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

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**FORM 10-Q**

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

For the quarterly period ended September 30, 2011

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-33220

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**BROADRIDGE FINANCIAL SOLUTIONS, INC.**

(Exact Name of Registrant as Specified in Its Charter)

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**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**33-1151291**  
(I.R.S. Employer  
Identification No.)

**1981 Marcus Avenue**  
**Lake Success, NY**  
(Address of principal executive offices)

**11042**  
(Zip Code)

**Registrant's telephone number, including area code (516) 472-5400**

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer" "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer

Accelerated filer

Non-accelerated filer  (do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding of the registrant's common stock, \$0.01 par value, as of October 28, 2011 was 124,114,673.

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**PART I. FINANCIAL INFORMATION**

**Item 1. FINANCIAL STATEMENTS**

**Broadridge Financial Solutions, Inc.**

**Condensed Consolidated Statements of Earnings  
(In millions, except per share amounts)  
(Unaudited)**

	<b>Three Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
Revenues	\$ 476.4	\$ 421.4
Cost of revenues	382.8	336.6
Selling, general and administrative expenses	64.7	61.5
Other expenses, net	2.7	2.4
Total expenses	<u>450.2</u>	<u>400.5</u>
Earnings from continuing operations before income taxes	26.2	20.9
Provision for income taxes	9.5	7.6
Net earnings from continuing operations	16.7	13.3
Loss from discontinued operations, net of tax benefit	—	—
Net earnings	<u>\$ 16.7</u>	<u>\$ 13.3</u>
Basic earnings per share:		
Basic earnings per share from continuing operations	\$ 0.14	\$ 0.11
Basic earnings per share from discontinued operations	—	—
Basic earnings per share	<u>\$ 0.14</u>	<u>\$ 0.11</u>
Diluted earnings per share:		
Diluted earnings per share from continuing operations	\$ 0.13	\$ 0.10
Diluted earnings per share from discontinued operations	—	—
Diluted earnings per share	<u>\$ 0.13</u>	<u>\$ 0.10</u>
Weighted-average shares outstanding:		
Basic	123.7	126.5
Diluted	126.7	129.6
Dividends declared per common share	\$ 0.16	\$ 0.15

See Notes to Condensed Consolidated Financial Statements.

**Broadridge Financial Solutions, Inc.**

**Condensed Consolidated Balance Sheets**  
(In millions, except per share amounts)  
(Unaudited)

	September 30, 2011	June 30, 2011
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 252.8	\$ 241.5
Accounts receivable, net of allowance for doubtful accounts of \$2.0 and \$2.0, respectively	328.5	406.6
Other current assets	104.0	103.3
Total current assets	685.3	751.4
Property, plant and equipment, net	78.9	83.1
Other non-current assets	204.7	186.7
Goodwill	793.1	735.6
Intangible assets, net	165.2	147.2
Total assets	<u>\$ 1,927.2</u>	<u>\$1,904.0</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 93.5	\$ 119.0
Accrued expenses and other current liabilities	171.0	230.3
Deferred revenues	29.1	33.4
Short-term borrowings	—	400.0
Total current liabilities	293.6	782.7
Long-term debt	614.3	124.3
Deferred taxes	68.0	71.3
Other non-current liabilities	98.7	81.1
Deferred revenues	60.1	47.3
Total liabilities	<u>1,134.7</u>	<u>1,106.7</u>
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock: Authorized, 25.0 shares; issued and outstanding, none	—	—
Common stock, \$0.01 par value: Authorized, 650.0 shares; issued, 149.9 and 149.6 shares, respectively; outstanding, 123.6 and 123.7 shares, respectively	1.5	1.5
Additional paid-in capital	678.5	667.4
Retained earnings	639.1	642.2
Treasury stock—at cost, 26.3 and 25.9 shares, respectively	(538.3)	(529.9)
Accumulated other comprehensive income	11.7	16.1
Total stockholders' equity	<u>792.5</u>	<u>797.3</u>
Total liabilities and stockholders' equity	<u>\$ 1,927.2</u>	<u>\$1,904.0</u>

See Notes to Condensed Consolidated Financial Statements.

**Broadridge Financial Solutions, Inc.**

**Condensed Consolidated Statements of Cash Flows**  
(In millions)  
(Unaudited)

	Three Months Ended September 30,	
	2011	2010
<b>Cash Flows From Operating Activities</b>		
Net earnings	\$ 16.7	\$ 13.3
Adjustments to reconcile Net earnings to Net cash flows provided by (used in) operating activities:		
Depreciation and amortization	11.2	10.1
Amortization of acquired intangibles	5.2	1.9
Amortization of other assets	4.3	3.6
Deferred income taxes	(4.4)	(1.1)
Stock-based compensation expense	5.5	6.2
Excess tax benefits from the issuance of stock-based compensation awards	(0.1)	—
Other	(1.1)	1.6
Changes in operating assets and liabilities:		
Current assets and liabilities:		
Decrease in Accounts receivable, net	82.9	64.5
Decrease (Increase) in Other current assets	7.3	(9.3)
Decrease in Accounts payable	(26.1)	(21.7)
Decrease in Accrued expenses and other current liabilities	(65.2)	(83.8)
Decrease in Deferred revenues	(11.0)	(12.0)
Non-current assets and liabilities:		
Increase in Other non-current assets	(12.9)	(9.2)
Increase in Other non-current liabilities	11.0	11.4
Net cash flows provided by (used in) operating activities of continuing operations	<u>23.3</u>	<u>(24.5)</u>
<b>Cash Flows From Investing Activities</b>		
Capital expenditures	(4.1)	(6.3)
Purchases of intangibles	(2.5)	(0.8)
Acquisitions, net of cash acquired	(72.7)	(77.4)
Net cash flows used in investing activities of continuing operations	<u>(79.3)</u>	<u>(84.5)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from issuance of Long-term debt	490.0	—
Payment on Short-term borrowings	(400.0)	—
Dividends paid	(18.5)	(18.8)
Proceeds from exercise of stock options	7.3	4.0
Purchases of Treasury stock	(9.8)	(115.3)
Other financing transactions	0.3	(0.1)
Excess tax benefits from the issuance of stock-based compensation awards	0.1	—
Cost related to issuance of Long-term debt	(2.5)	—
Net cash flows provided by (used in) financing activities of continuing operations	<u>66.9</u>	<u>(130.2)</u>
Cash flows from discontinued operations:		
Cash flows provided by operating activities	—	11.5
Cash flows used in financing activities	—	(7.2)
Net cash provided by discontinued operations	<u>—</u>	<u>4.3</u>
Effect of exchange rate changes on Cash and cash equivalents	0.4	3.0
Net change in Cash and cash equivalents	11.3	(231.9)
Cash and cash equivalents, beginning of period	241.5	412.6
Cash and cash equivalents of discontinued operations, beginning of period	—	—
Cash and cash equivalents, end of period	<u>252.8</u>	<u>180.7</u>
Less Cash and cash equivalents from discontinued operations, end of period	—	—
Cash and cash equivalents of continuing operations, end of period	<u>\$ 252.8</u>	<u>\$ 180.7</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash payments made for interest	\$ 0.7	\$ 0.5
Cash payments made for income taxes	\$ 33.0	\$ 14.3

Non-cash investing and financing activities:

Dividends payable	\$ 1.3	\$ —
Property, plant and equipment	\$ 0.3	\$ 1.2

See Notes to Condensed Consolidated Financial Statements.

