watson Wyatt. Pursuant to the terms of this engagement letter, Towers Perrin has agreed to pay Goldman Sachs a transaction fee of approximately $15 million, approximately $11 million of which is contingent upon completion of the merger. In addition, Towers Perrin has agreed to reimburse Goldman Sachs for its expenses, including attorneys fees and disbursements, and to indemnify Goldman Sachs and related persons against various liabilities, including certain liabilities under the federal securities laws.

**Opinion of Watson Wyatt s Financial Advisor**

Watson Wyatt has retained BofA Merrill Lynch to act as Watson Wyatt s financial advisor in connection with the merger. BofA Merrill Lynch is an internationally recognized investment banking firm which is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. Watson Wyatt selected BofA Merrill Lynch to act as Watson Wyatt s financial advisor in connection with the merger on the basis of BofA Merrill Lynch s experience in transactions similar to the merger, its reputation in the investment community and its familiarity with Watson Wyatt and its business.

On June 26, 2009, at a meeting of Watson Wyatt s board of directors held to evaluate the merger, BofA Merrill Lynch delivered to Watson Wyatt s board of directors an oral opinion, which was confirmed by delivery of a written opinion dated June 26, 2009, to the effect that, as of the date of the opinion and based on and subject to various assumptions and limitations described in its opinion, the Watson Wyatt final exchange ratio provided for in the Watson Wyatt merger was fair, from a financial point of view, to the holders of Watson Wyatt common stock.

**The full text of BofA Merrill Lynch s written opinion to Watson Wyatt s board of directors, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex D to this document and is incorporated by reference into this document in its entirety. The following summary of BofA Merrill Lynch s opinion is qualified in its entirety by reference to the full text of the opinion. BofA Merrill Lynch delivered its opinion to Watson Wyatt s board of directors for the benefit and use of Watson Wyatt s board of directors in connection with and for purposes of its evaluation of the Watson Wyatt final exchange ratio from a financial point of view. BofA Merrill Lynch s opinion does not address any other aspect of the merger and does not constitute a recommendation to any stockholder as to how to vote or act in connection with the proposed merger.**

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In connection with rendering its opinion, BofA Merrill Lynch:

- Reviewed certain publicly available business and financial information relating to Towers Perrin and Watson Wyatt;
- Reviewed certain internal financial and operating information with respect to the business, operations and prospects of Towers Perrin furnished to or discussed with BofA Merrill Lynch by the management of Towers Perrin, including certain financial forecasts relating to Towers Perrin prepared by the management of Towers Perrin, which we refer to as Towers Perrin Management Forecasts ;
- Reviewed an alternative version of the Towers Perrin Management Forecasts incorporating certain adjustments thereto made by the management of Watson Wyatt, which we refer to as Adjusted Towers Perrin Forecasts , and discussed with the management of Watson Wyatt its assessments as to the relative likelihood of achieving the future financial results reflected in the Towers Perrin Management Forecasts and the Adjusted Towers Perrin Forecasts;
- Reviewed certain internal financial and operating information with respect to the business, operations and prospects of Watson Wyatt furnished to or discussed with BofA Merrill Lynch by the management of Watson Wyatt, including certain financial forecasts relating to Watson Wyatt prepared by the management of Watson Wyatt, which we refer to as Watson Wyatt Management Forecasts ;
- Reviewed certain estimates as to the amount and timing of cost savings and increased operational efficiencies, which we collectively refer to as Synergies , anticipated by the management of Watson Wyatt to result from the merger;
- Discussed the past and current business, operations, financial condition and prospects of Towers Perrin with members of senior management of Towers Perrin and Watson Wyatt, and discussed the past and current business, operations, financial condition and prospects of Watson Wyatt with members of senior management of Watson Wyatt;
- Discussed with the management of Watson Wyatt its assessments as to Towers Perrin s and Watson Wyatt s existing and future relationships, agreements and arrangements with, and the combined company s ability to retain, key customers, clients, suppliers and employees of Towers Perrin and Watson Wyatt;
- Reviewed the potential pro forma financial impact of the merger on the future financial performance of the combined company, including the potential effect on the combined company s estimated earnings per share;
- Reviewed the trading history for Watson Wyatt common stock and a comparison of such trading history with the trading histories of other companies BofA Merrill Lynch deemed relevant;
- Compared certain financial information of Towers Perrin and financial and stock market information of Watson Wyatt with similar information of other companies BofA Merrill Lynch deemed relevant;
- Reviewed the relative financial contributions of Towers Perrin and Watson Wyatt to the future financial performance of the combined company on a pro forma basis;
- Reviewed the merger agreement; and
- Performed such other analyses and studies and considered such other information and factors as BofA Merrill Lynch deemed appropriate.

In arriving at its opinion, BofA Merrill Lynch assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with it and relied upon the assurances of the managements of Watson Wyatt and Towers Perrin that they were not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any material respect. With respect to the Towers Perrin Forecasts, BofA Merrill Lynch was advised by Towers Perrin, and assumed, with Watson Wyatt s consent, that such forecasts were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of Towers Perrin as to the future financial performance of Towers Perrin. With respect to the Adjusted Towers Perrin Forecasts, the Watson Wyatt Forecasts and the Synergies, BofA Merrill Lynch assumed, at the direction of Watson Wyatt, that they were reasonably prepared on a basis reflecting the best currently available estimates and good faith judgments of the management of Watson Wyatt as to the future financial performance of Towers Perrin and Watson Wyatt and the other matters covered thereby and, based on the assessments of the management of Watson Wyatt as to the relative likelihood of achieving the future financial results reflected in the Towers Perrin Forecasts and the Adjusted Towers Perrin Forecasts, BofA Merrill Lynch relied, at the direction of Watson Wyatt, on the Adjusted Towers Perrin Forecasts for purposes of its opinion. In addition, BofA Merrill Lynch relied, at the direction of Watson Wyatt, on the assessments of the management of Watson Wyatt as to the combined company s ability to achieve the Synergies and was advised by Watson Wyatt, and assumed, that the Synergies will be realized in the amounts and at the times projected. BofA Merrill Lynch further relied, at the direction of Watson Wyatt, upon the assessments of the management of Watson Wyatt as to Towers Perrin s and Watson Wyatt s existing and future relationships, agreements and arrangements with, and the combined company s ability to retain, key customers, clients, suppliers, employees of Towers Perrin and Watson Wyatt and assumed, at Watson Wyatt s direction, that the merger will not adversely impact Towers Perrin s, Watson Wyatt s or the combined company s relationships, agreements or arrangements with such customers, clients, suppliers and employees. BofA Merrill Lynch did not make and was not provided with any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Watson Wyatt, Towers Perrin or the combined company, nor did it make any physical inspection of the properties or assets of Watson Wyatt, Towers Perrin or the combined company. BofA Merrill Lynch did not evaluate the solvency or fair value of Watson Wyatt, Towers Perrin or the combined company under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. BofA Merrill Lynch assumed, at the direction of Watson Wyatt, that the merger will be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the merger, no delay, limitation, restriction or condition, including any divestiture requirements or amendments or modifications, will be imposed that would have an adverse effect on Watson Wyatt, Towers Perrin, the combined company or the contemplated benefits of the merger. BofA Merrill Lynch further assumed, at the direction of Watson Wyatt, that the merger will qualify for federal income tax purposes as an exchange under Section 351 of the Code, or as a reorganization under the provisions of Section 368(a) of the Code.

BofA Merrill Lynch expressed no view or opinion as to any terms or other aspects of the merger (other than the Watson Wyatt final exchange ratio to the extent expressly specified in its opinion), including, without limitation, the form or structure of the merger. BofA Merrill Lynch s opinion was limited to the fairness, from a financial point of view, of the Watson Wyatt final exchange ratio to the holders of Watson Wyatt common stock, and no opinion or view was expressed with respect to any consideration received in connection with the merger by the holders of any class of securities, creditors or other constituencies of any party, the relative fairness of the Watson Wyatt final exchange ratio as compared to any consideration received in connection with the merger by the holders of any class of securities, creditors or other constituencies of any party (including, without limitation, the merger consideration to be received by Towers Perrin security holders) or the value of any Class R Election or Class S Election to any party, the extent to which the Class R Elections or Class S Elections will be exercised, if at all, or the effect of Class R Elections or Class S Elections on the holders of any class of capital stock of the combined company issued in the merger. In addition, no opinion or view was expressed with respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to any of the officers, directors or employees of any party to the merger, or class of such persons, relative to the Watson Wyatt final exchange ratio. Furthermore, no opinion or view was expressed as to the relative merits of the merger in comparison to other strategies or transactions that might be available to Watson Wyatt or in which Watson Wyatt might engage or as to the underlying business decision of Watson Wyatt to proceed with or effect the merger. BofA Merrill Lynch did not express an opinion as to what the value of any class of capital stock of the combined company actually will be when issued or the prices at which Watson Wyatt common stock or any class of capital stock of the combined company will trade at any time including following announcement or consummation of the merger. In addition, BofA Merrill Lynch expressed no opinion or recommendation as to how any stockholder should vote or act in connection with the merger or any related matter. Except as described above, Watson Wyatt imposed no other limitations on the investigations made or procedures followed by BofA Merrill Lynch in rendering its opinion.

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BofA Merrill Lynch s opinion was necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to BofA Merrill Lynch as of, the date of its opinion. As of the date of BofA Merrill Lynch s opinion, the credit, financial and stock markets were experiencing unusual volatility and BofA Merrill Lynch expressed no opinion or view as to any potential effects on Watson Wyatt, Towers Perrin, the combined company or the merger. It should be understood that subsequent developments may affect its opinion, and BofA Merrill Lynch does not have any obligation to update, revise or reaffirm its opinion. The issuance of BofA Merrill Lynch s opinion was approved by BofA Merrill Lynch s Fairness Opinion Review Committee.

The following represents a brief summary of the material financial analyses presented by BofA Merrill Lynch to Watson Wyatt s board of directors in connection with its opinion. **The financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses performed by BofA Merrill Lynch, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses performed by BofA Merrill Lynch. Considering the data set forth in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses performed by BofA Merrill Lynch.**

***Financial Analyses***

*Selected Publicly Traded Companies Analysis.* BofA Merrill Lynch performed separate selected publicly traded companies analyses of Watson Wyatt and Towers Perrin in which BofA Merrill Lynch reviewed publicly available financial and stock market information for Watson Wyatt and the following six publicly traded companies. BofA Merrill Lynch selected these companies primarily because they participate in the consulting and professional services industry, focusing on human capital and financial advisory services, and were publicly traded companies with market capitalizations in excess of $500 million:

Hewitt Associates;
Accenture;
FTI Consulting;
Huron Consulting;
Marsh & McLennan; and
Navigant Consulting.

*Watson Wyatt.* In performing a selected publicly traded companies analysis of Watson Wyatt, BofA Merrill Lynch reviewed publicly available financial and stock market information of the publicly traded companies above, referred to as the Watson Wyatt selected companies . BofA Merrill Lynch reviewed, among other things, per share equity values, based on closing stock prices on June 25, 2009, of the Watson Wyatt selected companies as a multiple of calendar year 2009 (CY2009E) estimated earnings per share, which we refer to as EPS . BofA Merrill Lynch also reviewed enterprise values of the Watson Wyatt selected companies (calculated as diluted equity market value based on closing stock prices on June 25, 2009 plus total debt, less cash and cash equivalents) as a multiple of earnings before interest, taxes, depreciation and amortization, which we refer to as EBITDA, for the last twelve months, which we refer to as LTM, and CY2009E. BofA Merrill Lynch then applied a range of selected multiples of CY2009E EPS derived from the Watson Wyatt selected companies to corresponding data of Watson Wyatt and applied a range of selected multiples of LTM EBITDA and CY2009E EBITDA derived from the Watson Wyatt selected companies to corresponding data of Watson Wyatt. Estimated financial data of the Watson Wyatt selected companies were based on publicly available filings, publicly available research analysts estimates and First Call consensus estimates as of June 25, 2009. Estimated financial data of Watson Wyatt were based on the Watson Wyatt Management Forecasts. This analysis indicated the following implied per share equity value reference ranges for Watson Wyatt:

**Implied Per Share Equity Value Reference Ranges for Watson Wyatt**

| CY2009E EPS | LTM EBITDA | CY2009E EBITDA |
|---|---|---|
| $39.00 - $49.00 | $40.00 - $55.00 | $38.00 - $55.00 |

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*Towers Perrin*. In performing a selected publicly traded companies analysis of Towers Perrin, BofA Merrill Lynch reviewed publicly available financial and stock market information of the selected publicly traded companies above and Watson Wyatt, together referred to as the Towers Perrin selected companies . BofA Merrill Lynch reviewed, among other things, the enterprise values of the Towers Perrin selected companies (calculated as diluted equity market value based on closing stock prices on June 25, 2009 plus total debt, less cash and cash equivalents) as a multiple of EBITDA for LTM and CY2009E. BofA Merrill Lynch then applied a range of selected multiples of LTM EBITDA derived from the Towers Perrin selected companies to the corresponding data of Towers Perrin. BofA Merrill Lynch also applied a range of selected multiples of CY2009E EBITDA derived from the Towers Perrin selected companies to the corresponding data of Towers Perrin. Estimated financial data of the Towers Perrin selected companies were based on publicly available filings, publicly available research analysts estimates and First Call consensus estimates as of June 25, 2009. Estimated financial data of Towers Perrin were based on the Adjusted Towers Perrin Forecasts. These analyses indicated the following implied enterprise value reference ranges for Towers Perrin:

**Implied Enterprise Value Reference Ranges for Towers Perrin**

| LTM EBITDA | CY2009E EBITDA |
|---|---|
| \$1.4 billion - \$1.95 billion | \$1.2 billion - \$1.75 billion |

Based on the implied per share equity value reference ranges for Watson Wyatt and implied enterprise value reference ranges for Towers Perrin derived from the analyses described above, BofA Merrill Lynch calculated the following implied exchange ratio reference ranges, as compared to the exchange ratio provided for in the merger of 1.000x:

| | **Implied Exchange Ratio Reference Ranges** |
|---|---|
| Based on implied equity reference ranges derived using the LTM EBITDA multiples | 0.707x to 1.546x |
| Based on implied equity reference ranges derived using the CY2009E EBITDA multiples | 0.747x to 1.838x |

No company used in this analysis is identical or directly comparable to Watson Wyatt or Towers Perrin. Accordingly, an evaluation of the results of this analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading or other values of the companies to which Watson Wyatt and Towers Perrin were compared.

*Discounted Cash Flow Analysis.* BofA Merrill Lynch performed a discounted cash flow analysis of each of Watson Wyatt and Towers Perrin by calculating the estimated present value of the standalone unlevered, after-tax free cash flows that Watson Wyatt and Towers Perrin could generate during fiscal years 2010 through 2014 based on the Watson Wyatt Management Forecasts and Adjusted Towers Perrin Forecasts, respectively.

*Watson Wyatt.* In its discounted cash flow analysis of Watson Wyatt, BofA Merrill Lynch calculated terminal values for Watson Wyatt by applying terminal multiples of EBITDA, ranging from 5.5x to 7.5x to Watson Wyatt s FY2014 estimated EBITDA. The cash flows and terminal values were then discounted to present value as of June 30, 2009, using discount rates ranging from 9.5% to 10.5%. This analysis indicated the following implied per share equity value reference range for Watson Wyatt:

**Implied Per Share Equity Value**

**Reference Range for Watson Wyatt**

\$42.00-\$54.00

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*Towers Perrin.* In its discounted cash flow analysis of Towers Perrin, BofA Merrill Lynch calculated terminal values for Towers Perrin by applying terminal multiples of EBITDA, ranging from 5.5x to 7.5x to Towers Perrin adjusted FY2014 estimated EBITDA. The cash flows and terminal values were then discounted to present value as of June 30, 2009 using discount rates ranging from 9.5% to 10.5%. This analysis indicated the following implied enterprise value reference range for Towers Perrin:

| Implied Enterprise Value<br>Reference Range for Towers Perrin |
| --- |
| $1.5 billion-$1.95 billion |

Based on the implied per share equity value reference range for Watson Wyatt and implied enterprise value reference range for Towers Perrin calculated in the discounted cash flow analyses described above, BofA Merrill Lynch calculated the following implied exchange ratio reference range, as compared to the exchange ratio provided for in the merger of 1.000x:

| Implied Exchange Ratio Reference Range |
| --- |
| 0.774x 1.420x |

*Pro Forma Accretion/Dilution Analysis*

BofA Merrill Lynch reviewed the potential pro forma financial effect of the merger on the combined company s fiscal years 2011 through 2013 estimated GAAP EPS, assuming the impact of Class R elections and Class S elections, if applicable, resulting in an amount of Towers Watson Class R common stock and Towers Watson Class S common stock, if applicable, being issued with an aggregate value equal to $200 million, based on a value of Watson Wyatt common stock equal to $41.14 (the closing price on June 25, 2009), which assumption we refer to as post-Election , (1) without giving effect to the potential Synergies and (2) giving effect to the potential Synergies. Estimated financial data of Watson Wyatt and Towers Perrin were based on the Watson Wyatt Management Forecasts and the Adjusted Towers Perrin Forecasts. Excluding Synergies, these pro forma analyses indicated that the merger could be dilutive to the combined company s estimated GAAP EPS for each of the years 2011 through 2013. Including the Synergies, this analysis indicated that the merger could be dilutive to combined company s estimated GAAP EPS for the years ending 2011 and 2012, and accretive to combined company s estimated GAAP EPS for 2013. The actual results achieved by the combined company may vary from projected results and the variations may be material.

BofA Merrill Lynch also reviewed the potential pro forma financial effect of the merger on the combined company s fiscal years 2011 through 2013 estimated cash EPS (calculated as GAAP EPS excluding the after-tax per share impact of stock-based compensation charges and amortization of intangibles) (post-Election) (1) without giving effect to the potential Synergies and (2) giving effect to the potential Synergies. Estimated financial data of Watson Wyatt and Towers Perrin were based on the Watson Wyatt Management Forecasts and the Adjusted Towers Perrin Forecasts. Excluding Synergies, these pro forma analyses indicated that the merger could be dilutive to the combined company s estimated cash EPS for each of the years 2011 through 2013. Including Synergies, this analysis indicated that the merger could be dilutive to combined company s estimated cash EPS for 2011 and accretive to the combined company s estimated cash EPS for 2012 and 2013. The actual results achieved by the combined company may vary from projected results and the variations may be material.

*Contribution Analysis*

BofA Merrill Lynch reviewed the relative financial contributions of Watson Wyatt and Towers Perrin to the estimated future financial performance of the combined company on a pro forma basis without giving effect to the potential Synergies. BofA Merrill Lynch reviewed revenue, EBITDA and EBIT to the combined company, in each case for LTM, FY2009E and FY2010E, based on the Watson Wyatt Management Forecasts and the Adjusted Towers Perrin Forecasts. Based on these relative contributions, BofA Merrill Lynch calculated the implied exchange ratio reference ranges, as compared to the Watson Wyatt final exchange ratio provided for in the merger of 1.000x:

| | Implied Exchange Ratio Reference Ranges | |
|---|---|---|
| Revenue | 0.918x | 0.944x |
| EBITDA | 1.059x | 1.187x |
| EBIT | 0.903x | 1.027x |
| Watson Wyatt final exchange ratio | 1.000x | |

***Other Factors***

In rendering its opinion, BofA Merrill Lynch also reviewed and considered other factors, including historical trading prices and trading volumes of Watson Wyatt common stock during the one-year period ended June 25, 2009.