## Broadridge Financial Solutions, Inc.

### Notes to Condensed Consolidated Financial Statements (Tabular dollars in millions, except per share amounts) (Unaudited)

#### NOTE 1. BASIS OF PRESENTATION

**A. Description of Business.** Broadridge Financial Solutions, Inc. (“Broadridge®” or the “Company”), a Delaware corporation, is a leading global provider of investor communication solutions, and securities processing and operations outsourcing solutions to the financial services industry. The Company classifies its continuing operations into the following two reportable segments:

- **Investor Communication Solutions**—A large portion of Broadridge’s Investor Communication Solutions business involves the processing and distribution of proxy materials to investors in equity securities and mutual funds, as well as the facilitation of related vote processing. ProxyEdge®, its innovative electronic proxy delivery and voting solution for institutional investors, helps ensure the participation of the largest stockholders of many companies. Broadridge also provides the distribution of regulatory reports and corporate action/reorganization event information, as well as tax reporting solutions that help its clients meet their regulatory compliance needs. In addition, Broadridge provides financial information distribution and transaction reporting services to both financial institutions and securities issuers. These services include the processing and distribution of account statements and trade confirmations, traditional and personalized document fulfillment and content management services, marketing communications, and imaging, archival and workflow solutions that enable and enhance its clients’ communications with investors. All of these communications are delivered in paper or electronic form. In fiscal year 2009, Broadridge introduced several new investor communication solutions. They are The Investor Network, Shareholder Forum and Virtual Shareholder Meeting solutions, and our data aggregation and data management solutions. In fiscal year 2010, Broadridge entered the transfer agency business through its acquisition of StockTrans®, Inc. (recently renamed Broadridge Corporate Issuer Solutions, Inc.), a leading provider of registrar, stock transfer and record-keeping services. In August 2010, Broadridge acquired NewRiver®, Inc., a leader in mutual fund electronic investor disclosure solutions. In December 2010, Broadridge acquired Forefield®, Inc., a leading provider of real-time sales, education, and client communication solutions for financial institutions and their advisors. In January 2011, Broadridge acquired Matrix Financial Solutions, Inc., an independent provider of mutual fund processing solutions for the defined contribution market.
- **Securities Processing Solutions**—Broadridge offers a suite of advanced computerized real-time transaction processing services that automate the securities transaction lifecycle, from desktop productivity tools, data aggregation, performance reporting, and portfolio management to order capture and execution, trade confirmation, settlement, and accounting. Broadridge’s services help financial institutions efficiently and cost-effectively consolidate their books and records, gather and service assets under management, focus on their core businesses, and manage risk. With multi-currency capabilities, its Global Processing Solution supports real-time global trading of equity, option, mutual fund and fixed income securities in established and emerging markets. In addition, its operations outsourcing solutions allow broker-dealers to outsource certain administrative functions relating to clearing and settlement, from order entry to trade matching and settlement, while maintaining their ability to finance and capitalize their businesses. In September 2011, Broadridge acquired Paladyne Systems, Inc., a provider of buy-side technology solutions for the global investment management industry.

**B. Basis of Presentation.** The Condensed Consolidated Financial Statements have been prepared in accordance with United States (“U.S.”) generally accepted accounting principles (“GAAP”). These financial statements present the condensed consolidated position of the Company. These financial statements include the entities in which the Company directly or indirectly has a controlling financial interest and various entities in which the Company has investments recorded under both the cost and equity methods of accounting. All material intercompany balances and transactions have been eliminated. The results of operations reported for interim periods are not necessarily indicative of the results of operations for the entire year or any subsequent interim period. These condensed consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2011 (the “2011 Annual Report”) filed on August 12, 2011 with the Securities and Exchange Commission (the “SEC”). These Condensed Consolidated Financial Statements include all normal and recurring adjustments necessary for a fair presentation in accordance with U.S. GAAP of the Company’s financial position at September 30, 2011 and June 30, 2011, the results of its operations for the three months ended September 30, 2011 and 2010 and its cash flows for the three months ended September 30, 2011 and 2010.

**C. Cash and Cash Equivalents.** Investment securities with an original maturity of 90 days or less are considered cash equivalents.

**D. Financial Instruments.** Substantially all of the financial instruments of the Company other than Long-term debt are carried at fair values, or at carrying amounts that approximate fair values because of the short maturity of the instruments. The carrying value of the Company’s long-term variable-rate term loan facility approximates fair value because these instruments reflect market changes

to interest rates. The carrying value of the Company's long-term fixed-rate senior notes represents the face value of the long-term fixed-rate senior notes net of the unamortized discount. The fair value of the Company's long-term fixed-rate senior notes is based on quoted market prices. See Note 10, "Borrowings," for a further discussion of the Company's long-term fixed-rate senior notes.

**E. Subsequent Events.** In preparing the accompanying Condensed Consolidated Financial Statements, in accordance with Accounting Standards Codification Topic ("ASC") No. 855, "Subsequent Events," the Company has reviewed events that have occurred after September 30, 2011, through the date of issuance of the Consolidated Financial Statements. See Note 7. "Discontinued Operations," for a discussion of an amendment to the outsourcing services agreement that the Company entered into with Penson Worldwide Inc. ("PWT") in October 2011.

## NOTE 2. NEW ACCOUNTING PRONOUNCEMENTS

In June 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-05, "Comprehensive Income (ASC Topic 220): Presentation of Comprehensive Income," ("ASU No. 2011-05") which amends current comprehensive income guidance. This accounting update eliminates the option to present the components of other comprehensive income as part of the statement of stockholders' equity. Instead, the Company must report comprehensive income in either a single continuous statement of comprehensive income which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. ASU 2011-05 will be effective for public companies during the interim and annual periods beginning after December 15, 2011 with early adoption permitted. The Company does not expect that the adoption of ASU 2011-05 will have an impact on our consolidated results of operations, financial condition or cash flows as it only requires a change in the format of our current presentation.

In December 2010, the FASB issued ASU No. 2010-29, "Disclosure of Supplementary Pro Forma Information for Business Combinations." This standard requires an entity to disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. ASU No. 2010-29 is effective prospectively for business combinations that occur on or after the beginning of the first annual reporting period beginning after December 15, 2010. The Company does not expect that the adoption of ASU No. 2010-29 will have an impact on our consolidated results of operations, financial condition or cash flows.

In October 2009, the FASB issued ASU No. 2009-13, "Multiple-Deliverable Revenue Arrangements a consensus of the FASB Emerging Issues Task Force," an amendment of ASC No. 605-25, "Revenue Recognition" (formerly EITF Issue No. 08-01, "Revenue Arrangements with Multiple Deliverables"). This standard provides principles for allocation of consideration among its multiple elements, allowing more flexibility in identifying and accounting for separate deliverables under an arrangement. The ASU introduces an estimated selling price method for valuing the elements of a bundled arrangement if vendor-specific objective evidence or third-party evidence of selling price is not available, and significantly expands related disclosure requirements. It is effective on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. ASU No. 2009-13 became effective for the Company in the first fiscal quarter of fiscal year 2011 and did not have a material impact on the Company's results of operations, cash flows or financial condition.

## NOTE 3. EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the Company's Net earnings by the basic Weighted-average shares outstanding for the periods presented.

Diluted EPS reflects the potential dilution that could occur if outstanding stock options at the presented date are exercised and shares of restricted stock units have vested.

For the three months ended September 30, 2011 and 2010, the computation of diluted EPS did not include 2.6 million and 4.8 million options to purchase Broadridge common stock, respectively, as the effect of their inclusion would have been anti-dilutive.

The following table sets forth the denominators of the basic and diluted EPS computations:

	Three Months Ended September 30,	
	2011	2010
	(in millions)	
Weighted-average shares outstanding:		
Basic	123.7	126.5
Common stock equivalents	3.0	3.1
Diluted	<u>126.7</u>	<u>129.6</u>

#### NOTE 4. OTHER EXPENSES, NET

Other (income) expenses, net consisted of the following:

	Three Months Ended September 30,	
	2011	2010
	(\$ in millions)	
Interest expense on borrowings	\$ 2.6	\$ 2.4
Interest income	(0.5)	(0.4)
Foreign currency exchange loss	0.5	0.3
Other, net	0.1	0.1
Other expenses, net	<u>\$ 2.7</u>	<u>\$ 2.4</u>

#### NOTE 5. ACQUISITIONS

Assets acquired and liabilities assumed in business combinations were recorded on the Company's Consolidated Balance Sheets as of the respective acquisition dates based upon their estimated fair values at such dates. The results of operations of businesses acquired by the Company were included in the Company's Consolidated Statements of Earnings since their respective dates of acquisition. The excess of the purchase price over the estimated fair values of the underlying assets acquired and liabilities assumed was allocated to Goodwill.

During the three months ended September 30, 2011, the Company acquired one business in the Securities Processing Solutions segment:

##### *Paladyne Systems, Inc.*

In September 2011, the Company acquired Paladyne Systems, Inc. ("Paladyne"), a provider of buy-side technology solutions for the global investment management industry. The purchase price was \$72.7 million, net of cash acquired of \$7.9 million. This acquisition resulted in \$63.4 million of goodwill. Intangible assets acquired, which totaled \$23.9 million, consist primarily of acquired software technology and customer relationships, which are being amortized over a seven-year life and ten-year life, respectively. This acquisition was not material to the Company's operations, financial position, or cash flows.