***Miscellaneous***

As noted above, the discussion set forth above is a summary of the material financial analyses presented by BofA Merrill Lynch to Watson Wyatt s board of directors in connection with its opinion and is not a comprehensive description of all analyses undertaken by BofA Merrill Lynch in connection with its opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to partial analysis or summary description. BofA Merrill Lynch believes that its analyses summarized above must be considered as a whole. BofA Merrill Lynch further believes that selecting portions of its analyses and the factors considered or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying BofA Merrill Lynch s analyses and opinion. The fact that any specific analysis has been referred to in the summary above is not meant to indicate that such analysis was given greater weight than any other analysis referred to in the summary.

In performing its analyses, BofA Merrill Lynch considered industry performance, general business and economic conditions and other matters, many of which are beyond the control of Watson Wyatt and Towers Perrin. The estimates of the future performance of Watson Wyatt, Towers Perrin and the combined company in or underlying BofA Merrill Lynch s analyses are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than those estimates or those suggested by BofA Merrill Lynch s analyses. These analyses were prepared solely as part of BofA Merrill Lynch s analysis of the fairness, from a financial point of view, of the Watson Wyatt final exchange ratio provided for in the merger to the holders of Watson Wyatt common stock and were provided to Watson Wyatt s board of directors in connection with the delivery of BofA Merrill Lynch s opinion. The analyses do not purport to be appraisals or to reflect the prices at which a company might actually be sold or the prices at which any securities have traded or may trade at any time in the future. Accordingly, the estimates used in, and the ranges of valuations resulting from, any particular analysis described above are inherently subject to substantial uncertainty and should not be taken to be BofA Merrill Lynch s view of the actual values of Watson Wyatt, Towers Perrin or the combined company.

The Watson Wyatt final exchange ratio provided for in the merger was determined through negotiations between Watson Wyatt and Towers Perrin, rather than by any financial advisor, and was approved by Watson Wyatt s board of directors. The decision to enter into the merger agreement was solely that of Watson Wyatt s board of directors. As described above, BofA Merrill Lynch s opinion and analyses were only one of many factors considered by Watson Wyatt s board of directors in its evaluation of the proposed merger and should not be viewed as determinative of the views of Watson Wyatt s board of directors or management with respect to the merger or the Watson Wyatt final exchange ratio.

Watson Wyatt has agreed to pay BofA Merrill Lynch for its services in connection with the merger an aggregate fee of $10 million, $1.5 million of which was payable upon the rendering of its opinion and $8.5 million of which is contingent upon the completion of the merger. Watson Wyatt also has agreed to reimburse BofA Merrill Lynch for its expenses incurred in connection with BofA Merrill Lynch s engagement and to indemnify BofA Merrill Lynch, any controlling person of BofA Merrill Lynch and each of their respective directors, officers, employees, agents and affiliates against specified liabilities, including liabilities under the federal securities laws.

BofA Merrill Lynch and its affiliates comprise a full service securities firm and commercial bank engaged in securities, commodities and derivatives trading, foreign exchange and other brokerage activities, and principal investing as well as providing investment, corporate and private banking, asset and investment management, financing and financial advisory services and other commercial services and products to a wide range of companies, governments and individuals. In the ordinary course of their businesses, BofA Merrill Lynch and its affiliates invest on a principal basis or on behalf of customers or manage funds that invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions in the equity, debt or other securities or financial instruments (including derivatives, bank loans or other obligations) of Watson Wyatt, Towers Perrin and certain of their respective affiliates.

BofA Merrill Lynch and its affiliates in the past have provided, currently are providing, and in the future may provide investment banking, commercial banking and other financial services to Watson Wyatt and have received or in the future may receive compensation for the rendering of these services, including (1) having acted as a financial advisor to Watson Wyatt in connection with its acquisition of Watson Wyatt Brans & Co. in 2007 and (2) having provided or providing certain treasury management products and services (such as services relating to credit card processing and non-interest bearing demand deposit accounts) to Watson Wyatt.

In addition, BofA Merrill Lynch and its affiliates in the past have provided, currently are providing, and in the future may provide investment banking, commercial banking and other financial services to Towers Perrin and its affiliates and have received or in the future may receive compensation for the rendering of these services, including (1) having acted or acting as an agent for, and lender under, certain credit facilities of Towers Perrin, (2) having provided or providing certain foreign exchange derivative trading products and services to Towers Perrin and (3) having provided or providing certain treasury management and investment management products and services to Towers Perrin.

In addition, on October 5, 2009, Watson Wyatt and Towers Perrin entered into a commitment letter with BofA Merrill Lynch, Bank of America, N.A., an affiliate of BofA Merrill Lynch ( Bank of America ), and certain other parties relating to the Senior Credit Facility to be made available to Towers Watson, as borrower, upon completion of the merger. Subject to the terms and conditions of the Commitment Letter, BofA Merrill Lynch will act as a joint lead arranger for, and Bank of America will act as administrative agent for and lender under, the Senior Credit Facility, for which services BofA Merrill Lynch and Bank of America will receive customary compensation.

**Interests of Towers Perrin s Directors, Executive Officers and Principal Shareholders in the Merger**

In considering the recommendation of Towers Perrin s board of directors with respect to the merger agreement, Towers Perrin shareholders should be aware that some of Towers Perrin s directors and executive officers have interests in the merger that are different from, or are in addition to, the interests of Towers Perrin shareholders generally. Because no Towers Perrin shareholder currently owns in excess of 1% of the shares of Towers Perrin s issued and outstanding common stock, there are no principal shareholders of Towers Perrin. The Towers Perrin board of directors was aware of these interests and considered them in approving the transactions contemplated by the merger agreement.

***Towers Watson Directors***. Towers Watson s board of directors will include Mark V. Mactas, who is currently the President, Chief Executive Officer and Chairman of the Board of Directors of Towers Perrin and will serve as the Deputy Chairman of the Board of Directors of Towers Watson. In addition, Towers Watson s board of directors is also expected to include one additional person who currently is an employee of Towers Perrin. For further information, see Directors and Executive Officers of Towers Watson After the Merger .

***Towers Watson Management***. Following completion of the merger, Mark V. Mactas will serve as President and Chief Operating Officer of Towers Watson. Additional executive officers of Towers Perrin are also expected to serve as executive officers of Towers Watson. For further information, see Directors and Executive Officers of Towers Watson After the Merger .

***Indemnification and Insurance***. Towers Perrin s directors and officers are provided various indemnification rights and directors and officers liability insurance. The merger agreement provides that following the merger, all rights to indemnification existing in favor of the current or former directors, officers and executive council members of Towers Perrin as currently provided in Towers Perrin s governing instruments and all indemnification agreements between such persons and Towers Perrin for acts or omissions occurring prior to the effective time, will be assumed and performed by Towers Perrin, as the surviving entity in the Towers Perrin merger, and will continue in full force and effect until the expiration of the applicable statute of limitations with respect to any claims against such directors, officers and executive council members arising out of such acts or omissions, except as otherwise required by applicable law. In addition, Towers Watson is required to provide similar indemnification to these individuals for a period of six years following the merger. The merger agreement also requires Towers Watson to maintain directors and officers liability insurance coverage for individuals currently covered by Towers Perrin s policy, for a period of six years after the merger, covering acts and omissions occurring prior to the merger. For further information, see The Merger Agreement Covenants and Other Agreements Indemnification and Insurance of Directors and Officers .

***Other Interests***

Towers Perrin s directors and executive officers also have the following interests in the merger that are different from Towers Perrin shareholders interests generally:

After completion of the merger, some Towers Perrin executive officers may remain officers of Towers Perrin, as a subsidiary of Towers Watson, or of Towers Perrin s subsidiaries, or may become officers of Towers Watson.

Towers Perrin has in place with its Chief Executive Officer and his direct management reports, transaction based compensation agreements which provide that if their employment is involuntarily terminated by Towers Watson other than for cause (as defined in the transaction based compensation agreement, see page 173) or by the executive officer for good reason (as defined in the transaction based compensation agreement, see page 173) within two years after a change in control (as defined in the transaction based compensation agreement, see page 173, and which is defined to include transactions such as the proposed merger) of Towers Perrin occurs or within one year prior to the change in control , provided that, the executive officer reasonably demonstrates after the change in control that their termination was an Anticipatory Termination (as defined in the transaction based compensation agreement, see page 169), Towers Watson will provide the executive officer with a lump-sum cash payment equal to the sum of the following:

- Ø The executive officer s earned but unpaid base salary through his or her termination date;
- Ø Any unpaid Annual Bonus (as defined in the transaction based compensation agreement, see page 173) payable to the executive officer in respect of the calendar year ending prior to his or her effective date of such termination;
- Ø A prorated bonus for the calendar year in which the termination occurs, as described in the transaction based compensation agreement;
- Ø All accrued, but unused vacation pay;

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- Ø Reimbursement for all expenses incurred by the executive officer prior to his or her termination date and accounted for by the executive officer in accordance with applicable Towers Perrin reimbursement policies; and
- Ø An amount equal to two times the executive officer s Annual Compensation (as defined in the transaction based compensation agreement, see page 173), though such amount will be reduced as necessary to cause the total lump-sum cash payment made to the executive officer to be fully deductible by Towers Perrin pursuant to Section 280G of the Code.

Based on the foregoing, if, after completion of the merger, any of Towers Perrin s executive officers (who received six of the eight transaction based compensation agreements) who remain with Towers Watson or one of its subsidiaries, and who has entered into a transaction based compensation agreement described above, either (1) is terminated other than for cause or (2) experiences a material diminution in his or her duties, titles, responsibilities or authority from those in effect immediately prior to the merger, or a change in reporting structure, or a material reduction in Base Salary or Annual Bonus (as defined in the transaction based compensation agreement, see page 173), giving rise to a claim of a good reason termination event under such agreement, the executive officer, in addition to previously accrued payments and benefits, would be entitled to the following amounts (assuming the transaction closes on December 31, 2009, a full year, rather than a prorated bonus, would be received): (1) Jim Foreman, $3,308,294; (2) Patricia Guinn, $3,283,440; (3) Bob Hogan, $4,131,967; (4) Don Lowman, $3,124,127; (5) Mark Mactas, $5,513,731; and (6) Kevin Young, $1,712,837.

Directors Martine A. Ferland and Mark Maselli and James K. Foreman, Managing Director, Human Capital Group, are the holders of 14, 54 and 256 Towers Perrin RSUs, respectively, which are convertible into shares of Towers Watson restricted Class A common stock pursuant to the terms of the merger agreement. No director or executive officer of Towers Perrin is a Guaranteed RSU Holder.

Directors Andrew S. Cherkas, Tamara S. Mattson, Philippe A. Poincloux, and Hugh F. Shanks are each a Class R Eligible Participant.

As of the date of this document, Towers Perrin s directors, executive officers and their affiliates own approximately 6% of the outstanding Towers Perrin common stock. They will be entitled to receive in the merger the same consideration for their shares as all other Towers Perrin shareholders.

Watson Wyatt directors, executive officers and their affiliates did not own any shares of Towers Perrin common stock as of the date of this document.

**Interests of Watson Wyatt s Directors, Executive Officers and Principal Stockholders in the Merger**

As of October 29, 2009, Watson Wyatt s directors, executive officers and their affiliates owned approximately 1.7% of the outstanding Watson Wyatt Class A common stock. They will be entitled to receive in the merger the same consideration for their shares as all other Watson Wyatt stockholders. In considering the recommendation of Watson Wyatt s board of directors, Watson Wyatt s stockholders should be aware that some of the directors and executive officers of Watson Wyatt have interests in the merger that are different from, or in addition to, the interests of Watson Wyatt s stockholders generally. In recommending that the stockholders approve and adopt the merger agreement, the board of directors of Watson Wyatt was aware of these interests and considered them in approving the merger agreement. See Towers Perrin Proposal No. 1 and Watson Wyatt Proposal No. 1: The Merger Agreement Recommendation of Watson Wyatt s Board of Directors and Reasons for the Merger .

***Towers Watson Directors***. Towers Watson s board of directors will include six individuals designated by Watson Wyatt, including John J. Haley, who is currently the President, Chief Executive Officer and Chairman of the Board of Directors of Watson Wyatt and will serve as the Chairman of the Board of Directors of Towers Watson. Towers Watson s board of directors is also expected to include one additional person who currently serves as an employee of Watson Wyatt. The other four Watson Wyatt designees to the Towers Watson board are expected to be selected from among Watson Wyatt s current independent directors. For further information, see Directors and Executive Officers of Towers Watson After the Merger .

***Towers Watson Management***. Following completion of the merger, Mr. Haley will serve as Chief Executive Officer of Towers Watson. Additional executive officers of Watson Wyatt are also expected to serve as executive officers of Towers Watson. For further information, see Directors and Executive Officers of Towers Watson After the Merger .

***Indemnification and Insurance***. Watson Wyatt s directors and officers are provided various indemnification rights and directors and officers liability insurance. The merger agreement provides that following the merger, all rights to indemnification existing in favor of the current or former directors and officers of Watson Wyatt as currently provided in Watson Wyatt s governing instruments and all indemnification agreements between such persons and Watson Wyatt for acts or omissions occurring prior to the effective time, will be assumed and performed by Watson Wyatt, as the surviving entity in the Watson Wyatt merger, and will continue in full force and effect until the expiration of the applicable statute of limitations with respect to any claims against such directors, officers and executive council members arising out of such acts or omissions, except as otherwise required by applicable law. In addition, Towers Watson is required to provide similar indemnification to these individuals for a period of six years following the merger. The merger agreement also requires Towers Watson to maintain directors and officers liability insurance coverage for individuals currently covered by Watson Wyatt s policy, for a period of six years after the merger, covering acts and omissions occurring prior to the merger. For further information, see The Merger Agreement Covenants and Other Agreements Indemnification and Insurance of Directors and Officers .

***Other Interests***

Watson Wyatt s directors and executive officers also have the following interests in the merger that are different from Watson Wyatt stockholders interests generally:

After completion of the merger, some Watson Wyatt executive officers may remain officers of Watson Wyatt, as a subsidiary of Towers Watson, or of Watson Wyatt s subsidiaries, or may become officers of Towers Watson.

Certain Watson Wyatt executive officers have outstanding Watson Wyatt DSUs granted pursuant to Watson Wyatt s Performance Share Bonus Incentive Programs (which we refer to as SBI Programs , and which are described in the section entitled Compensation of Executive Officers After the Merger ). Watson Wyatt DSUs granted under the SBI Programs entitle the award recipient to receive shares of Watson Wyatt common stock when the DSUs vest at the end of a three-year performance period; the number of shares received is contingent upon achievement of performance criteria. Watson Wyatt s compensation committee has determined that, at the effective time, awards outstanding under the fiscal year 2008 SBI Program will not vest, with the effect that no shares will be earned or paid under those awards and the awards will be forfeited. The compensation committee of Watson Wyatt s board of directors has determined that Watson Wyatt DSUs granted under the fiscal year 2009 SBI Program will vest at 100% of target if the effective time occurs before completion of the performance period for the 2009 SBI Program. The performance period for the 2009 SBI Program ends on June 30, 2011, and the target number of shares subject to the program is 58,107 (of which 54,384 are subject to DSUs held by current executive officers). If the effective time occurs prior to the end of the performance period for the 2009 SBI Program, each outstanding Watson Wyatt DSU under the program will automatically vest at the effective time, and will be settled in shares of Towers Watson Class A common stock. The following Watson Wyatt executive officers currently have outstanding Watson Wyatt DSUs under the 2008 and 2009 SBI Program: Walter Bardenwerper, John Haley, Kevin Meehan, Roger Millay, Stephen Mele, Babloo Ramamurthy, Paul Platten and Gene Wickes.

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As a result, the following number of shares of Towers Watson Class A common stock, plus dividend equivalents that will have accrued prior to the effective time, will be paid to Watson Wyatt s executive officers in settlement of outstanding DSUs representing their vested fiscal year 2009 SBI Program awards at the effective time:

| Name | SBI Program | Number of DSUs Granted | Number of DSUs (Including Dividend Equivalents)* | Number of Shares of Towers Watson Class A Common Stock to be Issued at the Effective Time |
|---|---|---|---|---|
| John Haley | FY09 | 25,951 | 26,183 | 26,183 |
| | FY08 | 26,001 | 26,390 | 0 |
| Roger Millay | FY09 | 6,094 | 6,149 | 6,149 |
| | FY08 | 0 | 0 | 0 |
| Kevin Meehan | FY09 | 5,097 | 5,143 | 5,143 |
| | FY08 | 5,108 | 5,185 | 0 |
| Gene Wickes | FY09 | 5,097 | 5,143 | 5,143 |
| | FY08 | 5,108 | 5,185 | 0 |
| Babloo Ramamurthy | FY09 | 3,768 | 3,802 | 3,802 |
| | FY08 | 4,176 | 4,239 | 0 |
| Walter Bardenwerper | FY09 | 3,324 | 3,354 | 3,354 |
| | FY08 | 3,343 | 3,393 | 0 |
| Paul Platten | FY09 | 2,553 | 2,576 | 2,576 |
| | FY08 | 2,452 | 2,489 | 0 |
| Steve Mele | FY09 | 2,500 | 2,523 | 2,523 |
| | FY08 | 2,508 | 2,546 | 0 |
| **Total** | | **103,080** | **104,300** | **54,873** |

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* Number of FY09 Performance Shares Granted with Dividend Equivalents is calculated as of October 15, 2009. If Watson Wyatt pays additional dividends to its stockholders prior to the effective time, the number of accrued dividend equivalents payable in shares of Towers Watson Class A common stock in settlement of the DSUs set forth above shall be increased accordingly.

Certain Watson Wyatt executive officers will receive accelerated payouts at the effective time under the Senior Officers Deferred Compensation Plan (which we refer to as the SODCP , and which is described in the section entitled Compensation of Executive Officers After the Merger ). Under the terms of the SODCP, at the effective time, all accrued cash in a participant s account will be paid to the participant, and all accrued shares of Watson Wyatt common stock (including any dividend equivalents accrued as of the effective time) will be paid in the form of Towers Watson Class A common stock. Participants cash balances fluctuate based on the market value of the underlying deemed investments under the SODCP. The following executive officers have the following account balances under the SODCP as of October 31, 2009: (1) John Haley, $2,718,136 and 199,423 shares; (2) Kevin Meehan, 5,307 shares; and (3) Gene Wickes, 16,534 shares.

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As a result, the following number of shares of Towers Watson Class A common stock, plus dividend equivalents that will have accrued prior to the effective time, will be paid to Watson Wyatt s executive officers as payment of their respective account balances in the SODCP at the effective time:

| Name | Number of Shares in SODCP* | Number of Shares of Towers Watson Class A common stock to be Issued at the Effective Time |
|---|---|---|
| John Haley | 199,423 | 199,423 |
| Gene Wickes | 16,534 | 16,534 |
| Kevin Meehan | 5,307 | 5,307 |
| **Total** | **221,264** | **221,264** |

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* Number of Shares in SODCP includes dividend equivalents calculated as of October 15, 2009. The next dividend payment date is January 15, 2010. If Watson Wyatt pays additional dividends to its stockholders prior to the effective time, the number of accrued dividend equivalents payable in shares of Towers Watson Class A common stock in payment of an executive s account balance in the SODCP shall be increased accordingly.

Certain Watson Wyatt directors will receive accelerated payouts at the effective time under the Watson Wyatt Voluntary Deferred Compensation Plan for Non-Employee Directors (which we refer to as the Director Plan ). Watson Wyatt non-employee directors are generally paid in a combination of cash and shares of Watson Wyatt common stock at the end of each calendar quarter and these directors may elect to defer receipt of all or a portion of these amounts under the Director Plan. At closing, all accrued cash balances, including accrued interest, will be paid to the participants in the Director Plan and all accrued shares of Watson Wyatt common stock (including any dividend equivalents accrued by that time) will be paid in the form of Towers Watson Class A common stock. The following directors have the following account balances under the Director Plan as of October 31, 2009: (1) John J. Gabarro, $174,319, (2) R. Michael McCullough, $1,294,987 and 6,343 shares; (3) Brendan R. O Neill, 4,579 shares; (4) Linda D. Rabbitt, 4,579 shares; (5) Gilbert T. Ray, 1,312 shares; and (6) John C. Wright, $41,019 and 1,914 shares.