#### NOTE 6. FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting guidance on fair value measurements for certain financial assets and liabilities requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1 Inputs that are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In valuing assets and liabilities, the Company is required to maximize the use of quoted market prices and minimize the use of unobservable inputs. The Company calculates the fair value of our Level 1 and Level 2 instruments based on the exchange traded price of similar or identical instruments where available or based on other observable instruments. These calculations take into consideration the credit risk of both the Company and our counterparties. The Company has not changed its valuation techniques in measuring the fair value of any financial assets and liabilities during the period.

The following table sets forth the Company's financial assets and liabilities at September 30, 2011 that are measured at fair value on a recurring basis during the period, segregated by level within the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	(\$ in millions)			
<b>Assets</b>				
Cash and cash equivalents:				
Money market funds	\$154.4	\$ —	\$ —	\$154.4
Other current assets:				
Available-for-sale equity securities	2.0	—	—	2.0
Other non-current assets:				
Available-for-sale equity securities	10.3	—	—	10.3
<b>Total</b>	<u>\$166.7</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$166.7</u>

The following table sets forth the Company's financial assets and liabilities at June 30, 2011 that are measured at fair value on a recurring basis during the period, segregated by level within the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	(\$ in millions)			
<b>Assets</b>				
Cash and cash equivalents:				
Money market funds	\$150.4	\$ —	\$ —	\$150.4
Other current assets:				
Available-for-sale equity securities	2.0	—	—	2.0
Other non-current assets:				
Available-for-sale equity securities	14.0	—	—	14.0
<b>Total</b>	<u>\$166.4</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$166.4</u>

#### **NOTE 7. DISCONTINUED OPERATIONS**

In November 2009, the Company and Ridge Clearing & Outsourcing Solutions, Inc. ("Ridge") entered into an asset purchase agreement (the "Asset Purchase Agreement") with PWI and Penson Financial Services, Inc., a wholly owned subsidiary of PWI ("PFSI"), to sell substantially all contracts of the securities clearing clients of Ridge to PFSI.

On June 25, 2010, the Company completed the sale of the contracts of substantially all of the securities clearing clients of Ridge to PFSI, for an aggregate purchase price of \$35.2 million. The purchase price paid to Broadridge consists of (i) a five-year subordinated note from PWI (the "Seller Note") in the principal amount of \$20.6 million bearing interest at an annual rate equal to the London Inter-Bank Offer Rate ("LIBOR") plus 550 basis points, and (ii) 2,455,627 shares of PWI's common stock (representing 9.5% of PWI's outstanding common stock as of May 31, 2010), at the June 25, 2010 closing price of PWI's common stock of \$5.95 per share. The Company will discontinue its securities clearing services business but will continue to provide operations outsourcing solutions aligned with the Securities Processing Solutions business.

Concurrent with entering into the Asset Purchase Agreement, we entered into a master services agreement with PWI (the "Outsourcing Services Agreement"). Under the Outsourcing Services Agreement, Ridge provides securities processing and back-office support services to PFSI, including services for the clients acquired from Ridge. On October 11, 2011, Broadridge entered into an amendment agreement with PWI (the "Amendment Agreement") to expand the scope of outsourcing support services that Ridge provides to PWI under the Outsourcing Services Agreement. The expanded services are expected to result in additional annual revenues to Broadridge of \$8.0 million over the remaining ten year term of the Outsourcing Services Agreement. We expect to commence providing the expanded services to PWI at various dates beginning on February 1, 2012, and expect these services to be completely transitioned by July 1, 2013. Under the Amendment Agreement, in October 2011, Broadridge provided PWI with \$7.0 million in consideration of the additional services and other amendments contemplated by the Amendment Agreement, and to defray the costs of PWI associated with the conversion to the Broadridge platform. To the extent that the expanded services provide less than \$8.0 million of annualized fees to Broadridge by July 1, 2013, PWI will be obligated to pay Broadridge an amount equal to the shortfall of such fees below \$7.0 million by August 1, 2013. In addition, on October 11, 2011, PWI and Broadridge entered into an Amended and Restated Seller Note which converted the quarterly interest payment terms under the original Seller Note to the payment

of interest on the maturity date of the Seller Note effective July 1, 2011. This change in interest payment terms results in a \$0.4 million reduction in the present value of cash flows from the Seller Note which will be expensed in the quarter ended December 31, 2011.

For a period of time, the Company will continue to generate cash flows and to report income statement activity in Loss from discontinued operations, net of taxes, associated with the securities clearing business. The activities that give rise to these cash flows and income statement activities are transitional in nature.

The following summarized financial information related to the securities clearing business has been segregated from continuing operations and reported as discontinued operations:

	Three Months Ended September 30,	
	2011	2010
	(\$ in millions)	
Revenues	\$ —	\$ 0.6
Loss from discontinued operations, before net loss on disposal	\$ —	\$ —
Income tax benefit	—	—
Net loss from discontinued operations, before loss on disposal	—	—
Net loss on disposal of assets of discontinued operations	—	—
Loss from discontinued operations, net of tax benefit	<u>\$ —</u>	<u>\$ —</u>

### **Regulatory Requirements**

As a registered broker-dealer and member of the New York Stock Exchange (“NYSE”) and the Financial Industry Regulatory Authority (“FINRA”), Ridge is subject to the Uniform Net Capital Rule 15c3-1 of the Securities Exchange Act of 1934, as amended (“Rule 15c3-1”). Ridge computes its net capital under the alternative method permitted by Rule 15c3-1, which requires Ridge to maintain minimum net capital equal to the greater of \$250,000 or 2% of aggregate debit items arising from customer transactions. The NYSE and FINRA may require a member firm to reduce its business if its net capital is less than 4% of aggregate debit items, or may prohibit a member firm from expanding its business or paying cash dividends if resulting net capital would be less than 5% of aggregate debit items. At September 30, 2011, Ridge had net capital of \$9.1 million, and exceeded the minimum requirements by \$8.8 million.

### **NOTE 8. OTHER NON-CURRENT ASSETS**

Other non-current assets consisted of the following:

	September 30,	June 30,
	2011	2011
	(\$ in millions)	
Deferred client conversion and start-up costs	\$ 136.6	\$125.8
Note receivable	20.6	20.6
Long-term investments	14.4	18.1
Long-term broker fees	13.1	13.6
Other	20.0	8.6
Total	<u>\$ 204.7</u>	<u>\$186.7</u>

Included in Other non-current assets is our equity interest in PWI of \$3.6 million, which is carried at fair value, and the Seller Note reflected as a note receivable from PWI of \$20.6 million, which were both received, in part, as consideration for the sale of substantially all of the securities clearing clients of Ridge to PFSI (see Note 7, “Discontinued Operations”). In addition, Other non-current assets includes \$32.3 million of deferred client conversion and start-up costs associated with the Outsourcing Services Agreement. The recoverability of these assets has been assessed under the Company’s impairment review policies, as follows:

**Equity** - The equity interest in PWI has been recorded as an available-for-sale security carried at a fair value of \$3.6 million as of September 30, 2011, which reflects an unrealized loss of \$8.9 million that has been included in other comprehensive income. In estimating other-than-temporary impairment losses, management’s policy considers, but is not limited to, the following: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Based on the investment in PWI being in an unrealized loss position for a period less than six months and PWI management recently announcing a comprehensive business improvement plan, along with the Company’s ability and intent to hold this investment until a market price recovery, additional time is needed to assess PWI’s progress against their plan and to allow these actions to be appropriately reflected in the market prior to concluding as to whether an other-than-temporary impairment has occurred. Accordingly, this investment is not considered other-than-temporarily impaired as of September 30, 2011. Given the significant volatility experienced in the PWI stock price and in the overall equity markets, there is a continuing risk that a recovery in fair value of the PWI equity interest may not occur and an other-than-temporary impairment may be recorded by the Company for the decline in the fair value of the PWI equity interest in future periods.

**Note Receivable and Deferred Client Conversion and Start-up Costs** – In reviewing these assets for impairment, management considered (1) PWI’s overall financial condition, (2) the outlook for PWI’s business, and (3) the payment status of all outstanding receivables from PWI. Because PWI is current on its obligations to the Company and there is no indication that PWI’s longer-term financial condition and outlook has changed in a way that would impact the recoverability of these assets, they are not considered to be impaired as of September 30, 2011.

#### NOTE 9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

	September 30, 2011	June 30, 2011
	(\$ in millions)	
Employee compensation and benefits	\$ 76.0	\$102.1
Accrued broker fees	19.8	40.6
Accrued income tax liability	3.9	23.7
Accrued dividend payable	19.5	18.2
Other	51.8	45.7
Total	<u>\$ 171.0</u>	<u>\$230.3</u>

#### NOTE 10. BORROWINGS

Outstanding borrowings and available capacity under the Company’s borrowing arrangements were as follows:

	Expiration Date	September 30, 2011	June 30, 2011 (\$ in millions)	Unused Available Capacity
<b>Short-term borrowings</b>				
Term loan facility	(a)	\$ —	\$ 200.0	\$ —
Revolving credit facility	(a)	—	200.0	—
Total Short-term borrowings		—	400.0	—
<b>Long-term debt</b>				
Term loan facility	September 2016	490.0	—	—
Revolving credit facility	September 2016	—	—	500.0
Senior notes	June 2017	124.3	124.3	—
Total debt		<u>\$ 614.3</u>	<u>\$ 524.3</u>	<u>\$ 500.0</u>

- (a) The outstanding borrowings of \$200.0 million on the five-year term loan facility and \$200.0 million on the five-year revolving credit facility that were entered into on March 29, 2007 (collectively “the 2007 Credit Facilities”) were repaid with proceeds from the \$490.0 million five-year term loan facility entered into on September 22, 2011.

*Revolving Credit and Term Loan Facilities:* On September 22, 2011, the Company entered into a \$990.0 million senior unsecured credit facility, consisting of a \$490.0 million five-year term loan facility and a \$500.0 million five-year revolving credit facility (collectively “the 2011 Credit Facilities”). Borrowings under the five-year term loan facility and five-year revolving credit facility bear interest at LIBOR plus 125 basis points. The five-year revolving credit facility also has an annual facility fee equal to 15 basis points, on the unused portion of the facility. The Company incurred \$2.6 million in debt issuance costs to establish these credit facilities, of which \$0.1 million of these costs were expensed as incurred and \$2.5 million of these costs have been capitalized in Other non-current assets in the Consolidated Balance Sheets and will be amortized to interest expense on a straight-line basis, which approximates the effective interest method, over the terms of these facilities.

The Company used a portion of the 2011 Credit Facilities proceeds to repay \$200.0 million of outstanding borrowing under the previous five-year term loan and \$200.0 million of outstanding borrowing under the previous five-year revolving credit facility. The previous five-year term loan facility and the previous five-year revolving credit facility both had expiration dates of March 2012 and were cancelled upon repayment.

The 2011 Credit Facilities are subject to covenants, including financial covenants consisting of a leverage ratio and an interest coverage ratio. At September 30, 2011, the Company is not aware of any instances of any non-compliance with the financial covenants of these credit facilities. The 2007 Credit Facilities were subject to covenants, including financial covenants consisting of a leverage ratio and an interest coverage ratio. At June 30, 2011, the Company was not aware of any instances of any non-compliance with the financial covenants of these credit facilities.

The fair value of the fixed-rate senior notes at September 30, 2011 was \$130.8 million based on quoted market prices. The carrying value of the variable-rate term loan facility approximates fair value. Amounts are due on the expiration dates listed above.

#### NOTE 11. STOCK-BASED COMPENSATION

The activity related to the Company’s incentive equity awards for the three months ended September 30, 2011 consisted of the following:

	Stock Options		Time-based Restricted Stock Units		Performance-based Restricted Stock Units	
	Number of Options (c)	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Balances at June 30, 2011	13,774,726	\$ 18.94	1,932,003	\$ 20.19	708,724	\$ 20.18
Granted	—	—	104,925	23.30	—	—
Exercise of stock options (a)	(299,580)	18.28	—	—	—	—
Vesting of restricted stock units	—	—	(400)	18.59	—	—
Expired/forfeited	(18,149)	22.42	(43,296)	20.20	—	—
Balances at September 30, 2011 (b)	<u>13,456,997</u>	\$ 18.95	<u>1,993,232</u>	\$ 20.35	<u>708,724</u>	\$ 20.18

- (a) Stock options exercised during the period of July 1, 2011 through September 30, 2011 had an intrinsic value of \$0.2 million.
- (b) As of September 30, 2011, the Company’s outstanding “in the money” stock options using the September 30, 2011 closing stock price of \$20.14 (approximately 9.1 million shares) had an aggregate intrinsic value of \$24.6 million.
- (c) Stock options outstanding as of September 30, 2011 have a weighted-average remaining contractual life of 4.8 years and 11.3 million stock options are exercisable.

The Company has stock-based compensation plans under which we annually grant stock option and restricted stock unit awards. Exercise prices on options granted have been and continue to be set equal to the market price of the underlying shares on the date of the grant (except the special stock option grants, some of which have a premium exercise price), with the measurement of stock-based compensation expense recognized in Net earnings based on the fair value of the award on the date of grant. Stock-based compensation expense of \$5.5 million and \$6.2 million, respectively, as well as related tax benefits of \$2.1 million and \$2.4 million, respectively, were recognized for the three months ended September 30, 2011 and 2010, respectively.

As of September 30, 2011, the total remaining unrecognized compensation cost related to non-vested stock options and restricted stock unit awards amounted to \$3.8 million and \$23.8 million, respectively, which will be amortized over the weighted-average remaining requisite service periods of 2.5 years and 1.5 years, respectively.

For stock options issued, the fair value of each stock option was estimated on the date of grant using a binomial option pricing model. The binomial model considers a range of assumptions related to volatility, risk-free interest rate and employee exercise behavior. Expected volatilities utilized in the binomial model are based on a combination of implied market volatilities, historical volatility of the Company's stock price and other factors. Similarly, the dividend yield is based on historical experience and expected future changes. The risk-free rate is derived from the U.S. Treasury yield curve in effect at the time of grant. The binomial model also incorporates exercise and forfeiture assumptions based on an analysis of historical data. The expected life of the stock option grants is derived from the output of the binomial model and represents the period of time that options granted are expected to be outstanding.

## **NOTE 12. INCOME TAXES**

Our Provision for income taxes and effective tax rates for the three months ended September 30, 2011 were \$9.5 million and 36.3 %, compared to \$7.6 million and 36.4% for the three months ended September 30, 2010, respectively. The decrease in our effective tax rate for the three months ended September 30, 2011 compared to the three months ended September 30, 2010 is primarily attributable to the geographical mix of income and lower tax rates in certain non U.S. tax jurisdictions.

## **NOTE 13. CONTRACTUAL COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET ARRANGEMENTS**

The Company entered into a data center outsourcing services agreement with Automatic Data Processing, Inc. ("ADP") before our spin-off from ADP in March 2007 under which ADP provides the Company with data center services consistent with the services provided to the Company immediately before the spin-off, provided that the operation of the data center is the sole responsibility of ADP. Among the principal services provided by the data center are information technology services and service delivery network services. The agreement with ADP provides for increasing volumes and the addition of new services over the term. Under the agreement, ADP is responsible for hosting the mainframe, midrange, open systems, and networks. Additionally, systems engineering, network engineering, hardware engineering, network operations, data center operations, application change management, and data center disaster recovery services are managed by ADP. The agreement will expire on June 30, 2012 and the Company is currently negotiating a short-term extension of the term. The Company expects to incur less than \$10 million in costs in connection with the services to be provided during this term extension. For the three months ended September 30, 2011 and 2010, the Company recorded \$28.8 million and \$27.2 million, respectively, of expenses in the Condensed Consolidated Statements of Earnings related to these services.