As a result, the following number of shares of Towers Watson Class A common stock, plus dividend equivalents that will have accrued prior to the effective time, will be paid to Watson Wyatt s non-employee directors as payment of their respective account balances in the Director Plan at the effective time:

| Name | Number of Shares in Director Plan* | Number of Shares of Towers Watson Class A common stock to be Issued at the Effective Time |
|---|---|---|
| John J. Gabarro | 0 | 0 |
| R. Michael McCullough | 6,332 | 6,332 |
| Brendan O Neill | 4,571 | 4,571 |
| Linda Rabbitt | 4,571 | 4,571 |
| Gilbert T. Ray | 1,310 | 1,310 |
| John C. Wright | 1,911 | 1,911 |
| **Total** | **18,695** | **18,695** |

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* Number of Shares in the Director Plan includes dividend equivalents calculated as of October 15, 2009. If Watson Wyatt pays additional dividends to its stockholders prior to the effective time, the number of accrued dividend equivalents payable in shares of Towers Watson Class A common stock in payment of a director s account balance in the Director Plan shall be increased accordingly.

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Certain Watson Wyatt executive officers have outstanding options to purchase Watson Wyatt Class A common stock, which were awarded under the Watson Wyatt 2000 Long-Term Incentive Plan. All of these options were granted on September 9, 2009, with an exercise price of $42.47 per share. These options will vest immediately upon completion of the merger, and will be exchanged at the effective time for vested options to purchase shares of Towers Watson Class A common stock on a one-for-one basis, with the same exercise price as the underlying Watson Wyatt options.

In the past, Watson Wyatt has issued performance-based awards to executive officers in respect of each fiscal year under its SBI Program. These awards have typically had a three-year performance period. Because the merger is expected to be completed during Watson Wyatt s fiscal year 2010, which would be the first year of the three-year performance period for performance-based awards issued in fiscal year 2010, it would be impossible for award recipients to satisfy the performance criteria associated with such awards before the merger is completed. As a result, the compensation committee of Watson Wyatt s board of directors determined to grant stock options as incentive compensation in lieu of granting awards under the SBI Program for fiscal year 2010. The options were granted to high-performing senior executives of Watson Wyatt who otherwise would have been selected by the compensation committee to receive SBI Program awards. Because the compensation committee anticipated that the merger would be completed roughly halfway through fiscal year 2010, the Black-Scholes value of options granted was approximately one-half of the target value of awards that would otherwise have been granted under the SBI Program for the full fiscal year 2010.

The following table shows the number of Watson Wyatt options currently held by Watson Wyatt executive officers, and the number of vested options to purchase shares of Towers Watson Class A common stock that each will hold following the effective date:

| Name | Number of Watson Wyatt Options | Number of Vested Towers Watson Stock Options following the Effective Time |
|---|---|---|
| Walter Bardenwerper | 7,114 | 7,114 |
| John Haley | 55,530 | 55,530 |
| Kevin Meehan | 10,908 | 10,908 |
| Stephen Mele | 5,351 | 5,351 |
| Roger Millay | 13,042 | 13,042 |
| Paul Platten | 5,464 | 5,464 |
| Chandrasekhar (Babloo) Ramamurthy | 9,365 | 9,365 |
| Gene Wickes | 10,908 | 10,908 |
| **Total** | **117,682** | **117,682** |

**Appraisal Rights**

***Watson Wyatt Stockholders***. Under the DGCL, Watson Wyatt stockholders are not entitled to appraisal rights in connection with the merger.

***Towers Perrin Shareholders****:* Under Section 1930 and Subchapter 15D of the PBCL, the Towers Perrin shareholders are entitled to dissent from approval of the merger agreement and demand payment of the fair value of their shares of Towers Perrin common stock in accordance with the procedures under Subchapter 15D.

*A summary of the rights of dissenting shareholders follows. This summary is qualified in its entirety by reference to the full text of Section 1930 and Subchapter 15D, which is provided as Annex E to this document, and which sets forth the applicable dissenters rights provisions under the PBCL. Any holder of shares of Towers Perrin common stock who desires to exercise dissenters rights should review carefully Subchapter 15D and is urged to consult a legal advisor before electing or attempting to exercise those dissenters rights.*

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Subject to the exceptions stated below, Towers Perrin shareholders who comply with the applicable procedures, which are summarized below, will be entitled to dissenters rights under Subchapter 15D.

Towers Perrin shareholders who follow the procedures of Subchapter 15D will be entitled to receive from Towers Perrin the fair value of their shares calculated as of immediately before the completion of the merger. Fair value takes into account all relevant factors but excludes any appreciation or depreciation in anticipation of the merger. Towers Perrin shareholders who elect to exercise their dissenters rights must comply with all of the procedures to preserve those rights under Subchapter 15D.

*Shares Eligible for Dissenters Rights*

Generally, if an owner of Towers Perrin common stock chooses to assert dissenters rights, the owner must dissent as to all of the shares of Towers Perrin common stock he or she owns. The PBCL distinguishes between record holders and beneficial owners. A holder may assert dissenters rights as to fewer than all the shares of Towers Perrin common stock registered in his or her name only if he or she is not the beneficial owner of the shares of Towers Perrin common stock with respect to which he or she does not exercise dissenters rights.

*Record Holder Who is Not the Beneficial Owner*

A record holder may assert dissenters rights on behalf of the beneficial owner. If a holder is a record owner and wishes to exercise dissenters rights on behalf of the beneficial owner, the holder must disclose the name and address of the person or persons on whose behalf he or she dissents. In that event, the holder s rights will be determined as if the dissenting shares and the other shares were registered in the names of the beneficial owners.

*Beneficial Owner Who is Not the Record Holder*

A beneficial owner of shares of Towers Perrin common stock who is not also the record holder may assert dissenters rights. A person who is a beneficial owner but who is not the record holder who wishes to assert his or her dissenters rights must submit a written consent of the record holder to the Secretary of Towers Perrin prior to the vote on the proposal to approve and adopt the merger agreement. A person may not dissent with respect to some but less than all shares of Towers Perrin common stock he or she owns. A shareholder s vote on the proposal to amend Towers Perrin s bylaws will have no effect on the holder s ability to provide a notice of intention to dissent.

*Dissenters Rights Procedures for Towers Perrin Shareholders*

Notice of Intention to Dissent. If a person wishes to exercise dissenters rights, with respect to shares of Towers Perrin common stock, he or she must follow the procedures set forth in Annex E. He or she must file a written notice of intention to demand the fair value of his or her shares of Towers Perrin common stock with the Secretary of Towers Perrin prior to the vote on the proposal to approve and adopt the merger agreement. He or she must not make any change in his or her beneficial ownership of shares of Towers Perrin common stock from the date he or she files the notice until the effective time. And he or she must refrain from voting his or her shares **FOR** the merger agreement proposal.

Notice to Dissenters. If the Towers Perrin shareholders approve the merger, Towers Perrin will mail a notice to all dissenting common stock holders who filed a notice of intention to dissent prior to the vote on the merger. Towers Perrin expects to mail the notice promptly after the merger. The notice will state where and when a shareholder s demand for payment must be sent. The notice will also supply a form for demanding payment which includes a request for certification of the date on which the holder, or the person on whose behalf the holder dissents, acquired beneficial ownership of the shares of Towers Perrin common stock. The demand form will be accompanied by a copy of Subchapter 15D. The board of directors of Towers Perrin intends to require that shares of Towers Perrin common stock will not be transferable after Towers Perrin receives a demand for payment of their fair value under Subchapter 15D.

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If a person asserts his or her dissenters rights, he or she must ensure that Towers Perrin receives his or her demand form on or before the demand deadline. All mailings to Towers Perrin are at the dissenters risk. Accordingly, Towers Perrin recommends that a notice of intention to dissent and demand form be sent by certified mail, by overnight courier or by hand delivery.

If a person fails to file a notice of intention to dissent or fails to complete and return the demand form, each within the specified time periods, that person will lose his or her dissenters rights under Subchapter 15D. A holder or owner of Towers Perrin common stock will retain all rights of a common stock holder, or beneficial owner, until those rights are modified by completion of the merger.

Payment of Fair Value by Towers Perrin. Upon timely receipt of the completed demand form, the PBCL requires Towers Perrin to either remit to dissenters who complied with the procedures the amount Towers Perrin estimates to be the fair value for the dissenters shares of Towers Perrin common stock or give written notice that no such remittance will be made. Towers Perrin will determine whether to make such a remittance or to defer payment for shares until completion of the necessary appraisal proceedings. Towers Perrin may consider the number of shares, if any, with respect to which holders of Towers Perrin common stock dissented and any objections that may be raised with respect to the standing of a dissenting holder of Towers Perrin common stock.

The remittance or notice will be accompanied by: (1) the closing balance sheet and statement of income of Towers Perrin for the fiscal year ended 2008 and the latest available interim financial statements; (2) a statement of Towers Perrin s estimate of the fair value of the shares of Towers Perrin common stock; and (3) notice of the right of the dissenter to demand payment or supplemental payment, as the case may be, accompanied by a copy of Subchapter 15D.

Release of Transfer Restrictions. If Towers Perrin does not remit the amount of its estimate of the fair value of the shares, it will release the shares of a dissenter from the restriction on transfer imposed as a result of the dissenter s demand for payment. The shares will remain subject, however, to the restrictions on transfer in Towers Perrin s bylaws (to the extent such restrictions remain in place).

Dissenting Shareholder s Estimate of Fair Value. If Towers Perrin gives notice of its estimate of the fair value of the shares of Towers Perrin common stock, without remitting this amount, or remits payment of its estimate of the fair value of the shares of Towers Perrin common stock, and the dissenter believes that the amount remitted or stated is less than the fair value of such shares, the dissenter may send to Towers Perrin his or her own estimate of the fair value of the shares. Such estimate shall be deemed a demand for payment of the amount of the deficiency. If the dissenter does not file his or her estimate within 30 days after the mailing by Towers Perrin of its remittance or notice, the dissenter will only be entitled to the amount stated in the notice or remitted to him or her by Towers Perrin.

Resort to Court for Relief. If, after the later of 60 days after the completion of the merger or after the timely receipt of any holder s estimate, demands remain unpaid, Towers Perrin may file an application for relief, requesting the court determine the fair value of the shares. There is no assurance that Towers Perrin will file this application. In the court proceeding, all dissenters, wherever residing, whose demands have not been settled will be made parties to the proceeding. The court may appoint an appraiser to receive evidence and recommend a decision on the issue of fair value. Each dissenter made a party will be entitled to recover an amount equal to the fair value of the dissenter s shares, plus interest, or if Towers Perrin previously remitted any amount to the dissenter, any amount by which the fair value of the dissenter s shares is found to exceed the amount previously remitted, plus interest.

If Towers Perrin fails to file an application for relief, any dissenter who made a demand and who has not already settled his or her claim against Towers Perrin may file an application for relief in the name of Towers Perrin any time within 30 days after the expiration of the 60-day period described above in which Towers Perrin could have done so. If a dissenter does not file an application within the 30-day period, each dissenter entitled to file an application shall be paid Towers Perrin s estimate of the fair value of the shares and no more, and may bring an action to recover any amount not previously remitted.

*Costs and Expenses of Court Proceedings*

The costs and expenses of the court proceedings, including the reasonable compensation and expenses of the appraiser appointed by the court, will be determined by the court and assessed against Towers Perrin. The court may, however, apportion and assess any part of the costs and expenses of court proceedings as it deems appropriate against all or some of the dissenters who are parties and whose action in demanding supplemental payment the court finds to be in bad faith. If Towers Perrin fails to comply substantially with the requirements of Subchapter 15D, the court may levy fees and expenses of counsel and of experts for the parties as it deems appropriate against Towers Perrin and in favor of any or all dissenters. The court may levy fees and expenses of counsel and experts against either Towers Perrin or a dissenter, if the court finds that a party acted in bad faith. If the court finds that the services of counsel for any dissenter substantially benefited other dissenters similarly situated and should not be assessed against Towers Perrin, it may award counsel reasonable fees to be paid out of the amounts awarded to the dissenters who benefited.

*No Right to an Injunction*

Under the PBCL, a Towers Perrin shareholder has no right to obtain, in the absence of fraud or fundamental unfairness, an injunction against the transaction proposal, nor any right to valuation and payment of the fair value of the holder s shares because of the merger, except to the extent provided by the dissenters rights provisions of Subchapter 15D. The PBCL also provides that, absent fraud or fundamental unfairness, the rights and remedies provided by Subchapter 15D are exclusive.

**Regulatory Requirements**

***Antitrust Clearance in the United States.*** Under the HSR Act, the merger may not be consummated unless certain filings have been submitted to the FTC and the Antitrust Division, and applicable waiting period requirements have been satisfied. On August 6, 2009, the parties request for early termination of the waiting period under the HSR Act was granted. Notwithstanding termination of the waiting period under the HSR Act, the FTC or the Antitrust Division could take any action under the antitrust laws as it deems necessary in the public interest. In addition, certain private parties, as well as state attorneys general and other antitrust authorities, could challenge the transaction under antitrust laws in certain circumstances.

For further information, see The Merger Agreement Covenants and Other Agreements Reasonable Best Efforts .

***Competition Clearance Outside of the United States.*** Competition and regulatory notifications to, and approvals in, certain jurisdictions outside of the United States are also required in connection with the merger. The obligation of each party to effect the merger is subject to the merger being approved by the European Commission pursuant to the EC Merger Regulation. The parties have filed a submission with the European Commission, which is pending approval.

**Accounting Treatment**

The merger will be accounted for using the acquisition method of accounting in accordance with accounting principles generally accepted in the United States pursuant to Statement of Financial Accounting Standards No. 141(R), Business Combinations. Although the business combination of Towers Perrin and Watson

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Wyatt is a merger of equals , generally accepted accounting principles require that one of the two companies in the merger be designated as the acquirer for accounting purposes based on the evidence available. Watson Wyatt will be treated as the acquiring entity for accounting purposes. Accordingly, the historical financial statements of Watson Wyatt will become the historical financial statements of the Holding Company.

**Voting Agreements**

Concurrently with the execution of the merger agreement and as a condition and inducement to each party s willingness to enter into the merger agreement, (1) each of the executive officers and directors of Towers Perrin entered into an agreement in substantially the form attached as Annex B-1 to this document, pursuant to which each such person has agreed, among other things, to vote the shares of Towers Perrin common stock held by such person in favor of the proposal to approve and adopt the merger agreement, and (2) certain executive officers and all directors of Watson Wyatt entered into an agreement in substantially the form attached as Annex B-2 to this document, pursuant to which each such person has agreed, among other things, to vote the shares of Watson Wyatt Class A common stock held by such person in favor of the proposal to approve and adopt merger agreement.

**Stock Exchange Listing and Stock Prices**

Towers Perrin s common stock is not publicly traded. Watson Wyatt s Class A common stock is currently listed on the NYSE and NASDAQ under the symbol WW . Following completion of the merger, shares of common stock of Watson Wyatt will no longer be listed or traded on either the NYSE or NASDAQ. Shares of Towers Watson Class A common stock will be listed on the NYSE and NASDAQ under the symbol TW , subject to the approval of the respective exchanges. Towers Perrin and Watson Wyatt will use reasonable best efforts to prepare and submit to each of the NYSE and NASDAQ a listing application covering the shares of Towers Watson Class A common stock issuable in the merger; however only the listing of Towers Watson Class A common stock on the NYSE is a condition to the consummation of the merger.

**Senior Credit Facility**

On October 5, 2009, Watson Wyatt and Towers Perrin entered into the Commitment Letter with Bank of America, BofA Merrill Lynch, PNC and PNC Capital Markets, LLC relating to the Senior Credit Facility to be made available to Towers Watson, as borrower, upon completion of the merger.

The commitment letter provides that proceeds from the Senior Credit Facility would be available for use by Towers Watson to, among other things, (1) refinance and retire existing indebtedness of Watson Wyatt and Towers Perrin under their existing credit facilities, (2) finance costs and expenses of the merger, the Senior Credit Facility and related transactions, (3) finance payments of cash merger consideration to certain Towers Perrin shareholders in the merger and repayment of up to $200 million in Towers Watson Notes; (4) finance acquisitions permitted by the terms and conditions of the definitive loan documentation; and (5) finance ongoing working capital and other general corporate purposes of Towers Watson and its subsidiaries after consummation of the merger.

Bank of America and PNC have each provided commitments of up to $75 million under the Senior Credit Facility. These commitments are subject to a variety of customary closing conditions, including entry into definitive documentation for the Senior Credit Facility no later than February 26, 2010, and commitments from additional lenders of at least $200 million to the Senior Credit Facility. The commitment letter provides that the Senior Credit Facility will have a term of three years, and will be made available subject to the satisfaction of certain conditions precedent that are customary for financings of this kind, including completion of the Merger no later than April 30, 2010.

Based on the commitment letter, we expect Towers Watson will be able to select among different interest rate formulae and interest periods. We expect the interest rate will vary depending on Towers Watson s leverage ratio at the time of the applicable drawdown. The terms of the definitive documentation for the Senior Credit Facility have not yet been negotiated, and could differ from this summary.

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## THE MERGER AGREEMENT

*The following is a summary of the material provisions of the merger agreement. This summary is qualified in its entirety by reference to the merger agreement, a copy of which is attached as Annex A to this document and is incorporated into this document by reference. You should read the merger agreement in its entirety, as it is the legal document governing the merger.*

*The merger agreement and this summary of its terms have been included with this document to provide you with information regarding the terms of the merger agreement and are not intended to modify or supplement any factual disclosures about Watson Wyatt or Towers Perrin contained in this proxy statement/prospectus or in Watson Wyatt s public reports filed with the SEC. In your review of the representations and warranties contained in the merger agreement and described in this summary, it is important to bear in mind that the representations and warranties have been negotiated with the principal purpose of establishing the circumstances in which a party to the merger agreement may have the right not to close the merger if the representations and warranties of the other party prove to be untrue due to a change in circumstance or otherwise, and allocates risk between the parties to the merger agreement, rather than establishing matters as facts. The representations and warranties may also be subject to a contractual standard of materiality different from those generally applicable to stockholders and in some cases have been qualified by disclosures that were made by each party to the other, which disclosures are not reflected in the merger agreement.*

### Structure of the Merger

To combine the business of Towers Perrin and Watson Wyatt, the parties formed the Holding Company, which is jointly owned by Towers Perrin and Watson Wyatt. The Holding Company formed two new, wholly owned subsidiaries, Towers Perrin Merger Corp. and Watson Wyatt Merger Corp. At the effective time:

- Towers Perrin Merger Corp. will merge with and into Towers Perrin, and Towers Perrin will be the surviving corporation.
- Watson Wyatt Merger Corp. will merge with and into Watson Wyatt, and Watson Wyatt will be the surviving corporation.

The Holding Company will then change its name to Towers Watson & Co. As a result of the Towers Perrin merger and the Watson Wyatt merger, Towers Perrin and Watson Wyatt will each become a wholly owned subsidiary of Towers Watson, and the current security holders of Towers Perrin and Watson Wyatt will become stockholders of Towers Watson.

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The following diagram illustrates the structure of the merger:

**The Merger**

**Immediately Following the Effective Time**

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### The Closing and Effective Time of the Merger

The closing of the merger will take place as soon as practicable but in no event later than the second business day following the satisfaction or waiver of each of the conditions to closing (other than conditions that will be satisfied at the closing of the merger), unless the parties agree to close at another time.