In March 2010, the Company and International Business Machines Corporation ("IBM") entered into an Information Technology Services Agreement (the "IT Services Agreement"), under which IBM will provide certain aspects of the Company's information technology infrastructure that are currently provided under a data center outsourcing services agreement with ADP. Under the IT Services Agreement, IBM will provide a broad range of technology services to the Company including supporting its mainframe, midrange, server, network and data center operations, as well as providing disaster recovery services. The Company has the option of incorporating additional services into the agreement over time. The Company expects that the migration of its data center processing from ADP to IBM will be substantially completed by June 2012. The IT Services Agreement expires on June 30, 2022. The Company has the right to renew the initial term of the IT Services Agreement for up to one additional 12-month term. Commitments under this agreement are \$563.9 million through fiscal year 2022, the final year of the contract. For the three months ended September 30, 2011, the Company recorded \$3.2 million of expenses in the Condensed Consolidated Statements of Earnings related to these services. At September 30, 2011, the Company has capitalized \$14.4 million of costs related to the build out of the IBM data center.

In the normal course of business, the Company is subject to various claims and litigation. While the outcome of any claim or litigation is inherently unpredictable, the Company believes that the ultimate resolution of these matters will not, individually or in the aggregate, result in a material adverse impact on its financial condition, results of operations or cash flows.

On January 28, 2010, the Company filed a declaratory action in the U.S. District Court for the District of Delaware (the "Delaware District Court") against Inveshare, Inc. (the "Defendant") seeking a declaration by the court that Broadridge does not infringe two U.S. patents owned by the Defendant that included claims related to the delivery and distribution of an electronic solicitation. The Company's complaint also alleged that the Defendant's patents are invalid and/or are unenforceable due to inequitable conduct. On March 22, 2010, the Defendant answered the Company's complaint and filed a counterclaim against the Company alleging that Broadridge uses a process that infringes one of the patents in the action. In its counterclaim, Defendant is seeking injunctive relief and unspecified damages. This lawsuit is in an early procedural stage; however, due to the limited scope of this matter, the Company believes that the outcome of this litigation would not result in a material adverse impact on its financial condition, results of operations, or cash flows.

It is not the Company's business practice to enter into off-balance sheet arrangements. However, the Company is exposed to market risk from changes in foreign currency exchange rates that could impact its financial position, results of operations, and cash flows. The Company manages its exposure to these market risks through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. The Company uses derivative financial instruments as risk management tools and not for trading purposes. The Company was not a party to any derivative financial instruments as of September 30, 2011 and 2010, respectively. In the normal course of business, the Company also enters into contracts in which it makes representations and warranties that relate to the performance of the Company's products and services. The Company does not expect any material losses related to such representations and warranties, or collateral arrangements.

In June 2010, we completed the sale of the contracts of substantially all of Ridge's securities clearing clients and Ridge no longer performs securities clearing services for correspondent broker-dealers. However, Ridge remains a registered broker-dealer to perform operations outsourcing services. In January 2011, we acquired Matrix, a provider of mutual fund processing services for third party administrators, financial advisors, banks and wealth management professionals. As registered broker-dealers and members of FINRA, Ridge and Matrix are subject to regulations concerning many aspects of their business, including trade practices, capital requirements, record retention, money laundering prevention, and the supervision of the conduct of directors, officers and employees. For Ridge, these regulations include the SEC's customer protection rule, which protects both the customer funds and customer securities; the SEC's hypothecation Rules 8c-1 and 15c2-1 regarding the borrowing and lending of customer securities; Regulation T, which regulates the borrowing and lending of securities by broker-dealers; and Regulation SHO, which prohibits short sales in certain instances. Matrix does not hold customer funds or securities so it is not therefore subject to the full requirements of the SEC's customer protection rule. A failure by Ridge or Matrix to comply with any of these laws, rules or regulations could result in censure, fine, the issuance of cease-and-desist orders, or the suspension or revocation of SEC or FINRA authorization granted to allow the operation of their business or disqualification of their directors, officers or employees. In addition, as registered broker-dealers, Ridge and Matrix are required to participate in the Securities Investor Protection Corporation ("SIPC") for the benefit of customers. Matrix's subsidiary, MG Trust Company, LLC ("MG Trust"), is a Colorado State non-depository trust company whose primary business is to provide cash agent, custodial and directed or non-discretionary trust services to institutional customers. MG Trust operates pursuant to the rules and regulations of the Colorado Division of Banking.

#### NOTE 14. COMPREHENSIVE INCOME

Comprehensive income consisted of the following:

	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2011</b>	<b>2010</b>
	(\$ in millions)	
Net earnings	\$ 16.7	\$ 13.3
Foreign currency translation adjustments	(1.0)	8.2
Net unrealized losses on available-for-sale securities, net of taxes of \$2.1 and \$0.9 at September 30, 2011 and 2010, respectively	(3.4)	(1.5)
Comprehensive income	<u>\$ 12.3</u>	<u>\$ 20.0</u>

**NOTE 15. INTERIM FINANCIAL DATA BY SEGMENT**

The Company classifies its operations into the following two reportable segments: Investor Communication Solutions and Securities Processing Solutions.

The primary components of “Other” are the elimination of intersegment revenues and profits as well as certain unallocated expenses. Foreign currency exchange is a reconciling item between the actual foreign currency exchange rates and fiscal year 2011 budgeted foreign currency exchange rates.

Certain corporate expenses, as well as certain centrally managed expenses, are allocated based upon budgeted amounts. Because the Company compensates the management of its various businesses on, among other factors, segment earnings, the Company records certain segment-related expense items of an unusual or non-recurring nature in Other rather than reflect such items in segment profit.

Segment results:

	<u>Revenues</u>	
	<u>Three Months Ended</u>	
	<u>September 30,</u>	
	<u>2011</u>	<u>2010</u>
	(\$ in millions)	
Investor Communication Solutions	\$ 313.0	\$ 279.5
Securities Processing Solutions	158.4	141.7
Foreign currency exchange	5.0	0.2
Total	<u>\$ 476.4</u>	<u>\$ 421.4</u>
	<u>Earnings (Loss) from Continuing</u>	
	<u>Operations before Income Taxes</u>	
	<u>Three Months Ended</u>	
	<u>September 30,</u>	
	<u>2011</u>	<u>2010</u>
	(\$ in millions)	
Investor Communication Solutions	\$ 8.4	\$ 6.4
Securities Processing Solutions	27.8	20.9
Other	(12.9)	(8.0)
Foreign currency exchange	2.9	1.6
Total	<u>\$ 26.2</u>	<u>\$ 20.9</u>

\* \* \* \* \*

## **Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion should be read in conjunction with our Condensed Consolidated Financial Statements (the "Financial Statements") and accompanying Notes thereto included elsewhere herein.*

### **Forward-Looking Statements**

This Quarterly Report on Form 10-Q may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not historical in nature and which may be identified by the use of words like "expects," "assumes," "projects," "anticipates," "estimates," "we believe," "could be" and other words of similar meaning, are forward-looking statements. In particular, information appearing under "Management's Discussion and Financial Analysis of Financial Condition and Results of Operations" includes forward-looking statements. These statements are based on management's expectations and assumptions and are subject to risks and uncertainties that may cause actual results to differ materially from those expressed. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include:

- the success of Broadridge Financial Solutions, Inc. ("Broadridge" or the "Company") in retaining and selling additional services to its existing clients and in obtaining new clients;
- Broadridge's reliance on a relatively small number of clients, the continued financial health of those clients, and the continued use by such clients of Broadridge's services with favorable pricing terms;
- changes in laws and regulations affecting the investor communication services provided by Broadridge;
- declines in participation and activity in the securities markets;
- overall market and economic conditions and their impact on the securities markets;
- any material breach of Broadridge security affecting its clients' customer information;
- the failure of our outsourced data center services provider to provide the anticipated levels of service;
- any significant slowdown or failure of Broadridge's systems or error in the performance of Broadridge's services;
- Broadridge's failure to keep pace with changes in technology and demands of its clients;
- the ability to attract and retain key personnel;
- the impact of new acquisitions and divestitures; and
- competitive conditions.

There may be other factors that may cause our actual results to differ materially from the forward-looking statements. Our actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking statements. We can give no assurances that any of the events anticipated by the forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations and financial condition. You should carefully read the factors described in the "Risk Factors" section of in Part I, "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended June 30, 2011 (the "2011 Annual Report") for a description of certain risks that could, among other things, cause our actual results to differ from these forward-looking statements.

All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are expressly qualified in their entirety by the cautionary statements included in this Quarterly Report on Form 10-Q and the 2011 Annual Report. We disclaim any obligation to update or revise forward-looking statements that may be made to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events, other than as required by law.

### **Overview**

Broadridge is a leading global provider of technology solutions to the financial services industry. Our systems and services include investor communication solutions, and securities processing and operations outsourcing solutions. In short, we provide the infrastructure that helps the financial services industry operate. With more than 40 years of experience, we provide financial services firms with advanced, dependable, scalable and cost-effective integrated systems. Our systems help reduce the need for clients to make significant capital investments in operations infrastructure, thereby allowing them to increase their focus on core business activities.

We serve a large and diverse client base in the financial services industry, including retail and institutional brokerage firms, global banks, mutual funds, annuity companies, institutional investors, specialty trading firms, and clearing firms. We also provide services to corporate issuers.

We deliver a broad range of solutions that help our clients better serve their retail and institutional customers across the entire investment lifecycle, including pre-trade, trade, and post-trade processing. Our securities processing systems enable our clients to process securities transactions in more than 50 countries. In fiscal year 2011, we: (i) distributed over 1.0 billion investor communications, including proxy materials, investor account statements, trade confirmations, tax statements and prospectuses; and (ii) on average processed over 1.5 million equity trades per day and over \$4.0 trillion in fixed income trades per day of United States (“U.S.”) and Canadian securities. Our operations are classified into two business segments: (1) Investor Communication Solutions and (2) Securities Processing Solutions.

### ***Investor Communication Solutions***

A large portion of our Investor Communication Solutions business involves the processing and distribution of proxy materials to investors in equity securities and mutual funds, as well as the facilitation of related vote processing. ProxyEdge, our innovative electronic proxy delivery and voting solution for institutional investors, helps ensure the participation of the largest stockholders of many companies. We also provide the distribution of regulatory reports and corporate action/reorganization event information, as well as tax reporting solutions that help our clients meet their regulatory compliance needs. In addition, we provide financial information distribution and transaction reporting services to both financial institutions and securities issuers. These services include the processing and distribution of account statements and trade confirmations, traditional and personalized document fulfillment and content management services, marketing communications, and imaging, archival and workflow solutions that enable and enhance our clients’ communications with investors. All of these communications are delivered in paper or electronic form.

In fiscal year 2010, Broadridge entered the transfer agency business through its acquisition of StockTrans, Inc. (recently renamed Broadridge Corporate Issuer Solutions, Inc.), a leading provider of registrar, stock transfer and record-keeping services.

In fiscal year 2011, the Company acquired three businesses in the Investor Communication Solutions segment. In August 2010, the Company acquired NewRiver, Inc. (“NewRiver”), a leader in mutual fund electronic investor disclosure solutions. In December 2010, the Company acquired Forefield, Inc. (“Forefield”), a leading provider of real-time sales, education and client communication solutions for financial institutions and their advisors. In January 2011, the Company acquired Matrix Financial Solutions, Inc. (“Matrix”). Matrix is a provider of mutual fund processing services for third party administrators, financial advisors, banks and wealth management professionals. Matrix’s back-office, trust, custody, trading and mutual fund settlement services will be integrated into Broadridge’s solution suite as part of Broadridge’s strategy to strengthen its role as a provider of data processing and distribution channel solutions to the mutual fund industry.

### ***Securities Processing Solutions***

We offer a suite of advanced computerized real-time transaction processing services that automate the securities transaction lifecycle, from desktop productivity tools, data aggregation, performance reporting, and portfolio management to order capture and execution, trade confirmation, settlement, and accounting. Our services help financial institutions efficiently and cost-effectively consolidate their books and records, gather and service assets under management, focus on their core businesses, and manage risk. With multi-currency capabilities, our Global Processing Solution supports real-time global trading of equity, option, mutual fund, and fixed income securities in established and emerging markets. In addition, our operations outsourcing solutions allow broker-dealers to outsource certain administrative functions relating to clearing and settlement, from order entry to trade matching and settlement, while maintaining their ability to finance and capitalize their business.

In June 2010, the Company acquired City Networks Ltd, a leading software and services provider of reconciliation, multi-asset process automation and operational risk management solutions to the global financial services industry, for \$37.7 million.

During the three months ended September 30, 2011, the Company acquired Paladyne Systems, Inc. (“Paladyne”), a provider of buy-side technology solutions for the global investment management industry.

### ***Basis of Presentation***

The Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the U.S. These Condensed Consolidated Financial Statements present the consolidated position of the Company. These Financial Statements include the entities in which the Company directly or indirectly has a controlling financial interest and various entities in which the Company has investments recorded under the cost and equity methods of accounting. Intercompany balances and transactions have been eliminated. The results of operations reported for interim periods are not necessarily indicative of the results of operations for the entire year or any subsequent interim period. These Financial Statements should be read in conjunction with the Company’s financial statements for the fiscal year ended June 30, 2011 in the 2011 Annual Report filed with the Securities and Exchange Commission (the “SEC”) on August 12, 2011.

As a result of Broadridge’s sale of substantially all of the contracts of the securities clearing clients of Ridge Clearing & Outsourcing Solutions, Inc. (“Ridge”) to Penson Financial Services, Inc. (“PFSI”), a wholly owned subsidiary of Penson Worldwide,

Inc. (“PWI,” referred to herein together with PFSI as “Penson”), the Company has two reportable operating business segments: Investor Communication Solutions and Securities Processing Solutions. The securities clearing business is reflected in discontinued operations and the operations outsourcing solutions business retained by Broadridge is now reported as part of the Securities Processing Solutions business segment. This change is reflected in all prior periods presented in this Quarterly Report on Form 10-Q.

### ***Critical Accounting Policies***

In presenting the Condensed Consolidated Financial Statements, management makes estimates and assumptions that affect the amounts reported and related disclosures. Management continually evaluates the accounting policies and estimates used to prepare the Financial Statements. The estimates, by their nature, are based on judgment, available information, and historical experience and are believed to be reasonable. However, actual amounts and results could differ from these estimates made by management. In management’s opinion, the Condensed Consolidated Financial Statements contain all normal recurring adjustments necessary for a fair presentation of results reported. Certain accounting policies that require significant management estimates and are deemed critical to our results of operations or financial position are discussed in the “Critical Accounting Policies” section of Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the 2011 Annual Report.

### ***Results of Continuing Operations***

The following discussions of Analysis of Condensed Consolidated Statements of Earnings from Continuing Operations and Analysis of Reportable Segments refer to the three months ended September 30, 2011 compared to the three months ended September 30, 2010. The following discussions of the Company’s results of continuing operations exclude the results related to the securities clearing business. This business is segregated from continuing operations and included in discontinued operations for last year. The Analysis of Condensed Consolidated Statements of Earnings from Continuing Operations should be read in conjunction with the Analysis of Reportable Segments, which provides more detailed discussions concerning certain components of the Condensed Consolidated Statements of Earnings from Continuing Operations.

References to “acquisitions” in the following Analysis of Condensed Consolidated Statements of Earnings from Continuing Operations and Analysis of Reportable Segments discussions refer to the Company’s acquisitions of Matrix, NewRiver, and Forefield in the Investor Communication Solutions segment, and Paladyne in our Securities Processing Solutions segment.

References to “IBM Migration costs” in the following Analysis of Condensed Consolidated Statements of Earnings from Continuing Operations and Analysis of Reportable Segments discussions refer to costs related to the Company’s Information Technology Services Agreement (the “IT Services Agreement”) with International Business Machines Corporation (“IBM”) and the associated migration of the Company’s data center to IBM.