As soon as practicable following the closing of the merger, the Holding Company will file an amended and restated certificate of incorporation with the Secretary of State of Delaware, which will become effective at the time agreed to by Towers Perrin and Watson Wyatt (which time will not be later than the second business day after the closing date).

Concurrently with filing the Holding Company s amended and restated certificate of incorporation, Towers Perrin Merger Corp. and Towers Perrin will execute and file articles of merger providing for the Towers Perrin merger with the Department of State of the Commonwealth of Pennsylvania, and Watson Wyatt will execute and file a certificate of merger providing for the Watson Wyatt merger with the Secretary of State of Delaware. Towers Perrin s articles of merger and Watson Wyatt s certificate of merger will specify that the Towers Perrin merger and the Watson Wyatt merger, respectively, will be effective at the time agreed to by Towers Perrin and Watson Wyatt, which time will not be later than the second business day after the merger s closing date but will be at least one minute after the Holding Company s amended and restated certificate of incorporation becomes effective.

We currently anticipate that the special meetings will take place in the fourth quarter of calendar 2009 and that closing will occur as soon as possible after the special meetings. However, completion of the merger could be delayed if there is a delay in obtaining the required regulatory approvals or in satisfying any other conditions to the merger. We cannot assure you whether, or when, Towers Perrin and Watson Wyatt will obtain the required approvals or complete the merger. If the merger is not completed by the Outside Date (as defined below), either Towers Perrin or Watson Wyatt may terminate the merger agreement as long as the failure to complete the merger is not due to the terminating party s failure to comply with the merger agreement.

### Conversion of Stock, Stock Options and Other Awards

***Towers Perrin Security Holders***

The merger agreement provides that each:

- Share of Towers Perrin common stock (other than shares that will be converted into shares of Towers Watson Class R common stock or Towers Watson Class S common stock as detailed below) that is issued and outstanding immediately prior to the effective time will be converted into the right to receive a number of fully paid and nonassessable shares of Towers Watson Class B common stock (in various subclasses as detailed below); and
- Towers Perrin RSU that is issued and outstanding immediately prior to the effective time will be converted into the right to receive a number of fully paid and nonassessable shares of Towers Watson restricted Class A common stock (unless otherwise provided in a holder s Towers Perrin RSU award agreement).

The number of shares to be received by the Towers Perrin security holders (including shares of Towers Watson Class R common stock and Towers Watson Class S common stock) will be determined at the merger s closing based on the Towers Perrin final exchange ratio (as defined below). The Towers Perrin final exchange ratio will be calculated so that Towers Perrin security holders will receive, in the aggregate, a number of shares equal to 50% of Towers Watson s voting common stock then outstanding. To ensure that immediately after the effective time 50% of Towers Watson s voting common stock then outstanding is received by Towers Perrin security holders, on the one hand, and Watson Wyatt security holders, on the other hand, (1) the Towers Perrin final exchange ratio is fixed and does not fluctuate based on the relative value of Towers Perrin and Watson Wyatt, but instead is based on the number of Towers Perrin and Watson Wyatt shares outstanding on a fully diluted basis immediately before the effective time and (2) the Watson Wyatt final exchange ratio is fixed at one

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share of Towers Watson Class A common stock for each share of Watson Wyatt Class A common stock, and does not fluctuate based on the relative values of Towers Perrin and Watson Wyatt.

The shares of Towers Watson Class B common stock received by Towers Perrin shareholders (other than shareholders who make a valid Class R or Class S election for some or all of their shares) will be issued as follows:

- 25% will be shares of Towers Watson Class B-1 common stock;
- 25% will be shares of Towers Watson Class B-2 common stock;
- 25% will be shares of Towers Watson Class B-3 common stock; and
- 25% will be shares of Towers Watson Class B-4 common stock.

The number of shares of Towers Watson restricted Class A common stock to be issued to all holders of Towers Perrin RSUs (including Guaranteed RSU Holders) is based, in part, on the Towers Perrin final exchange ratio. In doing so, the Towers Power final exchange ratio ensures that the number of shares of Towers Watson common stock received by (1) Towers Perrin shareholders equals exactly 90% of the total shares of Towers Watson common stock received by Towers Perrin security holders in the merger and (2) holders of Towers Perrin RSUs equals exactly 10% of the total shares of Towers Watson common stock received by Towers Perrin security holders in the merger. Once this 10% pool of shares of Towers Watson common stock has been allocated to be received by the holders of Towers Perrin RSUs, the number of shares of Towers Watson restricted Class A common stock to be issued to all holders of Towers Perrin RSUs will be determined as follows:

- First, on or after the second trading day prior to closing, and prior to the effective time, Towers Perrin will issue, to each holder of a Guaranteed Towers Perrin Award who is then employed by Towers Perrin or any of its subsidiaries, a number of Towers Perrin RSUs equal to (1) the guaranteed dollar amount set forth in the award letter for such holder s Guaranteed Towers Perrin Award, divided by (2) the product of (x) the final Watson Wyatt stock price multiplied by (y) the Towers Perrin final exchange ratio. Towers Perrin RSUs granted to these Towers Perrin employees will be converted in the merger into shares of Towers Watson restricted Class A common stock that have an aggregate value equal to a specified dollar amount. Guaranteed Towers Perrin Awards are awards of additional compensation payable in the form of restricted stock with a minimum value in the event of a change of control transaction involving Towers Perrin. These awards are held by a small number of employees of Towers Perrin and its subsidiaries (the Guaranteed RSU Holders ) and were determined on an individual basis (based on the recipient s seniority and contributions made and expected to be made to the firm as determined by Towers Perrin s senior management, and were not negotiated) as a means by which to retain the services of such employee. As of the date of this document, the aggregate amount to be received by these employees in exchange for their Towers Perrin RSUs is $6.55 million. We do not expect this aggregate amount to increase between now and the effective time.
- Second, each Towers Perrin RSU that is issued and outstanding immediately prior to the effective time that is not held by a Guaranteed RSU Holder will be converted into fully paid and nonassessable shares of Towers Watson restricted Class A common stock based in part on the Towers Perrin final exchange ratio as noted above; provided, however, that the number of shares of Towers Watson restricted Class A common stock to be issued to each holder of Towers Perrin RSUs will be increased or decreased pro rata based on the number of Towers Perrin RSUs that he or she holds as necessary to ensure that the aggregate number of shares of Towers Perrin RSUs (including the shares received by Guaranteed RSU Holders) equals 10% of the aggregate number of shares of Towers Watson common stock to be issued to Towers Perrin security holders in the merger.

Shares of Towers Perrin common stock held by shareholders who demand appraisal rights will not be converted into Towers Watson common stock as detailed above.

The definitions of some of the terms used above are:

*Towers Perrin final exchange ratio* means the result (rounded to nine decimal places) obtained by calculating the following number:

$$\frac{\text{Total \# of fully diluted Watson Wyatt shares immediately prior to the effective time}}{\text{Total number of fully diluted Towers Perrin shares (not including Towers Perrin RSUs) immediately prior to the effective time)/0.90}}$$

In the denominator, the reason for dividing the number of fully diluted Towers Perrin shares by 0.90 is to ensure that the number of shares of Towers Watson common stock received by (1) Towers Perrin shareholders equals exactly 90% of the total shares of Towers Watson common stock received by Towers Perrin security holders in the merger and (2) holders of Towers Perrin RSUs equals exactly 10% of the total shares of Towers Watson common stock received by Towers Perrin security holders in the merger.

*Fully diluted Watson Wyatt shares* , as defined in the merger agreement, means at any time of determination:

- Ø The total number of shares of Watson Wyatt Class A common stock outstanding, plus
- Ø The total number of shares of Watson Wyatt Class A common stock issuable pursuant to then-outstanding securities (other than Watson Wyatt options) issued by Watson Wyatt that are convertible or exercisable for shares of Watson Wyatt Class A common stock (including, without limitation, the number of shares of Watson Wyatt Class A common stock that will become issuable immediately following the effective time pursuant to outstanding Watson Wyatt DSUs), but not including any shares issuable upon exercise of any stock options, deferred stock units or similar rights that will, by their terms, be terminated or cancelled at or prior to the effective time without requiring the issuance of any securities in respect thereof, plus 36,562.

The 36,562 shares noted above in the calculation of the number of fully-diluted Watson Wyatt shares is added in order to reflect the 125,648 outstanding Watson Wyatt options, which number of options was equivalent in value to 36,562 shares, based on a Black-Scholes calculation (in which the parties used an assumed weighted average term of 54 months, an annual standard deviation of 32.5%, a discount rate of 2.5% and a dividend yield of 0.68%). Although the total number of Watson Wyatt options currently outstanding is 125,648, the parties agreed to account for a smaller number in calculating the Towers Perrin final exchange ratio because stock options will not result in the issuance of shares of Towers Watson stock at the effective time, but will instead be converted into options to purchase Towers Watson Class A common stock. All outstanding Watson Wyatt options have an exercise price of $42.47 per share and expire in September 2016. As noted in the section entitled Towers Perrin Proposal No. 1 and Watson Wyatt Proposal No. 1: The Merger Agreement Interests of Watson Wyatt s Directors, Executive Officers and Principal Stockholders in the Merger Other Interests , these options were granted in lieu of awards under the SBI Program in light of the anticipated timing of the pending merger. Under the merger agreement, the methodology for calculating the Towers Perrin final exchange ratio is based on the underlying principle that an equal number of shares of Towers Watson voting common stock should be issued to Towers Perrin security holders and Watson Wyatt security holders. As noted elsewhere, Watson Wyatt options will fully vest and be converted at the effective time into options to purchase Towers Watson Class A common stock. Because it is impossible to predict how many of these options will ultimately be exercised and result in the issuance of Towers Watson shares, the parties agreed to assume that 36,562 Towers Watson shares would ultimately be issued upon exercise of these 125,648 options. Although the number of shares issued pursuant to the exercise of these options may be higher or lower, the parties decided this was a reasonable amount because it represented the number of Watson Wyatt shares that would have been granted under the SBI Program for the first half of fiscal year 2010, and the Watson Wyatt option grants were designed to provide incentive compensation to Watson

Wyatt executives with an equivalent value (based on a Black-Scholes calculation) to this number of shares.

*Fully diluted Towers Perrin shares* means at any time of determination:

- Ø The total number of shares of Towers Perrin common stock then outstanding, plus
- Ø The total number of Towers Perrin RSUs then outstanding, plus
- Ø The total number of shares of Towers Perrin common stock issuable pursuant to then-outstanding securities issued by Towers Perrin that are convertible or exercisable for shares of Towers Perrin common stock, but not including any shares issuable upon exercise of any Towers Perrin warrants, any fast mover awards (as defined in the merger agreement) stock options or similar rights that will, by their terms, be terminated or cancelled or expire at or prior to the effective time without requiring the issuance of any securities in respect thereof.

Finally, each holder of a share of Towers Perrin common stock that is converted in the merger, including shares that will be converted into shares of Towers Watson Class R common stock or Towers Watson Class S common stock, shall also receive shares of Towers Watson Class F stock equal to the product of (1) 100,000 and (2) a fraction, the numerator of which is the total number of such holder s shares of Towers Perrin common stock and the denominator of which is the total number of shares of Towers Perrin common stock. As described more fully in Description of Towers Watson s Common Stock and below in The Merger Agreement Vesting, Forfeiture, Transfer and Reallocation Provisions Vesting, Forfeiture, Transfer and Reallocation Provisions Applicable to Towers Watson restricted Class A common stock , the Towers Watson Class F stock 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 shares of Towers Watson Class F stock, promptly following the third anniversary of the effective time, a number of shares of Towers Watson Class A common stock equal to their pro rata portion of the forfeited Towers Watson restricted Class A common stock together with a number of additional shares of Towers Watson Class A common stock with a value equal to all dividends, without interest, paid with respect to the forfeited shares, as described more fully in The Merger Agreement Vesting, Forfeiture, Transfer and Reallocation Provisions Vesting, Forfeiture, Transfer and Reallocation Provisions Applicable to Towers Watson restricted Class A common stock.

***Watson Wyatt Security Holders and Holders of Watson Wyatt Options***

The merger agreement provides that each:

Share of Watson Wyatt Class A common stock that is issued and outstanding immediately prior to the effective time will be converted into the right to receive one fully paid and nonassessable share of Towers Watson Class A common stock; and

Watson Wyatt DSU that is issued and outstanding immediately prior to the effective time whose performance conditions (if any) have been satisfied or deemed satisfied by the compensation committee of Watson Wyatt s board of directors will be settled with one share of Towers Watson Class A common stock. Any issued and outstanding Watson Wyatt DSUs whose performance criteria have not been satisfied or deemed satisfied will be canceled and will not be exchanged for Towers Watson Class A common stock.

Watson Wyatt option will vest immediately and will be exchanged for a vested option to purchase shares of Towers Watson Class A common stock on a one-for-one basis, on the same terms and at the same exercise price as the Watson Wyatt option.

Watson Wyatt s security holders will receive, in the aggregate, a number of shares equal to 50% of Towers Watson s voting common stock then outstanding.

***Type of Consideration to be Received***: The diagram below reflects the consideration to be received by the Towers Perrin and Watson Wyatt security holders in the merger. The diagrams below are based on assumptions regarding the number of shareholders who make valid Class R elections and the number of shares

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they designate to be exchanged in the merger for Towers Watson Class R common stock; actual results will vary depending on the overall number of shares of Towers Perrin common stock designated for conversion to shares of Towers Watson Class R common stock. The diagram below assumes that no Class S election is made available, the closing occurs on October 30, 2009 and also makes the following additional assumptions:

- The number of fully diluted Watson Wyatt shares equals 42,600,632 shares (this term is defined in the The Merger Agreement Conversion of Stock, Stock Options and Other Awards ).
- The total number of outstanding shares of Towers Perrin common stock for purposes of calculating the Towers Perrin final exchange ratio is 70,209.60 shares, which does not include any Towers Perrin RSUs or any shares issuable upon conversion of any Towers Perrin RSUs (as explained more fully in the The Merger Agreement Conversion of Stock, Stock Options and Other Awards ).
- The Towers Perrin final exchange ratio equals 546.087270117 (which was calculated by dividing the fully diluted Watson Wyatt shares by the quotient of (a) the total outstanding shares of Towers Perrin common stock as of the relevant date, divided by (b) 0.9).
- Class R Eligible Participants, who collectively own approximately 55.8% of the 70,209.60 total shares of Towers Perrin common stock outstanding, make valid Class R elections with respect to 30% of the 70,209.60 total shares outstanding, or 21,062.88 shares.
- Every Class R Eligible Participant who makes a valid Class R election elects to designate 100% of his or her shares of Towers Perrin common stock as shares to be converted into Towers Watson Class R common stock.
- The total amount of cash and Towers Watson Notes available to repurchase shares from the Class R Eligible Participants equals $400,000,000 (which amount may be decreased if the Class R election is undersubscribed).
- The final Watson Wyatt stock price equals $44.78.
- The number of Towers Perrin RSUs outstanding immediately prior to the effective time is equal to 10% of the sum of such number of Towers Perrin RSUs plus the total shares of Towers Perrin common stock outstanding immediately prior to the effective time.
- The percentages of Towers Watson common stock outstanding are calculated prior to the redemption of the Towers Watson Class R common stock for cash and Towers Watson Notes (and the issuance of additional Towers Watson Class B-1 common stock because the Class R election is oversubscribed).

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* In addition to the following consideration, Towers Perrin shareholders (including those making a valid Class R or Class S election) will receive shares of Towers Watson Class F stock which will solely entitle these shareholders to receive, upon the automatic exchange of Class F shares after the third anniversary of the effective time, a number of shares of Towers Watson Class A common stock equal to their pro rata portion of the Towers Watson restricted Class A common stock (together with a number of additional Class A shares with a value equal to all dividends, without interest, paid with respect to the forfeited shares) forfeited, if any, by holders of Towers Perrin RSUs, as described in The Merger Agreement Vesting, Forfeiture, Transfer and Reallocation Provisions Vesting, Forfeiture, Transfer and Reallocation Provisions Applicable to Towers Watson restricted Class A common stock .

** See The Merger Agreement Conversion of Stock, Stock Options and Other Awards for a description of Guaranteed RSU Holders.

***Certain Watson Wyatt Equity Incentive Plans***. Prior to the effective time, the Holding Company board of directors and the Watson Wyatt board of directors will take all actions necessary to provide that, effective immediately following the closing of the merger, Towers Watson will assume various Watson Wyatt equity incentive and deferred compensation plans, including Watson Wyatt s 2001 Employee Stock Purchase Plan, as amended, or the ESPP . As assumed by Towers Watson, the ESPP will provide certain employees of Towers Watson with additional incentives by permitting them to acquire a proprietary interest in the company through the purchase of shares of Towers Watson common stock. The ESPP will enable eligible Towers Watson employees to purchase shares of Towers Watson common stock at a 5% discount and such Towers Watson common stock will be purchased monthly under the plan. Towers Watson will reserve a number of shares of Class A common stock for issuance under the ESPP equal to 6.75 million minus the number of shares issued under the ESPP by Watson Wyatt prior to the merger. As of October 29, 2009, 2,031,323 shares had been issued under the ESPP. In addition to assuming the ESPP, Towers Watson will also assume the following Watson Wyatt equity incentive and deferred compensation plans: (1) the Watson Wyatt Share Incentive Plan 2005, including the Trust Deed and Rules thereof, and the Watson Wyatt Ireland Share Participation Scheme, including the Trust Deed and Rules thereof, each as amended through the date of the merger agreement, (2) the Watson Wyatt Senior

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Officers Deferred Compensation Plan, Amended and Restated effective July 1, 2008 and (3) the Watson Wyatt Amended Voluntary Deferred Compensation Plan for Non-Employee Directors (we refer to these plans as the Purchase Plans ).

***Treasury Stock***. As of the effective time, all Towers Perrin treasury shares and all Watson Wyatt treasury shares will automatically be canceled and retired and will cease to exist, and no merger consideration will be delivered in exchange for such shares.

**Vesting, Forfeiture, Transfer and Reallocation Provisions**

***Transfer Restrictions Applicable to Towers Watson Class A common stock***

Towers Watson Class A common stock issued to Watson Wyatt security holders in the merger will not be subject to transfer restrictions immediately following the merger, except that shares of Towers Watson Class A common stock issued to Watson Wyatt stockholders who are or become affiliates of Towers Watson (*e.g.*, directors, officers or 5% or greater stockholders) will be subject to restrictions on transfer imposed by the U.S. federal securities laws.

***Vesting and Transfer Provisions Applicable to Towers Watson Class B common stock and Towers Watson Notes***

Shares of Towers Perrin common stock (other than those shares held by Class R Participants) will convert into shares of Towers Watson Class B common stock, which shares in turn will convert into shares of Towers Watson Class A common stock:

- 25% will be shares of Towers Watson Class B-1 common stock, which automatically convert into shares of Towers Watson Class A common stock on the first anniversary of the effective time;
- 25% will be shares of Towers Watson Class B-2 common stock, which automatically convert into shares of Towers Watson Class A common stock on the second anniversary of the effective time;
- 25% will be shares of Towers Watson Class B-3 common stock, which automatically convert into shares of Towers Watson Class A common stock on the third anniversary of the effective time; and
- 25% will be shares of Towers Watson Class B-4 common stock, which automatically convert into shares of Towers Watson Class A common stock on the fourth anniversary of the effective time.

Towers Watson s certificate of incorporation and the Towers Watson Notes Indenture will contain provisions restricting the transfer of Towers Watson Class B common stock and Towers Watson Notes, respectively.

For example, holders of shares of Towers Watson Class B common stock or Towers Watson Notes cannot transfer such securities except to Towers Watson or to permitted family members (or trusts for their benefit), provided that the transferor gives Towers Watson at least five business days prior written notice (for transfers of shares of Towers Watson Class B common stock) or prior written notice in compliance with the Towers Watson Notes Indenture (for transfer of Towers Watson Notes). In addition, upon the holder s death, all shares of Towers Watson Class B common stock will automatically be transferred to Towers Watson in exchange for an equal number of unrestricted and freely transferable shares of Towers Watson Class A common stock, and Towers Watson Notes may be transferred to the holder s executors, administrators, testamentary trustees, legatees and beneficiaries upon the holder s death.

The shares of Towers Watson Class B common stock will also automatically convert into unrestricted and freely transferable shares of Towers Watson Class A common stock upon consummation of any change of control including (1) a merger of Towers Watson in which the Towers Watson s holders of record do not immediately after such merger hold a majority of the voting power of the surviving corporation, (2) any transaction in which 50% or more of Towers Watson s voting power is transferred, (3) a sale of all or substantially all of the assets of Towers Watson or (4) immediately after any change in the composition of the Towers Watson board of directors that results in persons other than continuing directors (as defined in Towers Watson s certificate of incorporation) comprising a majority of the board.

If the employment of a Towers Perrin employee who did not make a valid Class R election is terminated without cause (as defined below) on or before the second anniversary of the effective time, then upon such termination:

Each share of Towers Watson Class B-1 common stock then held by the employee will automatically be transferred to Towers Watson in exchange for one unrestricted and freely transferable share of Towers Watson Class A common stock (except for restrictions on transfer imposed by the U.S. federal securities laws);
Each share of Towers Watson Class B-2 common stock then held will automatically be transferred to Towers Watson in exchange for one share of Towers Watson Class B-1 common stock;
Each share of Towers Watson Class B-3 common stock then held will automatically be transferred to Towers Watson in exchange for one share of Towers Watson Class B-2 common stock; and
Each share of Towers Watson Class B-4 common stock then held will automatically be transferred to Towers Watson in exchange for one share of Towers Watson Class B-3 common stock;

provided, that the foregoing will not apply to the voluntary termination by, or a termination for cause of, such employee.

The term cause as used above generally means any of the following: (1) commission of theft, embezzlement, or any other act of dishonesty relating to the employee s employment; (2) 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; (3) negligence or willful misconduct in the performance of duties; (4) breach of a written policy of Towers Watson or any subsidiary; or (5) failure to perform his or her job functions satisfactorily.

Finally, if certain shareholders would be subject to tax as a result of the conversion of their Towers Perrin common stock in the merger, then Towers Perrin may elect (subject to Watson Wyatt s consent not to be unreasonably withheld) to cause a portion of the Towers Perrin merger consideration to be issued to such holders as follows: (1) paid in the form of freely tradable shares of Towers Watson Class A common stock or (2) converted into freely tradable shares of Towers Watson Class A common stock, in either case, in an amount determined to be reasonably necessary to provide liquidity to such holders to pay some or all of the taxes expected to be incurred as a result of such conversion.

***Vesting, Forfeiture, Transfer and Reallocation Provisions Applicable to Towers Watson restricted Class A common stock***

The issuance of the Towers Watson restricted Class A common stock to be issued upon conversion of the Towers Perrin RSUs will be conditioned upon a properly executed transaction award agreement setting forth the various vesting, forfeiture, transfer and reallocation provisions applicable to such securities.

To carry out the intent of these provisions, as of the effective time, all of the shares of Towers Watson restricted Class A common stock to be issued in exchange for Towers Perrin RSUs will be deposited with a custodian. In addition, if certain holders would be subject to a current tax as a result of the grant of Towers Perrin RSUs or Towers Watson restricted Class A common stock, then Towers Perrin may elect (subject to Watson Wyatt s consent not to be unreasonably withheld) to cause the exchange agent to deposit a portion of the shares of Towers Watson restricted Class A common stock to be received with a trustee in such form and manner that will provide for a deferral of any such tax. To the extent depositing shares with a trustee does not provide for deferral of tax for an individual, Towers Perrin and Watson Wyatt may work together to determine if there is an alternative approach (including issuing rights to receive property other than Towers Watson restricted Class A common stock) that would allow for deferral. The description of rights and terms applicable to holders of Towers Perrin RSUs in this document assumes that all Towers Perrin RSUs will convert into the right to receive Towers Watson restricted Class A common stock.

The Towers Watson restricted Class A common stock to be received by a holder of Towers Perrin RSUs will vest over a three-year period; one-third will vest automatically on each of the first three anniversaries of the effective time so long as the holder of these shares remains an employee of Towers Watson or one of its subsidiaries as of each such anniversary. This vesting schedule may be shortened for individual employees or groups of employees if mutually agreed to by Towers Perrin and Watson Wyatt.

If such person s employment with Towers Watson or a subsidiary is terminated (except for a termination without cause , as discussed in the next paragraph), he or she will immediately forfeit all unvested shares as of the termination date. Promptly following the third anniversary of the effective time, the custodian holding the forfeited Towers Watson restricted Class A common stock will deliver such shares to Towers Watson for cancellation, Towers Watson shall issue to the holders of Towers Watson Class F stock (which are all the record holders of Towers Perrin common stock immediately prior to the effective time), in exchange for such Class F stock, a number of shares of Towers Watson Class A common stock equal to their pro rata portion of the forfeited Towers Watson restricted Class A common stock (together with an additional number of shares of Towers Watson Class A common stock with a value equal to all dividends, without interest, paid with respect to the forfeited shares). During the period from the effective time to such reallocation, all of these forfeited shares shall be voted by the custodian on all matters submitted to a vote of the holders of Towers Watson Class A common stock proportionally with the votes cast by holders of the issued and outstanding shares of Towers Watson Class B common stock.

If the employment of an employee who receives shares of Towers Watson restricted Class A common stock is terminated:

- Without cause (as defined below) *and* such employee is a Guaranteed RSU Holder, none of his or her shares of Towers Watson restricted Class A common stock will be forfeited and all such shares will automatically fully vest upon termination;
- Without cause prior to the first anniversary of the effective time, *and* such employee is *not* a Guaranteed RSU Holder, one-third of his or her shares of Towers Watson restricted Class A common stock will be forfeited and the remaining shares will automatically fully vest; and
- Without cause on or after the first anniversary of the effective time but on or before the third anniversary of the effective time, *and* such employee is *not* a Guaranteed RSU Holder, none of his or her shares of Towers Watson restricted Class A common stock will be forfeited, and all such shares will automatically fully vest upon such termination;

provided, that the foregoing will not apply to a voluntary termination by, or a termination for cause of, such employee.

The term cause as used above generally means any of the following: (1) commission of theft, embezzlement, or any other act of material dishonesty relating to the employee s employment with Towers Watson or any of its subsidiaries; (2) 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; (3) commission of an act in the performance of duties amounting to willful misconduct; or (4) material breach of a material written policy of Towers Watson or any subsidiary which is not, or cannot be, cured within 30 days after receiving written notice of breach.

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**The Class R and Class S Elections**

Subject to proration as described more fully below, Towers Perrin shareholders who are Class R Eligible Participants may elect to designate between 50% and 100% of their Towers Perrin shares to be converted into shares of Towers Watson Class R common stock. The Class R Eligible Participants are all Towers Perrin shareholders whose age plus years of service with Towers Perrin, as of January 1, 2010, equals at least 75 years (subject to certain exceptions). All shareholders who are Class R Eligible Participants have been notified that they will be eligible to make a Class R election. The only shareholders who otherwise meet these criteria but who are excluded from being considered a Class R Eligible Participant are any Towers Perrin shareholders who have accepted a certain level management role with Towers Watson and all current Towers Perrin Executive Council members. All shareholders who otherwise meet these criteria but who have been excluded from being considered a Class R Eligible Participant by virtue of the exclusions noted here have been notified that they will not be eligible to make a Class R election.

***Making a Valid Class R Election***

Class R Eligible Participants will receive an electronic election form that will enable him or her to elect to designate between 50% and 100% of their shares of Towers Perrin common stock, subject to proration as discussed more fully below, to be converted into shares of Towers Watson Class R common stock. We refer to this electronic election form as a Class R Election Form . ***Class R Eligible Participants should carefully review and follow the instructions accompanying the Class R Election Form***.

**To make a valid Class R election, a Class R Eligible Participant must properly complete, sign and deliver its Class R Election Form to Towers Perrin, by 11:00 p.m., New York City time on December 24, 2009**. In addition, to make a valid Class R election, a Class R Eligible Participant s Class R Election Form must also satisfy each of the following conditions in order to constitute a valid Class R Election Form:

- The number of shares of Towers Perrin common stock designated on the Class R Election Form must be between 50% and 100% of the total number of shares of Towers Perrin common stock owned by the Class R Eligible Participant.
- The Class R Eligible Participant must, among other things, agree to terminate his or her employment with Towers Perrin on or before the 30th day following the effective time or such other date as agreed by such Class R Eligible Participant and the Towers Watson Executive Committee, enter into a confidentiality and non-solicitation agreement that prevents such shareholder from soliciting employees or clients of Towers Perrin, Watson Wyatt or Towers Watson for two years following termination of employment and execute a release generally releasing all claims accrued through the date of the release.
- Class R Eligible Participants who make a valid Class R election will not be employed by Towers Watson, Towers Perrin or Watson Wyatt after the effective time (unless another time is agreed to by Towers Perrin and Watson Wyatt).

It is important to note that any Class R Eligible Participant who makes a valid Class R election may revoke his or her election at any time during the seven day period following the date he or she executes the release described above, after which time his or her Class R election will be final and irrevocable.

If a Class R Eligible Participant fails to make a valid Class R election or if a Class R Election Form is determined to be invalid, then the Class R Eligible Participant will not receive Towers Watson Class R common stock in the merger and will only receive a number of fully paid and nonassessable shares of Towers Watson Class B common stock. See The Merger Agreement Conversion of Stock, Stock Options and Other Awards .

It is important to note that a Class R Eligible Participant may submit a valid Class R Election Form even if such Class R Eligible Participant decides to vote **AGAINST** the proposals to adopt the merger agreement and amend Article VI of Towers Perrin s bylaws.

***Conversion into and Redemption of Towers Watson Class R common stock***

Subject to proration as described more fully below, a Class R Eligible Participant who makes a valid Class R election will receive in the merger:

- Towers Watson Class R common stock in exchange for shares of Towers Perrin common stock for which a valid Class R election was made (subject to proration as described below); and
- Towers Watson Class B-1 common stock in exchange for the remainder of the shares of Towers Perrin common stock owned by the Class R Participant (regardless of whether all such other shares of Towers Perrin common stock were designated for a Class R election).

Each share of Towers Watson Class R common stock will be automatically redeemed by Towers Watson on the first business day following the effective time for:

- An amount of cash equal to 50% of the final transaction value per Towers Perrin share (as defined below); and
- A Towers Watson Note with a principal amount equal to 50% of the final transaction value per Towers Perrin share. Each Towers Watson Note will mature on the first anniversary of the effective time, and will have an annual interest rate equal to (1) 2.0%, or if greater, (2) 120.0% of the short-term applicable federal rate, in effect, at the effective time as prescribed by the Internal Revenue Service under Section 1274(d) of the Code. Towers Watson will not make any payments on the Towers Watson Notes until their maturity, at which time all principal and accrued interest will be due and payable. For a more detailed description of the terms and conditions of the Towers Watson Notes and the Towers Watson Notes Indenture, please see Description of the Towers Watson Notes.

A Class R Participant who is subject to additional U.S. federal taxes as a result of a portion of the consideration being paid to the Class R Participant being treated as ordinary compensation income rather than capital gain income will receive additional compensation from Towers Perrin or Towers Watson to compensate him or her for some of the additional federal taxes payable as a result of such ordinary income treatment and as a result of receiving the additional compensation.

The amount of additional compensation paid to a Class R Participant who is subject to U.S. income tax will be based on a formula designed with the intention that the calculated amount of additional compensation will help compensate the individual for his or her incremental increase in federal income tax liability as well as the employee s share of Medicare Hospital Insurance (Medicare) taxes payable in connection with any such ordinary income, as determined by Towers Perrin. The amount of additional compensation to be paid will be calculated assuming that the Class R Participant is subject to the maximum marginal income tax rate applicable to individuals, currently 35%, on ordinary income received. However, such Class R Participants will not receive additional amounts to compensate them for incremental state, local, foreign or social security taxes. Towers Perrin will be required to withhold federal, state, and local income and employment taxes (as applicable) with respect to any amount treated as ordinary compensation income.

With respect to certain individuals, the total taxes required by law to be withheld at the applicable withholding rates still may exceed the additional compensation that would otherwise be payable to the individual. In that case, Towers Perrin will withhold a portion of the Class R Participant s cash merger consideration to satisfy the withholding obligation. This will cause such a Class R Participant to receive cash consideration in the Towers Perrin merger that is less than the individual s pro rata share of the cash consideration payable to all Class R Participants in the Towers Perrin merger. However, any such reduction will be treated as a prepayment of the individual s federal, state, and local income taxes for the year in which the Towers Perrin merger closes.

A person making a Class R election who is taxable in a jurisdiction other than or in addition to the U.S. may also receive additional compensation if a portion of the individual s merger consideration is subject to ordinary income tax in the applicable tax jurisdiction and the applicable tax rate on ordinary income is greater than the tax rate on capital gains. While the decision as to whether any such person will receive additional compensation and the amount of such additional compensation will be determined by Towers Perrin on a case by case basis, Towers Perrin expects to treat such persons in a manner similar to U.S. Class R Participants.

Terms used in this discussion have the following definitions:

Final transaction value per Towers Perrin share means the result obtained by computing the following:

$$\frac{\text{(Total \# of fully diluted Watson Wyatt shares immediately prior to the effective time) x ( final Watson Wyatt stock price )}}{\text{Total \# of fully diluted Towers Perrin shares immediately prior to the effective time}}$$

*Final Watson Wyatt stock price* means the average closing price per share of Watson Wyatt Class A common stock (rounded to the nearest cent) for the 10 consecutive trading days ending on the second trading day immediately prior to the merger s closing, as reported in the New York City edition of The Wall Street Journal for each such trading day, or, if not reported therein, any other authoritative source to be agreed by Towers Perrin and Watson Wyatt.

The merger agreement provides that Towers Perrin and Watson Wyatt will consult with each other to determine whether any portion of the merger consideration to be received by Class R Participants constitutes ordinary compensation income. If the parties determine that any portion of the consideration received by the Class R Participants should be treated as ordinary income, Towers Perrin may in its sole discretion pay, or elect to cause the Holding Company to pay, an additional amount of cash to the Class R Participant to cover some or all of the incremental tax cost of such ordinary compensation income, subject to Watson Wyatt s consent which shall not be unreasonably withheld or delayed.

***Proration of Towers Watson Class R common stock***

The maximum number of shares of Towers Perrin common stock held by Class R Participants that may be converted into Towers Watson Class R common stock is equal to the number of shares obtained by dividing (1) $400 million (which amount may be decreased if the Class R election is undersubscribed) by (2) the final transaction value per Towers Perrin share . We refer to this maximum number of shares of Towers Perrin common stock as the Class R Number .

If the number of shares of Towers Perrin common stock designated by all Class R Participants making valid Class R elections exceeds the Class R Number, then the shares of Towers Perrin common stock so designated will be converted into shares of Towers Watson Class R common stock and Towers Watson Class B-1 common stock, subject to proration as follows:

- *Towers Watson Class R common stock*: The number of shares of Towers Perrin common stock to be converted into Towers Watson Class R common stock will be determined by multiplying the Class R Proration Factor by the total number of shares of Towers Perrin common stock designated. The Class R Proration Factor is determined by dividing the Class R Number by the total number of shares of Towers Perrin common stock designated by Class R Participants under a valid Class R elections.
- *Towers Watson Class B-1 common stock*: All shares of Towers Perrin common stock held by a Class R Participant who makes a valid Class R election that are not converted into Towers Watson Class R common stock will be converted into shares of Towers Watson Class B-1 common stock (regardless of whether all such other shares of Towers Perrin common stock were designated for a Class R election).

***Class S Election***

In the event that the Class R election is undersubscribed (which will occur if $200 million exceeds the aggregate value of the shares of Towers Watson Class R common stock that would be issued with respect to all shares of Towers Perrin common stock for which Class R Participants make a valid Class R election, as determined based on an interim Towers Perrin exchange ratio calculated using the per-share price of Watson

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Wyatt common stock during the 10 trading days ending on the trading day immediately prior to the Class R election deadline) by Class R Participants, then Watson Wyatt may elect no later than January 11, 2010 to cause Towers Perrin to offer to all other Towers Perrin shareholders who are not Class R Eligible Participants the right to make a Class S election. These shareholders would be entitled to designate, subject to proration, up to 20% of their shares of Towers Perrin common stock to be converted into shares of Towers Watson Class S common stock. The total amount of cash and Towers Watson Notes available to repurchase shares from the Class S participants would equal the amount (if any) by which $200 million exceeds the aggregate value issued to Class R Participants as described above. Each share of Towers Watson Class S common stock will be automatically redeemed by Towers Watson on the first business day following the effective time for an amount of cash equal to the final transaction value per Towers Perrin share . Because each of Towers Perrin and Watson Wyatt do not believe the Class R election will be undersubscribed to the extent that the aggregate value issued to Class R Participants would be less than $200 million, Class S election forms are not being provided at this time to Towers Perrin shareholders. If the Class R election is undersubscribed to such an extent and Watson Wyatt requires Towers Perrin to pursue a Class S election, Towers Perrin will promptly provide additional information and Class S election forms to Towers Perrin shareholders eligible to elect to make a Class S election.

Towers Perrin and Watson Wyatt believe the Class R election may be oversubscribed because the consideration received by a Class R Participant will be more liquid than the consideration received by a Class R Eligible Participant who decides not to or fails to make a valid Class R election. For example, a Class R Participant who makes a valid Class R election would receive a combination of cash, Towers Watson Notes, and Towers Watson Class B-1 common stock (which automatically converts into freely tradable Towers Watson Class A common stock in one year) for all shares of Towers Perrin common stock owned by such Class R Participant immediately prior to the effective time. On the contrary, a Class R Eligible Participant who decides not to or fails to make a valid Class R election would receive only shares of Towers Watson Class B common stock in Classes B-1 through B-4, which will automatically convert into freely tradable Towers Watson Class A common stock over four years).

**Exchange of Shares; Fractional Shares; Lost Certificates**

***Exchange of Shares***

At or prior to closing of the merger, Towers Perrin and Watson Wyatt will cause the Holding Company to deposit with American Stock Transfer & Trust Company, LLC, as exchange agent, sufficient shares of Towers Watson common stock, cash, and Towers Watson Notes, to effect the Towers Perrin and Watson Wyatt mergers, as applicable.

*Towers Perrin Shareholders*. The exchange agent will mail to you, as promptly as reasonably practicable and in no event more than 10 business days after the later to occur of the effective time and, if applicable, the date of final determination of Class R Proration Factor, a letter of transmittal explaining how delivery will be effected for the uncertificated shares of Towers Perrin common stock represented by book-entry.

*Towers Perrin RSU Holders*. At the effective time, holders of Towers Perrin RSUs are not required to take any action. Rather, at the effective time, Towers Watson will countersign all Towers Perrin RSU award agreements and at all times following the effective time, Towers Watson will assume and perform all of Towers Perrin s obligations under all such award agreements.

*Watson Wyatt Stockholders*. If your Watson Wyatt shares are certificated, the exchange agent will mail to you, as promptly as reasonably practicable and in no event more than 10 business days after the effective time, a letter of transmittal and instructions explaining how delivery will be effected for Watson Wyatt shares.