## Analysis of Condensed Consolidated Statements of Earnings

### Three Months Ended September 30, 2011 versus Three Months Ended September 30, 2010

The table below presents Condensed Consolidated Statements of Earnings data for the three months ended September 30, 2011 and 2010, and the dollar and percentage changes between periods:

	Three Months Ended September 30,			
	2011	2010 (\$ in millions)	Change	
			\$	%
Revenues	\$476.4	\$421.4	\$55.0	13
Cost of revenues	382.8	336.6	46.2	14
Selling, general and administrative expenses	64.7	61.5	3.2	5
Other expenses, net	2.7	2.4	0.3	13
Total expenses	450.2	400.5	49.7	12
Earnings from continuing operations before income taxes	26.2	20.9	5.3	25
Margin	5.5%	5.0%	—	0.5 pts
Provision for income taxes	9.5	7.6	1.9	25
Effective tax rate	36.3%	36.4%	—	(0.1) pts
Net earnings from continuing operations	\$ 16.7	\$ 13.3	\$ 3.4	26
Basic Earnings per share from continuing operations	\$ 0.14	\$ 0.11	\$0.03	27
Diluted Earnings per share from continuing operations	\$ 0.13	\$ 0.10	\$0.03	30

**Revenues.** Revenues for the three months ended September 30, 2011 were \$476.4 million, an increase of \$55.0 million, or 13%, compared to \$421.4 million for the three months ended September 30, 2010. Higher recurring fee revenues contributed \$45.7 million, or 83%, and higher distribution revenues contributed \$9.8 million, or 17%, to the \$55.0 million increase in revenues. The positive contribution from recurring fee revenues reflected gains from acquisitions, and the Penson outsourcing services agreement, revenues from internal growth and closed sales less client losses (referred to as “Net New Business” herein). Event-driven fee revenues were essentially unchanged, as expected. Fluctuations in foreign currency exchange rates favorably impacted revenues by \$4.8 million. Revenues from acquisitions and the Penson outsourcing services agreement contributed \$21.4 million.

Fee revenues in the Investor Communication Solutions segment are derived from both recurring and event-driven activity. In addition, the level of recurring and event-driven activity we process directly impacts distribution revenues. While event-driven activity is highly repeatable, it does not recur on a regular basis. The types of services we provide that comprise event-driven activity are:

- **Mutual Fund Proxy:** The proxy and related services we provide to mutual funds when certain events occur requiring a shareholder vote including changes in directors, sub-advisors, fee structures, investment restrictions, and mergers of funds.
- **Mutual Fund Communications:** Mutual fund communications services consist primarily of the distribution on behalf of mutual funds of supplemental information required to be provided to the annual mutual fund prospectus as a result of certain triggering events such as a change in portfolio managers. In addition, mutual fund communications consist of notices and marketing materials such as newsletters.
- **Proxy Contests and Specials, Corporate Actions, and Other:** The proxy services we provide in connection with shareholder meetings driven by special events such as proxy contests, mergers and acquisitions, and tender/exchange offers.

Event-driven fee revenues are based on the number of special events and corporate transactions we process. These events are impacted by financial market conditions and changes in regulatory compliance requirements, resulting in fluctuations in the timing and levels of event-driven activity. As such, the timing and level of event-driven activity and its potential impact on revenues and earnings is difficult to forecast.

Prior period pre-sale fulfillment revenues have been reclassified from event-driven revenues to recurring revenues to conform to the current period’s presentation.

Generally, mutual fund proxy activity has been subject to a greater level of volatility than the other components of event-driven activity. During fiscal year 2010, the Company processed a record level of mutual fund proxy activity. In contrast, during fiscal year 2011, mutual fund proxy fee revenues were 74% lower than in fiscal year 2010. Although it is difficult to forecast the levels of event-

driven activity, we expect that the portion of fee revenues derived from mutual fund proxy activity may continue to experience volatility in the future. However, the level of volatility experienced between fiscal year 2010 and fiscal year 2011 was greater than we have experienced in prior years.

Included in the preceding Revenues discussion are revenues derived from sales, a component of Net New Business. A sale is considered closed when the Company has received the signed client contract. For any services that do not require a contract, the sale is considered closed when the services are in production. For recurring revenue closed sales, the amount of the closed sale is generally a reasonable estimate of annual revenues based on client volumes or activity, excluding pass-through revenues such as distribution revenues. Event-driven revenue closed sales occur in our Investor Communication Solutions segment. The amount of the event-driven revenue closed sale is generally a reasonable estimate of production revenues based on client volumes or activity, excluding pass-through revenues such as distribution revenues. Larger recurring revenue closed sales can take up to 12 to 24 months to convert to revenues, particularly for the services provided by our Securities Processing Solutions segment. The majority of event-driven revenue closed sales are usually recognized during the year the contract is signed.

Closed sales for the three months ended September 30, 2011 were \$30.9 million, an increase of \$7.3 million, or 31%, compared to \$23.6 million for the three months ended September 30, 2010. Recurring revenue closed sales for the three months ended September 30, 2011 were \$19.8 million, an increase of \$2.5 million, or 14%, compared to \$17.3 million for the three months ended September 30, 2010. Event-driven revenue closed sales for the three months ended September 30, 2011 were \$11.1 million, an increase of \$4.8 million, or 76%, compared to \$6.3 million for the three months ended September 30, 2010, primarily due to higher fulfillment and mutual fund proxy sales.

**Total Expenses.** Total expenses for the three months ended September 30, 2011 were \$450.2 million, an increase of \$49.7 million, or 12%, compared to \$400.5 million for the three months ended September 30, 2010. The increase reflects higher Cost of revenues of \$46.2 million, or 14%, higher Selling, general and administrative expenses of \$3.2 million, or 5%, and a \$0.3 million increase in Other expenses, net. The increase in Total expenses relates mainly to acquisitions and the Penson outsourcing services agreement of \$16.1 million, higher cost of distribution revenues of \$13.2 million related to higher distribution revenues, IBM Migration costs of \$3.2 million, strategic initiatives of \$1.9 million, higher selling expenses \$0.8 million on higher sales, other variable costs of \$9.9 million. Fluctuations in foreign currency exchange rates increased Total expenses by \$2.4 million.

Cost of revenues for the three months ended September 30, 2011 were \$382.8 million, an increase of \$46.2 million, or 14%, compared to \$336.6 million for the three months ended September 30, 2010. The increase reflects costs of \$12.2 million related to acquisitions and the Penson outsourcing services agreement, higher cost of distribution revenues related to higher distribution revenues, IBM Migration costs of \$3.2 million, and strategic initiatives of \$1.9 million, and other variable costs of \$9.9 million. Distribution cost of revenues for the three months ended September 30, 2011 were \$130.1 million, an increase of \$13.2 million, or 11%, compared to \$116.9 million for the three months ended September 30, 2010. Fluctuations in foreign currency exchange rates increased Cost of revenues by \$2.9 million. Distribution cost of revenues consists primarily of postage related expenses.

Selling, general and administrative expenses for the three months ended September 30, 2011 were \$64.7 million, an increase of \$3.2 million, or 5%, compared to \$61.5 million for the three months ended September 30, 2010. The 5% increase was mainly due to increased costs related to acquisitions and higher selling expenses on higher sales. Fluctuations in foreign currency exchange rates decreased Selling, general and administrative expenses by \$0.5 million.

Other expenses, net for the three months ended September 30, 2011 were \$2.7 million, an increase of \$0.3 million, compared to \$2.4 million for the three months ended September 30, 2010, reflecting mainly higher interest expense.

**Earnings from Continuing Operations before Income Taxes.** Earnings from continuing operations before income taxes for the three months ended September 30, 2011 were \$26.2 million, an increase of \$5.3 million, or 25%, compared to \$20.9 million for the three months ended September 30, 2010. The increase is mainly due to higher recurring revenues which more than offset the increase in Total expenses. Overall margin increased from 5.0% to 5.5% for the three months ended September 30, 2010 compared to the three months ended September 30, 2011. Overall margin for the three months ended September 30, 2011 was unfavorably impacted by 70 basis points as a result of the impact of IBM Migration costs.

**Provision for Income Taxes.** Our Provision for income taxes and effective tax rates for the three months ended September 30, 2011 were \$9.5 million and 36.3%, compared to \$7.6 million and 36.4% for the three months ended September 30, 2010, respectively.

**Net Earnings from Continuing Operations and Basic and Diluted Earnings per Share from Continuing Operations.** Net earnings from continuing operations for the three months ended September 30, 2011 were \$16.7 million, an increase of \$3.4 million, or 26%, compared to \$13.3 million for the three months ended September 30, 2010. The increase in Net earnings from continuing operations reflects higher Earnings from continuing operations.

Basic and diluted earnings per share from continuing operations for the three months ended September 30, 2011 were \$0.14, an increase of \$0.03, or 27%, and \$0.13, an increase of \$0.03, or 30%, respectively, compared to \$0.11 and \$0.10 for the three months ended September 30, 2010, respectively.

### *Analysis of Reportable Segments*

The Company classifies its operations into the following two reportable segments: Investor Communication Solutions and Securities Processing Solutions.

The primary components of “Other” are the elimination of intersegment revenues and profits and certain unallocated expenses. Foreign currency exchange is a reconciling item between the actual foreign currency exchange rates and the fiscal year 2012 budgeted foreign currency exchange rates reflected in segments.