Upon delivery of a properly completed and duly executed letter of transmittal of a Towers Perrin shareholder or Watson Wyatt stockholder, as the case may be, the holder of such shares will be entitled to receive in exchange for such shares the merger consideration payable in respect of such Towers Perrin or Watson Wyatt shares, as applicable.

*Fractional Shares*. Fractional shares of Towers Watson Class B common stock, Class R common stock, Class S common stock and restricted Class A common stock will be issued in the merger, and a pro rata portion of any dividend or distribution with respect to such stock, as applicable, will be payable on fractional shares. No certificates or scrip representing fractional shares of Towers Watson Class A common stock will be issued upon the issuance of or any conversion, vesting or exchange of a security into Towers Watson Class A common stock. Instead, a holder of such shares will be entitled to receive an amount of cash, without interest.

*Lost Certificates.* If any stock certificate representing Watson Wyatt Class A common stock has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen or destroyed and, if required by Towers Watson, the posting by such person of a bond, in such reasonable amount as Towers Watson may direct, as indemnity against any claim that may be made against it with respect to such certificate, the exchange agent will pay in exchange for such lost, stolen or destroyed certificate the merger consideration payable in respect of the shares of Watson Wyatt Class A common stock formerly represented by such certificate and any interest payments, dividends or other distributions to which the holder thereof is entitled, in each case, without any interest.

**Termination of Exchange Fund**

Any portion of the exchange fund (and any interest on the exchange fund) that remains undistributed to Towers Perrin shareholders or Watson Wyatt stockholders 12 months after the effective time will be delivered to Towers Watson. After such time, any holders of certificates or uncertificated book-entry shares of Towers Perrin or Watson Wyatt, as the case may be, who have not complied with the exchange procedures described in the merger agreement may look only to Towers Watson as general creditors for payment of the merger consideration without interest. None of Towers Perrin, Watson Wyatt, Towers Watson, the exchange agent or any other person shall be liable to any Towers Perrin shareholder or Watson Wyatt stockholder for any shares of Towers Watson common stock, Towers Watson Notes or cash from the exchange fund properly delivered to a public official pursuant to any abandoned property, escheat or similar law.

**Representations and Warranties**

The merger agreement contains generally customary representations and warranties of Towers Perrin and Watson Wyatt relating to their respective businesses.

In general, the accuracy of each party s representations and warranties, subject to certain materiality and material adverse effect standards, is a condition to the other party s obligation to effect the merger.

A Material Adverse Effect is defined, with respect to either party, as any event, change, circumstance, occurrence, effect or state of facts that (A) is or would reasonably be expected to be materially adverse to the business, assets, liabilities, condition (financial or otherwise) or results of operations of a party and its subsidiaries, taken as a whole or (B) prevents the performance by the party of its obligations under the merger agreement or the consummation of the transactions contemplated thereby; provided, however, that a Material Adverse Effect will not include any event, change, circumstance, occurrence, effect or state of facts reflecting or resulting from (1) any event, change, circumstance, occurrence, effect or state of facts generally affecting the human capital, risk and financial services, reinsurance or insurance consulting services industries, (2) any event, change, circumstance, occurrence, effect or state of facts generally affecting the economy or the financial, securities or credit markets, interest rates or political or regulatory conditions, in the United States or any other jurisdiction in which a party and its subsidiaries have substantial business operations, (3) any outbreak or escalation of hostilities or acts of war or terrorism, (4) changes in law or GAAP, (5) any change attributable to the negotiation, execution, announcement or pendency of the merger agreement or the transactions contemplated thereby, including any litigation resulting therefrom, (6) any failure by a party to meet internal projections, forecasts or revenue or earnings predictions, in and of itself, and (7) solely with respect to Watson Wyatt, any change in the price or trading volume of Watson Wyatt Class A common stock; provided, that, with respect to clauses (1), (2), (3) and (4), the impact of such event, change, circumstances, occurrence, effect or state of facts is not disproportionately adverse to a party and its subsidiaries, taken as a whole, relative to the adverse impact on the other party and its subsidiaries, taken as a whole.

In addition, such representations and warranties:

- Have been qualified by information set forth in confidential disclosure letters exchanged by the parties in connection with signing the merger agreement (which schedules modify, qualify and create exceptions to the representations and warranties in the merger agreement);
- Will not survive consummation of the merger; and
- May be intended not as characterizations of fact or circumstances as of the date of the merger agreement, but rather as a way of allocating the risk to one of the parties to the merger agreement if those statements turn out to be inaccurate.

Each of Towers Perrin and Watson Wyatt has made representations and warranties to the other regarding, among other things:

- Corporate matters, including organization, standing and power;
- Capitalization;
- Subsidiaries;
- Authority to execute, deliver and perform obligations under the merger agreement and the absence of conflicts or violations under organizational documents, certain agreements and applicable laws or decrees, as a result of the proposed merger;
- Governmental filings and all required consents and approvals for the merger;
- Financial statements;
- Property;
- The accuracy of information supplied for inclusion in this document and other similar documents;
- Ordinary course of business practice since December 31, 2008 (in the case of Towers Perrin) or June 30, 2008 (in the case of Watson Wyatt);
- Legal proceedings and compliance with laws;
- Benefit plans;
- Labor matters;
- Environmental matters;
- Tax matters;
- Contracts;
- Insurance matters;
- Intellectual property matters;
- State takeover statutes;
- Brokers fees payable in connection with the merger; and
- Fairness opinions from financial advisors.

Watson Wyatt and Towers Perrin have also made other representations and warranties to each other about voting trusts, shareholder agreements and other agreements with respect to voting, holding, repurchase or disposition of, or that restrict the transfer of, any of their or their subsidiaries capital stock. In addition, Watson Wyatt has made other representations and warranties about itself to Towers Perrin regarding the reports filed by Watson Wyatt with the SEC.

**Covenants and Other Agreements**

Both Towers Perrin and Watson Wyatt agreed to customary covenants that place restrictions on them and their subsidiaries until the effective time. None of the covenants or agreements in the merger agreement survive consummation of the merger, other than those covenants and agreements that by their terms apply, or are to be performed in whole or in part, after consummation of the merger.

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***Conduct of Business Pending the Merger***

Each of Towers Perrin and Watson Wyatt have agreed to, and will cause each of their respective subsidiaries to, carry on its business in the ordinary course consistent with past practice and use reasonable best efforts to (1) preserve intact its business organization, (2) preserve its assets, rights and properties in good repair and condition, (3) keep available the services of its current officers, employees and consultants, and (4) preserve its goodwill and its relationships with customers, suppliers, licensors, licensees, distributors and others having business dealings with it.

Further, during the time from the date of the merger agreement to the effective time, each of Towers Perrin and Watson Wyatt, as the case may be, will not, and will not permit any of its respective subsidiaries, without the other party s prior written consent, to undertake the following actions, as applicable:

- Declare, set aside or pay any dividends or distributions on any shares of capital stock or other equity interests, except for Watson Wyatt regularly scheduled quarterly dividends and dividends by a Towers Perrin or Watson Wyatt subsidiary to its parent.
- Purchase, redeem or acquire shares of capital stock or other equity interests of Towers Perrin, Watson Wyatt or their respective subsidiaries or any options, warrants or rights to acquire any such shares or equity interests other than pursuant to terms of awards outstanding under the Watson Wyatt equity plans, except for repurchases by Towers Perrin or Watson Wyatt of their own common stock in the ordinary course of business.
- Split, combine, classify or otherwise amend terms of any of its capital stock or other equity interests or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock or other equity interests.
- Issue, deliver, sell, grant, pledge or otherwise encumber any shares of its capital stock or other equity interests or any securities convertible into, or exchangeable for, or any rights, warrants or options to acquire, any such shares or other equity interests, or any stock appreciation rights, phantom stock rights, performance units, rights to receive shares of capital stock on a deferred basis or other rights linked to the value of shares of the common stock, including pursuant to contracts as in effect on the date of the merger agreement, subject to certain exceptions.
- Amend or propose to amend its certificate of incorporation or bylaws (or similar organizational documents).
- Acquire any business, corporation or partnership or any assets, rights or properties other than (1) an acquisition that would not reasonably be expected to delay the consummation of the merger and for which the fair market value of the total consideration paid by a party did not exceed $5 million for any one acquisition or $10 million in the aggregate for all acquisitions and (2) internal reorganizations or consolidations involving existing subsidiaries that would not present a material risk of any delay in the receipt of any required regulatory approval or creating a new subsidiary to conduct activities permitted under the merger agreement.
- Sell or otherwise dispose of any assets, rights or properties that are material to the business, other than (1) an internal reorganization involving existing subsidiaries and (2) a disposition in which fair market value of the total consideration received does not exceed $500,000 in the aggregate.
- Adopt or enter into a plan of complete or partial liquidation, dissolution, restructuring, capitalization or other reorganization, except (1) internal reorganizations or consolidations involving existing subsidiaries that would not present a material risk of any delay in the receipt of any required regulatory approval or (2) creation of a new subsidiary to conduct activities permitted under the merger agreement.
- Incur or otherwise become liable for indebtedness for borrowed money (other than ordinary course trade payables or pursuant to existing credit facilities in the ordinary course of business) or make certain guarantees, or make any loans, advances or capital contributions other than to a wholly owned subsidiary.
- Incur any capital expenditure or authorization, except in the ordinary course of business consistent with past practices.

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Pay or discharge any liabilities other than (1) in the ordinary course of business consistent with past practice, (2) as required by their terms as in effect on the date of the merger agreement, liabilities reflected or reserved against in the most recent audited financial statements for amounts not in excess of such reserves or (3) those incurred since the date of such financial statements in the ordinary course of business consistent with past practice.
Modify any material contract or enter into any contract that would be a material contract, other than in the ordinary course of business consistent with past practice.
Commence or settle any action, other than in the ordinary course of business consistent with past practice.
Change its financial or tax accounting methods, except as required by GAAP or applicable law, or revalue any of its material assets.
Settle any material liability for taxes for an amount in excess of $500,000 in any particular instance, make any material tax election or take any material position on any material tax return filed on or after the date of the merger agreement, or change any method of accounting for tax purposes.
Change its fiscal year.
Materially increase the compensation, severance or other benefits of a current or former director, employee, contractor or consultant or amend any compensation or benefit plan, except to the extent required by law, by any contract already in effect or in the ordinary course of business consistent with past practice.
Renew or enter into any non-compete, exclusivity or non-solicitation contract that would restrict, in any material respect, the operations of either party.
Enter into any new line of business representing a material change in its operations, which is material to it and its subsidiaries taken as a whole, or make any material change to its or its subsidiaries businesses, except as required by law.
Take any action with the knowledge that such action would, or is reasonably likely to, prevent the merger from qualifying as an exchange or reorganization within the meaning of Sections 351 and 368(a) of the Code, respectively.
Take or omit to take any action if it could reasonably be expected to result in any of the conditions to the merger to not be satisfied.
Cancel any material insurance policies or fail to renew them on substantially the same terms to the extent such terms are commercially reasonable.
Authorize or commit to take any of the foregoing actions.

***Reasonable Best Efforts***

Towers Perrin and Watson Wyatt agreed to use their reasonable best efforts to take all actions necessary, proper or advisable to consummate and make effective the merger in the most expeditious manner practicable, including using reasonable best efforts to: (1) obtain all required consents, approvals or waivers from, or participate in discussions with, third parties with respect to any Towers Perrin or Watson Wyatt material contract; (2) obtain all necessary actions or authorizations from governmental entities, make all necessary merger filings and take all steps necessary to obtain an approval or waiver from, or to avoid any action by, a governmental entity (including filings under the HSR Act); (3) vigorously resist and contest any action that is in effect and that could reasonably be expected to prevent or delay the consummation of the merger or otherwise materially reduce the contemplated benefits of the merger; and (4) execute and deliver any additional instruments necessary to consummate the merger. However, none of the parties or their subsidiaries will agree to pay any material fee or consideration under, or make any other concession, waiver or amendment under, any contract in connection with the foregoing without obtaining the prior written consent of the other parties.

Subject to applicable law, each party will (1) furnish to the other party necessary information and reasonable assistance as the other party may reasonably request in connection with the above, (2) keep the other apprised of the status of matters relating to completion of the merger and provide the other parties and their

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counsel with the opportunity to participate in any meeting with any governmental entity in connection with the merger, and (3) have the right to review in advance and consult with the other on and consider in good faith the views of the other parties in connection with materials submitted to any third party or governmental entity in connection with the merger.

If any objection is asserted or any law enacted or any action instituted by any governmental entity or a private party challenging the merger which could reasonably be expected to prevent the merger or the other transactions within the merger agreement (or otherwise materially reduce the contemplated benefits of the merger), then Towers Perrin and Watson Wyatt will use reasonable best efforts to resolve any such objections, actions or proceedings as soon as practicable including selling, holding separate or otherwise disposing of or conducting its businesses or assets in a specified manner. However, neither Towers Perrin nor Watson Wyatt will be required to take any such action (1) if doing so would, individually or in the aggregate, reasonably be expected to result in the sale or disposition of assets or businesses or the termination of any business in any jurisdiction(s), which assets and businesses, in the aggregate, generated more than $150,000,000 of the combined consolidated revenues of Towers Perrin and its subsidiaries and Watson Wyatt and its subsidiaries, during the 12 month period ending as of June 30, 2009 or (2) that is not conditioned on the consummation of the merger.

No action taken pursuant to the reasonable best efforts outlined in the merger agreement will result in any change in the relative amount of the Watson Wyatt merger consideration to the Towers Perrin merger consideration.

***Non-Solicitation***

Towers Perrin and Watson Wyatt have agreed that they and their respective subsidiaries and their directors, officers, employees, investment bankers, financial advisors, attorneys, accountants and other advisors, agents or representatives (all such persons referred to in this section of this document as Representatives ) will not, directly or indirectly:

- Solicit, initiate, endorse, knowingly encourage or facilitate any inquiry, proposal or offer with respect to any Acquisition Proposal (as defined below), or any inquiry or offer that could reasonably be expected to lead to any Acquisition Proposal;
- Enter into or otherwise participate in any discussions or negotiations regarding, or furnish to any person any information with respect to, or otherwise cooperate in any way with, any Acquisition Proposal; or
- Resolve or agree to do any of the foregoing.

Towers Perrin and Watson Wyatt will, and will cause each of their subsidiaries and Representatives to, (1) immediately cease and cause to be terminated all existing discussions or negotiations with any person with respect to any Acquisition Proposal, and (2) not terminate, waive or modify any provision of any confidentiality or standstill agreement to which it or any of its subsidiaries or Representatives is a party with respect to any Acquisition Proposal, and to enforce the provisions of any such agreement. Each party will request each person with whom it has executed a confidentiality agreement within the six months prior to the merger agreement in connection with consideration of any Acquisition Proposal to return or destroy all confidential information furnished by the party or its subsidiaries.

However, if at any time following the date of the merger agreement and prior to obtaining common stockholder approval and adoption of the merger agreement at its respective special meeting:

- A party receives a written Acquisition Proposal that its board of directors believes in good faith to be bona fide;
- Such Acquisition Proposal was unsolicited and did not otherwise result from a breach of these covenants;
- The party s board of directors determines in good faith (after consultation with its outside counsel and its financial advisor) that such Acquisition Proposal constitutes or is reasonably likely to lead to a Superior Proposal (as defined below); *and*

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- The party s board of directors determines in good faith (after consultation with outside counsel) that the failure to take action would constitute a breach of its fiduciary duties under applicable law;

*then*, the party may:

- Furnish information to the person making the Acquisition Proposal in accordance with a customary confidentiality agreement containing terms substantially similar to and no less favorable than those terms set forth in the confidentiality agreement between Towers Perrin and Watson Wyatt; and
- Participate in discussions or negotiations with that person regarding the Acquisition Proposal; provided, that solely for this purpose, all references to 15% in the definition of Acquisition Proposal shall be replaced by 30% .

In addition, except as provided for below, Towers Perrin and Watson Wyatt have agreed to not (1) withdraw or adversely modify or qualify the recommendation of the merger agreement, or adopt or otherwise declare advisable the adoption of any Acquisition Proposal (any such action referred to as an Adverse Recommendation Change ), or (2) cause or permit entering into any letter of intent, acquisition agreement or other similar agreement constituting or related to, or which is intended to or is reasonably likely to lead to any Acquisition Proposal.

However, at any time following the date of the merger agreement and prior to obtaining stockholder approval for the merger agreement at its respective special meeting, a board of directors may make an Adverse Recommendation Change in response to a Superior Proposal, provided, that:

- The board of directors determines in good faith (after consultation with outside counsel) that the failure to do so would result in a breach of its fiduciary duties under applicable law, taking into account all adjustments to the terms of the merger agreement that may be offered by Towers Perrin or Watson Wyatt, as the case may be, in response;
- The Adverse Recommendation Change is not made until after the third business day following notice to the other party of an intent to make an Adverse Recommendation Change;
- During such three business day period, Towers Perrin and Watson Wyatt negotiate in good faith to amend the terms and conditions of the merger agreement in order to proceed with the merger agreement and forego making an Adverse Recommendation Change; and
- Prior to the expiration of such three business day period, the other party does not agree to amend the merger agreement thereby enabling the board of directors to determine in good faith (after consultation with outside counsel and its financial advisor) that its fiduciary duties require it to continue to make an Adverse Recommendation Change.

In the event that either party s board of directors effects an Adverse Recommendation Change and the other party subsequently terminates the merger agreement, the party effecting the Adverse Recommendation Change is obligated to pay a termination fee in the amount of $65 million to the terminating party (less the amount of any expenses previously paid by such party) to the terminating party. For additional detail regarding termination fees, see the section entitled The Merger Agreement Termination Fees; Expenses .

In addition to the foregoing obligations, Towers Perrin and Watson Wyatt have each agreed to:

- Notify the other party promptly (and in any event within 24 hours) after receipt of any Acquisition Proposal or an indication that a third party is considering making an Acquisition Proposal, any request for information that could reasonably be expected to lead to or that contemplates an Acquisition Proposal, or any inquiry reasonably likely to lead to an Acquisition Proposal;
- Keep the other party informed in all material respects on a timely basis of the status and details of any such Acquisition Proposal; and
- Notify the other party promptly if it begins providing information or engaging in discussions concerning an Acquisition Proposal and will in no event begin providing such information or engaging in discussions prior to providing such notice.

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Acquisition Proposal means any inquiry, proposal or offer from any person or group of persons (other than Towers Perrin or Watson Wyatt or their respective affiliates) relating to any direct or indirect acquisition or purchase, in one transaction or a series of transactions, including any merger, reorganization, consolidation, tender offer, self-tender, exchange offer, stock acquisition, asset acquisition, binding share exchange, business combination, recapitalization, liquidation, dissolution, joint venture or similar transaction, of either:

The assets or businesses of Towers Perrin or Watson Wyatt (or any subsidiary or subsidiaries of such party) that generate 15% or more of the net revenues or net income or that represent 15% or more of the total assets (based on fair market value), of such party and its subsidiaries, taken as a whole, immediately prior to such transaction;

15% or more of any class of capital stock, other equity security or voting power of Towers Perrin or Watson Wyatt, or any resulting parent company of a party;

Involving Towers Perrin or Watson Wyatt or any of their respective subsidiaries, individually or taken together, whose businesses constitute 15% or more of the net revenues, net income or total assets (based on fair market value) of such party and its subsidiaries, taken as a whole, immediately prior to such transaction; or

Any combination of the foregoing, in each case other than the transactions contemplated by the merger agreement.

Superior Proposal means any unsolicited bona fide binding written Acquisition Proposal, not including an initial public offering of stock, that the board of directors of Towers Perrin or Watson Wyatt determines in good faith (after consultation with outside counsel and its financial advisor), taking into account all legal, financial, regulatory and other aspects of the proposal and the person making the proposal, including the financing terms thereof, which is not subject to any financing condition and, if financing is required, such financing is then fully committed or reasonably determined to be available by such board of directors, and which is reasonably likely to receive all required governmental approvals on a timely basis, that:

Either (1) with respect to Watson Wyatt, is more favorable to Watson Wyatt s stockholders, from a financial point of view, than the transactions contemplated by the merger agreement (including any adjustment to the terms and conditions proposed by the other party in response to such proposal and including any termination fees and expense reimbursement provisions) or (2) with respect to Towers Perrin, is more favorable to Towers Perrin s shareholders from a financial point of view, or in the best interests of Towers Perrin as determined pursuant to Section 1715 of the PBCL, than the transactions contemplated by the merger agreement (including any adjustment to the terms and conditions proposed by the other party in response to such proposal and including any termination fees and expense reimbursement provisions), and

Is reasonably likely of being completed on the terms proposed on a timely basis;

provided, that, for purposes of this definition of Superior Proposal, references in the term Acquisition Proposal to 15% shall be deemed to be references to 80%.

***Stockholders Meetings***

Each of Towers Perrin s and Watson Wyatt s board of directors agrees to take all action necessary to convene as soon as reasonably practicable after the date of the merger agreement its respective special stockholders meeting. Except in the case of an Adverse Recommendation Change specifically permitted by the merger agreement, each board of directors agrees to (1) recommend to its respective stockholders that they approve and adopt the merger agreement (and in Towers Perrin s case, recommend amending Article VI of its bylaws), (2) use all reasonable best efforts to solicit its stockholders, (3) include such recommendation in this document, and (4) publicly reaffirm such recommendation within one business day after a request to do so by the other party. In addition, each party agrees not to submit to the vote of its stockholders any proposal relating to an Acquisition Proposal other than the merger prior to the termination of the merger agreement.

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*Indemnification and Insurance of Directors and Officers*

Towers Perrin, Watson Wyatt and Towers Watson agree to provide the current Towers Perrin and Watson Wyatt directors and officers with various indemnification and insurance rights, including:

Following the effective time, all rights to indemnification existing in favor of the current or former directors and officers as currently provided in the governing instruments of their respective company or existing indemnification agreements for acts or omissions occurring prior to the effective time will be assumed and performed by Towers Perrin or Watson Wyatt, as the surviving entity in the applicable merger, and will continue in full force and effect until the expiration of the applicable statute of limitations with respect to any claims against such directors or officers arising out of such acts or omissions, except as otherwise required by applicable law.

For a period of six years after the effective time, Towers Watson will cause to be maintained the current directors and officers liability insurance policy for acts or omissions occurring prior to the effective time, provided, that:

- Towers Watson may (1) substitute a policy so long as the material terms, including coverage and amount, are no less favorable in any material respect to such directors and officers or (2) require Towers Perrin or Watson Wyatt, as the surviving entity in the applicable merger, to obtain such coverage through a prepaid tail insurance policy.
- In no event will Towers Watson or Towers Perrin or Watson Wyatt, as the surviving entity in the applicable merger, be required to pay aggregate annual premiums for insurance in excess of 250% of the amount of the aggregate premiums paid by Towers Perrin or Watson Wyatt for fiscal year 2008 for such purpose.

Towers Watson will cause Towers Perrin or Watson Wyatt, as the surviving entity in the applicable merger, to keep in effect all provisions in its governing instruments or indemnification agreements providing for exculpation of director and officer liability and its indemnification of such persons to the fullest extent permitted under applicable law.

Towers Watson will, during a period of six years from and after the effective time, to the fullest extent permitted by law, indemnify and hold harmless each director and officer against and from any amounts paid in settlement in connection with any action to the extent such action pertains to any act or omission taken in such person s capacity as a director, officer or employee of Towers Perrin, Watson Wyatt or their respective subsidiaries or the merger agreement.

In the event that Towers Watson, Towers Perrin, as the surviving entity in its merger, Watson Wyatt, as the surviving entity in its merger, or any of their respective successors or assigns (1) consolidates with or merges into any other person and is not the surviving entity of such consolidation or merger or (2) transfers all or substantially all its properties and assets to any person, then, and in each such case, Towers Watson will cause proper provision to be made so that such successor and assign assumes the indemnification obligations described above.

*Financial Statements*

Each party will deliver to the other (1) monthly consolidated non-GAAP management statements of income and expenses, (2) unaudited consolidated GAAP financial statements of the party and its subsidiaries as at the end of such fiscal quarter, together with all related notes and schedules, and (3) audited consolidated balance sheet of the party and its subsidiaries as at the end of such fiscal year and the audited consolidated statements of income, retained earnings, cash flow, stockholders equity and changes in financial position of the party and its subsidiaries for such fiscal year.

*Employee Benefits Matters*

*Employee Benefits*. Towers Perrin and Watson Wyatt will work together to develop common employee benefit programs in each country in which they operate as soon as practicable following the effective time, recognizing that a period of time may be necessary for the transition of existing employee benefit programs. With respect to certain employee benefits: (1) all accrued pension and money-purchase plan benefits (qualified and non-tax qualified) as of the effective time will be preserved following the effective time, in accordance with the terms of the applicable plans, (2) the company-paid retiree medical benefits available immediately prior to the effective time to the employees and retirees (and surviving spouses) of each party who are eligible for such benefits as of the effective time, or who become eligible for such benefits within two years following the effective time, will continue to be provided to such persons on substantially the same basis for a minimum period of two years following the effective time, subject to such changes as may be necessary to reflect changes in law and underlying insurance policies, and (3) the level of the respective pension and money-purchase plan benefit (qualified and non-tax qualified) accrual formulae as in effect immediately prior to the effective time will continue to be provided at comparable levels to the respective employees who were employed at the effective time by Towers Perrin, Watson Wyatt or any of their respective subsidiaries, for a minimum period of two years following the effective time.

*Towers Perrin Bonus Payments*. Towers Perrin will accrue bonuses payable to its and its subsidiaries employees for the period from January 1, 2009 through the effective time, in a manner consistent with past practice and in an aggregate amount not to exceed gross contribution as determined on a basis consistent with Towers Perrin s past practice with respect to management reporting, with the actual accrual to be determined by the Chief Executive Officer of Towers Perrin in his sole discretion.

If the effective time occurs on or before February 1, 2010, Towers Watson will pay bonuses accrued in an aggregate amount equal to the aggregate bonus accrual on Towers Perrin s books as of the effective time, with all individual allocations of such bonuses to be determined by the Chief Executive Officer of Towers Perrin in his sole discretion.

If the effective time occurs after February 1, 2010, Towers Watson will (1) pay bonuses accrued in a manner consistent with past practice and in an aggregate amount equal to the aggregate bonus accrual on Towers Perrin s books as of December 31, 2009, with all individual allocations of such bonuses to be determined by the Chief Executive Officer of Towers Perrin in his sole discretion, provided that Towers Perrin may make such payment if the effective time has not occurred at the time of such payment and (2) make a second payment of bonuses accrued in an aggregate amount equal to the aggregate bonus accrual on Towers Perrin s books as of the effective time (such accrual to reflect a reduction for bonuses actually paid for the fiscal year ended December 31, 2009), with all individual allocations of such bonuses to be determined by the Chief Executive Officer of Towers Perrin in his sole discretion.

*Watson Wyatt Bonus Payments*. The merger agreement requires that Watson Wyatt accrue bonuses payable to its and its subsidiaries employees for the period from July 1, 2008 through June 30, 2009, in a manner consistent with past practice and consistent with the aggregate bonus accruals on Watson Wyatt s books as of the date hereof, with the actual accrual to be determined by the Chief Executive Officer of Watson Wyatt in his sole discretion. The merger agreement also requires that Watson Wyatt pay bonuses to employees of Watson Wyatt and its subsidiaries in an aggregate amount equal to the aggregate bonus accrual on Watson Wyatt s books as of June 30, 2009, with all individual allocations of such bonuses to be determined by the Chief Executive Officer of Watson Wyatt in his sole discretion.

Watson Wyatt will accrue bonuses payable to its and its subsidiaries employees for the period from July 1, 2009 through the effective time, in a manner consistent with past practice and in an aggregate amount not to exceed 45% of consolidated net operating income for Watson Wyatt and its subsidiaries during such period, with the actual accrual to be determined by the Chief Executive Officer of Watson Wyatt in his sole discretion.

If the effective time occurs on or before June 30, 2010, Towers Watson will pay bonuses accrued in an aggregate amount equal to the aggregate bonus accrual on Watson Wyatt s books as of the effective time, with all individual allocations of such bonuses to be determined by the Chief Executive Officer of Watson Wyatt in his sole discretion.

If the effective time occurs after June 30, 2010, Towers Watson will (1) pay fiscal year 2010 bonuses accrued in a manner consistent with past practice, provided that Watson Wyatt may make such payment if the effective time has not occurred at the time of such payment, and (2) make a second payment of bonuses accrued in a manner consistent with past practice and in an aggregate amount equal to the aggregate bonus accrual on Watson Wyatt s books as of the effective time (such accrual to reflect a reduction for bonuses actually paid for the fiscal year ended June 30, 2010), with all individual allocations of such bonuses to be determined by the Chief Executive Officer of Watson Wyatt in his sole discretion.

**Conditions to the Merger**

The obligation of each of Towers Perrin and Watson Wyatt to effect the merger, as the case may be, is subject to the satisfaction at or prior to the merger s closing of certain conditions, including:

The approval and adoption of each of the Towers Perrin shareholders and Watson Wyatt stockholders of the merger agreement (and in the case of the Towers Perrin shareholders, approval of the amendment to Article VI of Towers Perrin s bylaws) at their respective special meetings.

Obtaining the requisite regulatory approvals, including the termination or expiration of the waiting period applicable to the merger under the HSR Act and the approval of the merger, if required, by the European Commission pursuant to the EC Merger Regulation.

The absence of any temporary restraining order, preliminary or permanent injunction, order or decree issued by a court of competent jurisdiction or other legal restraint prohibiting the consummation of the merger, and the requirement that no law will have been enacted or deemed applicable by any governmental entity that prohibits the consummation of the merger.

The registration statement of which this document is a part being declared effective under the Securities Act and the absence of any stop order suspending its effectiveness, or actions or proceedings pending or threatened by the SEC seeking a stop order or to suspend its effectiveness.

The Towers Watson Class A common stock to be issued in the Watson Wyatt merger, upon vesting of the Towers Watson restricted Class A common stock or on the conversion of Towers Watson Class B common stock, being approved for listing on the NYSE, subject to official notice of issuance.

The holders of not more than 10% of the outstanding shares of Towers Perrin common stock seeking dissenters rights.

The Holding Company having entered into the Towers Watson Notes Indenture, which establishes the terms of the Towers Watson Notes.

The parties having obtained all consents and approvals of any person other than any governmental entity required to be obtained, other than those, which if not obtained, would not (1) prevent the performance of any party s obligations or the transactions under the merger agreement, or (2) reasonably be expected to have, following the effective time, a material adverse effect, individually or in the aggregate, on the business, assets, liabilities, condition or results of operations of Towers Watson and its subsidiaries, taken as a whole.

The absence of any action, pending or threatened in writing by any governmental entity, or any person having a reasonable likelihood of success, that seeks to challenge or prohibit or materially delay the consummation of the merger or make the merger materially more costly, prohibit or limit ownership, operation or control by Towers Perrin, Watson Wyatt, Towers Watson or any of their subsidiaries of any material portion of their respective businesses or to compel them to dispose of a material portion of their businesses, or impose limitations on the ability of Towers Watson to acquire or hold any shares of capital stock of Towers Perrin or Watson Wyatt, including the right to vote such shares.

The other party s representations and warranties in the merger agreement being true and correct, subject to certain materiality standards contained in the merger agreement, and the performance by the other party in all material respects of its obligations under the merger agreement.

The resignations of certain members of Towers Perrin s or Watson Wyatt s board of directors, as the case may be.

The absence of any event since the date of the merger agreement that has had or would reasonably be expected to have a Material Adverse Effect on the other party.

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- The receipt of a tax opinion by each party from their counsel.
- The absence of certain professional liability claims against either Towers Perrin or Watson Wyatt, as the case may be, arising out of or in connection with services or failure to provide services, which action(s) the board of directors of Towers Perrin or Watson Wyatt, as the case may be, determines in good faith has a reasonable likelihood of success and would reasonably be expected to result in a Material Adverse Effect at Towers Perrin or Watson Wyatt, as the case may be.

**Termination**

The merger agreement may be terminated by Towers Perrin or Watson Wyatt at any time prior to the effective time:

- By mutual written consent of Towers Perrin and Watson Wyatt;
- If the merger is not consummated on or before the Outside Date (provided that neither party may terminate the merger agreement if the failure of such party to perform or comply in all material respects with the merger agreement has caused the failure of the merger to be consummated by this date). The Outside Date means 5:00 p.m., New York City time on March 26, 2010 (provided, that the Outside Date may be extended by either party, in its discretion, by three months if the sole remaining closing condition is obtaining requisite regulatory approval, in which case, the Outside Date will mean the extended date).
- If a governmental entity denies a requisite regulatory approval for the merger and such denial is final and nonappealable or if any court of competent jurisdiction or a governmental entity issues a judgment or decree prohibiting the merger and such judgment or decree is final and nonappealable; provided that the party seeking to terminate the merger agreement used its reasonable best efforts to contest and appeal such denial or judgment; or
- If Towers Perrin or Watson Wyatt stockholder approval for adoption of the merger agreement is not obtained (or, if approval of the amendment to Article VI by Towers Perrin shareholders is not obtained) at the respective special stockholders meeting.

The merger agreement may also be terminated by Towers Perrin upon written notice to Watson Wyatt if:

- Watson Wyatt breaches or fails to perform any of its representations, warranties, covenants or agreements in the merger agreement (except for its non-solicitation or shareholder meeting obligations) or any representation or warranty becomes untrue and such breach or failure to be true (1) would, either individually or in the aggregate, result in the failure of any of the conditions precedent applicable to Towers Perrin s obligations to effect the merger if such breach or failure to perform were to occur or to be continuing at the closing of the merger, and (2) cannot be or has not been cured by the Outside Date; provided that Towers Perrin will give Watson Wyatt written notice delivered at least 30 days prior to such termination stating its intent and basis for termination and provided further that Towers Perrin will not have the right to terminate the merger agreement if it is in material breach of its covenants or agreements in the merger agreement; or
- Watson Wyatt s board of directors effects an Adverse Recommendation Change, Watson Wyatt or its board of directors approves any Acquisition Proposal or enters into an agreement related to an Acquisition Proposal, Watson Wyatt s board of directors fails to reaffirm publicly its recommendation of the approval and adoption of the merger agreement within 10 business days after a request to do so by Towers Perrin or within 10 business days after any Acquisition Proposal or material modification of the Acquisition Proposal is first commenced, published, sent or given to Watson Wyatt s stockholders, Watson Wyatt has materially breached any of its non-solicitation or stockholder meeting obligations or Watson Wyatt or its board of directors authorizes or publicly proposes any of the foregoing.

The merger agreement may also be terminated by Watson Wyatt upon written notice to Towers Perrin if:

- Towers Perrin breaches or fails to perform any of its representations, warranties, covenants or agreements in the merger agreement (except for its non-solicitation or shareholder meeting

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obligations) or any representation or warranty becomes untrue and such breach or failure to be true (1) would, either individually or in the aggregate, result in the failure of certain conditions precedent applicable to Watson Wyatt s obligations to effect the merger if such breach or failure to perform were to occur or be continuing at the closing of the merger, and (2) cannot be or has not been cured by the Outside Date; provided that Watson Wyatt will give Towers Perrin written notice delivered at least 30 days prior to such termination, stating its intent and basis for termination; provided further that Watson Wyatt will not have the right to terminate the merger agreement if it is in material breach of its covenants or agreements in the merger agreement; or

Towers Perrin s board of directors effects an Adverse Recommendation Change, Towers Perrin or its board of directors approves any Acquisition Proposal or enters into an agreement related to an Acquisition Proposal, Towers Perrin s board of directors fails to reaffirm publicly its recommendation of the approval and adoption of the merger agreement within 10 business days after a request to do so by Watson Wyatt or within 10 business days after any Acquisition Proposal or material modification of the Acquisition Proposal is first commenced, published, sent or given to Towers Perrin s shareholders, Towers Perrin has materially breached any of its non-solicitation or shareholder meeting obligations or Towers Perrin or its board of directors authorizes or publicly proposes any of the foregoing.

In the event the merger agreement is terminated as described above, the merger agreement will become void and have no effect and neither Watson Wyatt nor Towers Perrin will have any liability under the merger agreement, except that:

Both Towers Perrin and Watson Wyatt will remain liable for any knowing and intentional breach of the merger agreement prior to such termination; and

Designated provisions of the merger agreement will still apply, including those regarding survival of the parties confidentiality agreement and, generally, the payment of termination fees and expenses.

**Termination Fees; Expenses**

Towers Perrin has agreed to pay Watson Wyatt a termination fee in the amount of $65 million less the amount of any expenses previously paid to Watson Wyatt by Towers Perrin in the following two circumstances:

*First Circumstance*

- Ø An Acquisition Proposal or intention to make an Acquisition Proposal is made directly to Towers Perrin s shareholders, otherwise publicly disclosed or communicated to its senior management or board of directors; *and*
- Ø The merger agreement is subsequently terminated by:
  - Towers Perrin or Watson Wyatt because the merger has not been consummated by the Outside Date; or
  - Towers Perrin or Watson Wyatt because the Towers Perrin shareholders did not approve the merger agreement; or
  - Watson Wyatt because Towers Perrin breached or failed to perform any of its representations, warranties, covenants or agreements in the merger agreement (except for its non-solicitation or shareholder meeting obligations) or any representation or warranty became untrue and such breach or failure to be true (1) resulted in, either individually or in the aggregate, the failure of certain conditions precedent applicable to Watson Wyatt s obligations to effect the merger and such breach or failure to perform was occurring or continuing at the closing of the merger, and (2) was not cured by the Outside Date; *and*
- Ø Within 12 months of the termination of the merger agreement, Towers Perrin or any of its subsidiaries entered into a definitive agreement with respect to, or consummated, an Acquisition Proposal.

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*Second Circumstance*

- Ø Watson Wyatt terminates the merger agreement because:
  - The Towers Perrin board of directors effects an Adverse Recommendation Change;
  - Towers Perrin or its board of directors approves any Acquisition Proposal or enters into an alternative acquisition agreement;
  - The Towers Perrin board of directors fails to reaffirm publicly its recommendation of the approval and adoption of the merger agreement within 10 business days after a request to do so by Watson Wyatt or within 10 business days after any Acquisition Proposal or material modification thereto is first commenced, published, sent or given to Towers Perrin s shareholders;
  - Towers Perrin has materially breached any of its non-solicitation or shareholder meeting obligations; *or*
  - Towers Perrin or its board of directors authorizes or publicly proposes any of the foregoing.

Watson Wyatt has agreed to pay Towers Perrin a termination fee in the amount of $65 million less the amount of any expenses previously paid to Towers Perrin by Watson Wyatt in the following two circumstances:

*First Circumstance*

- Ø An Acquisition Proposal or intention to make an Acquisition Proposal is made directly to Watson Wyatt s stockholders, otherwise publicly disclosed or communicated to its senior management or board of directors; *and*
- Ø The merger agreement is thereafter terminated by:
  - Towers Perrin or Watson Wyatt because the merger has not been consummated by the Outside Date; or
  - Towers Perrin or Watson Wyatt because the Watson Wyatt stockholders did not approve the merger agreement; or
  - Towers Perrin because Watson Wyatt breached or failed to perform any of its representations, warranties, covenants or agreements in the merger agreement (except for its non-solicitation or shareholder meeting obligations) or any representation or warranty became untrue and such breach or failure to be true (1) resulted in, either individually or in the aggregate, the failure of certain conditions precedent applicable to Towers Perrin s obligations to effect the merger and such breach or failure to perform was occurring or continuing at the closing of the merger, and (2) was not cured by the Outside Date; *and*
- Ø Within 12 months of the termination of the merger agreement, Watson Wyatt or any of its subsidiaries entered into a definitive agreement with respect to, or consummated, an Acquisition Proposal.

*Second Circumstance*

- Ø Towers Perrin terminates the merger agreement because:
  - The Watson Wyatt board of directors effects an Adverse Recommendation Change;
  - Watson Wyatt or its board of directors approves any Acquisition Proposal or enters into an alternative acquisition agreement;
  - The Watson Wyatt board of directors fails to reaffirm publicly its recommendation of the approval and adoption of the merger agreement within 10 business days after a request to do so by Towers Perrin or within 10 business days after any Acquisition Proposal or material modification thereto is first commenced, published, sent or given to Watson Wyatt s stockholders;
  - Watson Wyatt has materially breached any of its non-solicitation or stockholder meeting obligations; *or*
  - Watson Wyatt or its board of directors authorizes or publicly proposes any of the foregoing.

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For purposes of determining whether the termination fee is payable, the term Acquisition Proposal has the meaning described under The Merger Agreement Covenants and Other Agreements Non-Solicitation on page 127 except that (1) references to 15% shall be replaced by 50% and (2) an initial public offering of common stock shall not constitute an Acquisition Proposal.

In addition, in the event that the merger agreement is terminated for breach or failure to obtain requisite stockholder approval and a termination fee is not payable, the party whose actions or stockholder vote gave rise to the termination will reimburse the other party for all reasonably documented expenses up to a maximum amount of $10 million.

**Amendment**

Towers Perrin and Watson Wyatt may amend the merger agreement by mutual agreement. If the merger agreement has been adopted by a party s stockholders, such party s stockholders must also approve any amendment of the merger agreement if required under applicable law. If the merger agreement is amended in a manner that does not require stockholder approval under applicable law, Towers Perrin will notify its shareholders of the amendment by email or another means of appropriate communication, and Watson Wyatt will notify its stockholders of the amendment through one or more press releases and/or reports filed with the SEC disclosing the amendment. See Additional Information Where You Can Find More Information for information on how to access Watson Wyatt s filings with the SEC.

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## MATERIAL INCOME TAX CONSIDERATIONS

### Material U.S. Federal Income Tax Considerations

The following discussion is a summary of certain material U.S. federal income tax consequences of the merger to Towers Perrin shareholders and Watson Wyatt stockholders (for purposes of this section only, each of these holders is referred to in this section as a stockholder ) that are U.S. Holders (as defined below). This summary is based on the Code, existing and proposed Treasury regulations, administrative pronouncements of the IRS and judicial decisions, all as currently in effect, and all of which are subject to change and to different interpretations. Changes to any of the foregoing authorities can apply on a retroactive basis in some circumstances, possibly in a manner that affects the discussion of U.S. federal income tax consequences below.

This summary is intended for general information purposes, and, except as expressly set forth below, only addresses material U.S. federal income tax consequences applicable to U.S. Holders that hold their Towers Perrin shares or Watson Wyatt shares as capital assets within the meaning of Code Section 1221. This summary does not purport to address all of the U.S. federal income tax considerations that may be relevant to the particular circumstances of a U.S. Holder, including those U.S. Holders who are subject to special tax rules (including, for example, financial institutions, dealers in securities, traders in securities that elect mark-to-market treatment, insurance companies, mutual funds, tax-exempt organizations, partnerships or other flow-through entities and their partners or members, U.S. expatriates, holders whose functional currency is not the U.S. dollar, and holders who hold their shares as part of a hedge, straddle, constructive sale or conversion transaction). Nor does this summary discuss any tax consequences that may arise under the alternative minimum tax or under state, local or foreign tax laws, and does not describe any aspect of U.S. federal tax law other than income taxation.

**Non-U.S. Holders and U.S. Holders who may be subject to taxes other than U.S. federal income taxes should consult their own tax advisors regarding the imposition of any such taxes as a result of the merger. An individual stockholder that is not a U.S. Holder but who performs services, in whole or in part, within the United States should consult his or her own tax advisor regarding the U.S. federal income tax consequences of the transactions described herein.**

Pursuant to the merger agreement, holders of Towers Perrin common stock may receive additional shares of Towers Watson Class A common stock if shares of Towers Watson restricted Class A common stock are forfeited. The right to receive additional Towers Watson Class A common stock is represented by shares of Towers Watson Class F stock. Because shares of Towers Watson Class F stock entitle a holder to receive solely additional shares of Towers Watson Class A common stock in certain specified circumstances and only following the third anniversary of the merger, and do not provide the holder with current economic rights associated with ownership of stock, it is expected that the Towers Watson Class F stock will not be considered stock for U.S. federal income tax purposes. The remainder of this discussion assumes that the Towers Watson Class F stock is not treated as stock for U.S. federal income tax purposes and, for purposes of this discussion, we reference the right represented by the Towers Watson Class F stock as a right to receive contingent consideration and refer to the additional shares of Towers Watson Class A common stock that may be received in exchange for Towers Watson Class F stock as the contingent consideration . If the Towers Watson Class F stock is treated as stock for U.S. federal income tax purposes, the tax consequences could be different from those described below.

As used in this discussion, a U.S. Holder is any stockholder that is an individual who is a citizen or resident of the United States; a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States, any state thereof, or the District of Columbia; an estate, the income of which is subject to U.S. federal income tax regardless of its source; or a trust if (1) 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 (2) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person. A Non-U.S. Holder is a stockholder that is not a U.S. Holder .

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The obligation of Watson Wyatt to complete the Watson Wyatt merger is conditioned upon the receipt by Watson Wyatt of an opinion of Gibson Dunn, counsel to Watson Wyatt, dated as of the closing date of the merger, that the Watson Wyatt merger will be treated for U.S. federal income tax purposes as a transfer of property to Towers Watson by the holders of Watson Wyatt Class A common stock, as described in Section 351(a) or Section 351(b) of the Code or a reorganization within the meaning of Section 368(a) of the Code, or both. Similarly, the obligation of Towers Perrin to complete the Towers Perrin merger is conditioned upon the receipt by Towers Perrin of an opinion of Milbank, counsel to Towers Perrin, dated as of the closing date of the merger, that the Towers Perrin merger will be treated for U.S. federal income tax purposes as a transfer of property to Towers Watson by the holders of Towers Perrin common stock, as described in Section 351(a) or Section 351(b) of the Code or a reorganization within the meaning of Section 368(a) of the Code, or both.

The opinions referenced in the preceding paragraph will be based upon the Code, applicable U.S. Treasury regulations, judicial authority, and administrative rulings and practice, all as of the date the opinions are issued, and all of which are subject to change, possibly with retroactive effect. Any change could alter the conclusions reached by counsel in these opinions. In addition, these opinions will be based on:

- Customary factual representations made by Towers Perrin and Watson Wyatt, including representations as to (1) the nature and value of the securities and other consideration to be exchanged in the merger, and (2) issuances, acquisitions, dispositions and redemptions involving the shares of Towers Watson, Towers Perrin and Watson Wyatt before or after the merger.
- Customary factual assumptions set forth in these opinions, including assumptions that (1) the descriptions of the merger, representations and statements set forth in the merger agreement, this document and accompanying Annexes are accurate, and that the merger will in fact occur as described in those documents without modification, and that all conditions set forth in those documents will be satisfied in full without waiver, (2) any representation or statement that is anticipated to be true, is made to the knowledge , or is similarly qualified is in fact correct, and (3) where a representation states that a person is not a party to, does not have, or is not aware of any plan, intention, understanding or agreement, there is in fact no such plan, intention, understanding or agreement.

Any inaccuracy in the representations and assumptions upon which these opinions are based could alter the conclusions reached by counsel in these opinions. An opinion of counsel represents counsel s best legal judgment and is not binding on the IRS or any court. None of Towers Watson, Towers Perrin or Watson Wyatt has requested a ruling from the IRS as to the tax consequences of the merger. Therefore, there can be no assurance that the IRS or a court will agree with the conclusions of counsel in these opinions or in this document. In addition, in connection with the filing of the Registration Statement of which this joint proxy statement/prospectus is a part, Towers Perrin and Watson Wyatt have received the legal opinions filed as Exhibit 8.1 and Exhibit 8.2, respectively, to the same effect as the opinions described above concerning the treatment of each of the relevant transactions as a transfer of property described in Section 351(a) or 351(b) of the Code. The following summary assumes that the Watson Wyatt merger and the Towers Perrin merger will each be treated as a transfer of property described in Section 351(a) or Section 351(b) of the Code or a reorganization within the meaning of Section 368(a) of the Code, or both.

Except in the case of a U.S. Holder who makes a Class R election and a person receiving Towers Watson restricted Class A common stock, this summary generally assumes that none of the Towers Watson shares received in the merger will constitute compensation income for U.S. federal income tax purposes. See Material Income Tax Considerations Consequences of the Merger to U.S. Holders of Towers Perrin Shares Potential Alternative Tax Characterization for Towers Perrin Shares Issued in Connection with the Performance of Services .

**Consequences of the Merger to U.S. Holders of Watson Wyatt Shares**

A U.S. Holder of Watson Wyatt shares will not recognize any gain or loss in connection with the exchange of such shares for shares of Towers Watson Class A common stock pursuant to the Watson Wyatt

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merger. A U.S. Holder s aggregate tax basis in the shares of Towers Watson Class A common stock received pursuant to the Watson Wyatt merger will equal the holder s aggregate tax basis in its Watson Wyatt shares surrendered in the Watson Wyatt merger. A U.S. Holder s holding period for the shares of Towers Watson Class A common stock received pursuant to the Watson Wyatt merger will include the period(s) during which such holder held its Watson Wyatt shares.

**Consequences of the Merger to U.S. Holders of Towers Perrin Shares**

***Consequences to a U.S. Holder other than a Class R Participant Who Makes a Class R Election and a U.S. Holder Who Makes a Class S Election***

A U.S. Holder of Towers Perrin shares, other than a Class R Participant who makes a valid Class R election and a U.S. Holder who makes a valid Class S election, generally will not recognize gain or loss in connection with the exchange of such shares for shares of Towers Watson stock pursuant to the Towers Perrin merger, except with respect to any portion of the contingent consideration treated as imputed interest (as described below under Material U.S. Federal Income Tax Consequences Consequences of the Merger to U.S. Holders of Towers Perrin Shares Portion of Contingent Consideration Treated as Imputed Interest ).

A U.S. Holder s aggregate tax basis in his or her Towers Perrin shares must be allocated to the shares of Towers Watson received in the Towers Perrin merger and to any shares of Towers Watson that may be received as contingent consideration. Until the final number of Towers Watson shares, if any, to be received as contingent consideration is determined, a holder will have a temporary estimated tax basis in the shares of Towers Watson received at the effective time. In general, this temporary basis will be equal to a holder s aggregate adjusted basis in his or her Towers Perrin shares multiplied by a fraction, the numerator of which is the number of shares of Towers Watson received at the effective time and the denominator of which is the maximum number of shares of Towers Watson that may be received by a holder in exchange for its Towers Perrin shares. Upon receipt of the contingent consideration (or a determination that no contingent consideration is payable), the holder s adjusted basis in its Towers Perrin shares will be reallocated among all shares of Towers Watson actually received. In addition, the basis of any shares of Towers Watson received as contingent consideration will be increased by the portion of value of any such shares that is treated as imputed interest, as described below. The maximum number of shares of Towers Watson that may be received by a holder in exchange for its Towers Perrin shares includes the maximum number of contingent shares that such holder may receive.

As a result of the basis allocation rules described in the preceding paragraph, if a U.S. Holder sells shares of Towers Watson received in the Towers Perrin merger prior to the time the final number of Towers Watson shares to be received by such holder has been determined, such holder may recognize more gain (or less loss) for U.S. federal income tax purposes than would be the case if such holder had sold the shares of Towers Watson after such time. U.S. Holders who plan such a sale should consult their tax advisors regarding the determination of gain or loss on such sale and the determination of tax basis in their shares of Towers Watson.

The holding period(s) of the shares of Towers Watson received at the effective time will include the holding period(s) of the Towers Perrin shares exchanged in the merger. The holding period for Towers Watson shares, if any, received as contingent consideration, will be split. The holding period for any portion of such share that is treated as imputed interest (as discussed below) will commence on the date after the contingent consideration is received and the holding period for the remaining portion of such share will include the holding period for the Towers Perrin shares exchanged in the merger.

***Consequences to U.S. Holders Who Make a Class R Election or a Class S Election***

A U.S. Holder who receives consideration in the Towers Perrin merger consisting of a combination of shares of Towers Watson (including contingent shares as described above), cash and, in some cases, Towers Watson Notes will recognize gain, but not loss, on the exchange. The amount of gain recognized will equal the lesser of (1) the amount of cash and the fair market value of Towers Watson Notes received and (2) the gain realized (excluding cash and Towers Watson Notes treated as ordinary compensation income to a Class R Participant as described below). The gain realized will be the excess of (1) the sum of the fair market value of Towers Watson shares, the amount of cash and the fair market value of Towers Watson Notes received in the Towers Perrin merger (excluding consideration that is treated as ordinary compensation income to a Class R Participant as described below) over (2) the holder s tax basis in his or her Towers Perrin shares surrendered in the Towers Perrin merger. For this purpose, a holder must calculate gain or loss separately for each identifiable block of Towers Perrin shares that is exchanged in the merger, and the holder may not offset a loss recognized on one block of the shares against gain recognized on another block of the shares. Under most circumstances, a holder s gain will be capital gain and will be long-term capital gain if the holder has held the relevant Towers Perrin shares for more than one year. However, if the Towers Perrin merger is treated as a reorganization, for certain holders, including certain holders who actually or constructively own Watson Wyatt shares or who constructively own Towers Perrin shares under certain attribution rules under the Code, such gain might be treated as dividend income. U.S. Holders should consult their tax advisors regarding whether any gain they recognize will be capital gain or dividend income to them. U.S. Holders should also consult their tax advisors regarding the possibility of reporting the receipt of Towers Watson Notes and the value of any contingent share consideration (as described above) under the installment method for reporting gain. See Material Income Tax Considerations Consequences of the Merger to U.S. Holders of Towers Perrin Shares Installment Sale Treatment for a discussion of the installment method.

The aggregate tax basis of the Towers Watson shares received by a U.S. Holder who exchanges his or her Towers Perrin shares for a combination of Towers Watson shares, cash and Towers Watson Notes (other than any Towers Watson shares treated as ordinary compensation income to a Class R Participant as described below) will be equal to the aggregate adjusted tax basis of the Towers Perrin shares exchanged in the merger, reduced by the amount of cash and fair market value of Towers Watson Notes received by the holder and increased by the amount of gain, if any, recognized by the holder on the exchange. That aggregate tax basis must be allocated among the Towers Watson shares received at the effective time (other than any Towers Watson shares treated as ordinary compensation income to a Class R Participant as described below) and to any shares of Towers Watson that may be received as contingent consideration. Until the final number of Towers Watson shares, if any, to be received as contingent consideration is determined, a holder will have a temporary estimated tax basis in the shares of Towers Watson received at the effective time. In general, this temporary basis will be equal to a holder s aggregate adjusted basis as calculated in the first sentence of this paragraph multiplied by a fraction, the numerator of which is the number of shares of Towers Watson received at the effective time and the denominator of which is the maximum number of shares of Towers Watson that may be received by a holder in exchange for its Towers Perrin shares. Upon receipt of the contingent consideration (or a determination that no contingent consideration is payable), the holder s adjusted basis in his or her Towers Perrin shares will be reallocated among all the shares of Towers Watson actually received. In addition, the basis of any shares of Towers Watson received as contingent consideration will be increased by the portion of the value of any such shares that is treated as imputed interest, as described below.

As a result of the basis allocation rules described in the preceding paragraph, if a U.S. Holder sells shares of Towers Watson received in the Towers Perrin merger prior to the time the final number of Towers Watson shares to be received by such holder has been determined, such holder may recognize more gain (or less loss) for U.S. federal income tax purposes than would be the case if such holder had sold the shares of Towers Watson after such time. Holders who plan such a sale should consult their tax advisors regarding the determination of gain or loss on such sale and the determination of tax basis in their shares of Towers Watson.

The holding period(s) of the shares of Towers Watson received at the effective time will include the holding period(s) of the Towers Perrin shares exchanged in the merger. The holding period for Towers Watson shares, if any, received as contingent consideration will be split. The holding period for any portion of such a share that is treated as imputed interest (as discussed below) will commence on the date after the contingent consideration is received and the holding period for the remaining portion of such a share will include the holding period for the shares of Towers Perrin exchanged.

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*Ordinary Income Component of Class R Election Merger Consideration*

Towers Perrin and Watson Wyatt have determined that a portion of the merger consideration (the Ordinary Income Portion ) received by a Class R Participant should be treated as ordinary compensation income to that Class R Participant. The Ordinary Income Portion will be subject to a higher federal income tax rate than would apply to capital gains and will be subject to applicable wage withholding taxes. The amount treated as ordinary compensation income will be determined based on the difference in value between the merger consideration that will be received by a Class R Participant (i.e., cash, notes and Towers Watson Class B-1 common stock, if applicable) and the merger consideration that will be received by a Towers Perrin shareholder who does not make a valid Class R election. Towers Perrin will pay, or cause Towers Watson to pay, a Class R Participant an additional amount in cash (the Additional Compensation ) to help compensate such individual for some of the increased taxes payable as a result of any merger consideration being treated as ordinary compensation income. The amount of the Additional Compensation will also be treated as ordinary compensation income and, together with the Ordinary Income Portion, will be reported as such for U.S. federal income tax purposes and will be subject to employment and wage withholding taxes. The amount of Additional Compensation paid to a Class R Participant who is a U.S. Person will be based on a formula designed with the intention that the calculated amount of the Additional Compensation will help compensate the individual for his or her incremental increase in federal income tax liability as well as the employee s share of Medicare Hospital Insurance (Medicare) taxes payable in connection with any such ordinary income, in each case as determined by Towers Perrin. The amount of the Additional Compensation will be calculated assuming that the Class R Participant is subject to the maximum marginal income tax rate applicable to individuals, currently 35%, on ordinary income received. However, individuals will not receive additional amounts to compensate them for incremental state, local, foreign or social security taxes.

With respect to certain individuals, the total taxes required by law to be withheld at the applicable withholding rates may exceed the Additional Compensation payable to the individual. In that case, Towers Perrin will withhold a portion of the Class R Participant s cash merger consideration to satisfy the withholding obligation. This will cause such a Class R Participant to receive cash consideration in the Towers Perrin merger that is less than the individual s pro rata share of the cash consideration payable to all Class R Participants in the Towers Perrin Merger. However, any such reduction will be treated as a prepayment of the individual s federal, state and local income taxes for the year in which the Towers Perrin merger closes. A holder s tax basis in any Towers Watson shares (or portion thereof) received as ordinary compensation income will equal the fair market value of such shares as of the effective date of the Towers Perrin merger and the holder s holding period for any such shares will begin on the day after the effective date.

**The IRS may challenge Towers Perrin and Watson Wyatt s determination of the amount of consideration, if any, that should be treated as ordinary compensation income, in which case a Class R Participant may be subject to increased taxes. U.S. Holders who are considering making a Class R election should contact their tax advisors concerning the treatment of any portion of their merger consideration as ordinary compensation income.**

*Holding and Disposition of Towers Watson Notes*

A U.S. Holder who makes a valid Class R election and receives Towers Watson Notes in the Towers Perrin merger will g