Certain corporate expenses, as well as certain centrally managed expenses, are allocated based upon budgeted amounts in a reasonable manner. Because the Company compensates the management of its various businesses on, among other factors, segment profit, the Company may elect to record certain segment-related expense items of an unusual or non-recurring nature in consolidation rather than reflect such items in segment profit.

### **Revenues**

	Three Months Ended September 30,			
	2011	2010	Change	
	(\$ in millions)		\$	%
Investor Communication Solutions	\$313.0	\$279.5	\$33.5	12
Securities Processing Solutions	158.4	141.7	16.7	12
Other	—	—	—	—
Foreign currency exchange	5.0	0.2	4.8	NM*
<b>Total</b>	<b>\$476.4</b>	<b>\$421.4</b>	<b>\$55.0</b>	<b>13</b>

\* Not Meaningful

### **Earnings (Loss) from Continuing Operations Before Income Taxes**

	Three Months Ended September 30,			
	2011	2010	Change	
	(\$ in millions)		\$	%
Investor Communication Solutions	\$ 8.4	\$ 6.4	\$ 2.0	31
Securities Processing Solutions	27.8	20.9	6.9	33
Other	(12.9)	(8.0)	(4.9)	(61)
Foreign currency exchange	2.9	1.6	1.3	81
<b>Total</b>	<b>\$ 26.2</b>	<b>\$20.9</b>	<b>\$ 5.3</b>	<b>25</b>

### *Investor Communication Solutions*

Investor Communication Solutions segment’s Revenues for the three months ended September 30, 2011 were \$313.0 million, an increase of \$33.5 million, or 12%, compared to \$279.5 million for the three months ended September 30, 2010. Higher recurring fee revenues contributed \$24.1 million, or 72% and higher distribution revenues contributed \$9.8 million, or 28%, to the \$33.5 million increase in revenues. The positive contribution from recurring fee revenues were driven primarily by acquisitions, internal growth, and Net New Business. Event-driven fee revenues were essentially unchanged, as expected. Distribution revenues for the three months ended September 30, 2011 were \$142.2 million, an increase of \$9.8 million, or 7%, compared to \$132.4 million for the three months

ended September 30, 2010. On a full-year basis we believe position growth and processed pieces are key indicators of internal growth, which we evaluate each fiscal quarter. Both position growth and processed pieces for annual equity proxy and mutual fund interim communications were higher during the first fiscal quarter. Although these indicators were positive, the first and second fiscal quarters are not necessarily an appropriate gauge for the full-year due to the seasonality of our business.

**Earnings from Continuing Operations before Income Taxes.** Earnings from Continuing Operations before income taxes for the three months ended September 30, 2011 were \$8.4 million, an increase of \$2.0 million, or 31%, compared to \$6.4 million for the three months ended September 30, 2010, mainly due to higher recurring revenues. Margin increased by 0.4 percentage points to 2.7% as a result of higher recurring revenues, partially offset by the impact of distribution mail mix.

#### **Securities Processing Solutions**

**Revenues.** Securities Processing Solutions segment's Revenues for the three months ended September 30, 2011 were \$158.4 million, an increase of \$16.7 million, or 12%, compared to \$141.7 million for the three months ended September 30, 2010. Net New Business, internal growth, and acquisitions (including Paladyne Systems and the Penson outsourcing services agreement) each contributed approximately one-third of the \$16.7 million revenue increase.

**Earnings from Continuing Operations before Income Taxes.** Earnings from Continuing Operations before income taxes for the three months ended September 30, 2011 were \$27.8 million, an increase of \$6.9 million, or 33%, compared to \$20.9 million for the three months ended September 30, 2010. Margin increased by 2.9 percentage points to 17.6% for the three months ended September 30, 2011 as a result of increased trade volumes.

#### **Other**

**Revenues.** There were no reportable Revenues in our Other segment for the periods presented.

**Loss from Continuing Operations before Income Taxes.** Loss from Continuing Operations before income taxes was \$12.9 million for the three months ended September 30, 2011, an increase of \$4.9 million, compared to an \$8.0 million loss from continuing operations before income taxes for the three months ended September 30, 2010. The increased loss was primarily due to IBM Migration costs of \$3.2 million and other costs related to strategic initiatives and acquisitions.

#### **Adjusted Net Earnings**

We define Adjusted Net Earnings as net income (loss) from continuing operations, net of taxes excluding restructuring and impairment charges and costs the Company expects to incur in connection with the migration of our data center to IBM. Adjusted Net Earnings is not a measure defined in accordance with generally accepted accounting principles ("GAAP") and should not be construed as an alternative to net income (loss), as determined in accordance with GAAP.

We use Adjusted Net Earnings as a financial measure for a number of reasons, including:

- in communications with our board of directors concerning our consolidated financial performance;
- we believe that Adjusted Net Earnings is an enterprise level performance measure commonly reported and widely used by analysts and investors; and
- for planning purposes, including the preparation of our annual operating budget.

We are reporting our Adjusted Net Earnings to exclude the impact of these extraordinary items from our GAAP results because these items are significant and we believe this information helps our investors understand the effect of these non-recurring items on our reported results and therefore, will provide a better representation of our actual performance. Our presentation of Adjusted Net Earnings should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Set forth below is a reconciliation of Adjusted Net Earnings (Non-GAAP) to the comparable GAAP measure.

	Three Months Ended September 30,	
	2011	2010
	(\$ in millions)	
Net Earnings (GAAP)	\$ 16.7	\$ 13.3
Adjustments:		
IBM Data Center Migration Costs	3.2	—
Tax impact of adjustments	(1.2)	—
Adjusted Net Earnings (Non-GAAP)	<u>\$ 18.7</u>	<u>\$ 13.3</u>

### Financial Condition, Liquidity and Capital Resources

At September 30, 2011, Cash and cash equivalents were \$252.8 million and Total stockholders' equity was \$792.5 million. At September 30, 2011, net working capital was \$391.7 million, compared to \$(31.3) million at June 30, 2011.

At September 30, 2011, the Company had \$614.3 million outstanding Long-term debt, consisting of a \$490.0 million five-year term loan facility and unsecured senior notes of \$124.3 million principal amount. The senior notes are unsecured obligations of Broadridge and rank equally in right of payment with other unsecured and unsubordinated obligations of Broadridge. Interest is payable semiannually on June 1<sup>st</sup> and December 1<sup>st</sup> each year based on a fixed per annum rate equal to 6.125%.

On September 22, 2011, the Company entered into a \$990.0 million senior unsecured credit facility, consisting of a \$490.0 million five-year term loan facility and a \$500.0 million five-year revolving credit facility. The Company incurred \$2.6 million in debt issuance costs to establish these credit facilities. \$0.1 million of these costs were expensed as incurred and \$2.5 million of these costs have been capitalized in Other non-current assets in the Consolidated Balance Sheets and are amortized to interest expense on a straight-line basis, which approximates the effective interest method, over the terms of these facilities.

The Company used a portion of the proceeds of the \$490.0 million term loan facility to repay \$200.0 million of outstanding borrowing under the previous five-year term loan and \$200.0 million of outstanding borrowing under the previous five-year revolving credit facility. The previous five-year term loan facility and the previous five-year revolving credit facility both had expiration dates of March 2012 and were cancelled upon repayment.

Borrowings under the five-year term loan facility and five-year revolving credit facility bear interest at LIBOR plus 125 basis points. The five-year revolving credit facility also has an annual facility fee equal to 15 basis points, whether used or unused. The weighted-average interest rate on the five-year term loan facility was 0.83% during the three months ended September 30, 2011. The weighted-average interest rate on the extinguished five-year revolving credit facility was 0.51% during the three months ended September 30, 2011.

Based upon current and anticipated levels of operation, management believes that the Company's cash on hand and cash flows from operations, combined with borrowings available under credit facilities, will be sufficient to enable the Company to meet its current and anticipated cash operating requirements, capital expenditures and working capital needs. Please refer to the discussion of net cash flows provided by financing activities in the following section for further discussion of the Company's financing activities.

### Cash Flows

Net cash flows provided by operating activities were \$23.3 million for the three months ended September 30, 2011 compared to \$24.5 million net cash flows used in operating activities during the three months ended September 30, 2010. The decrease in cash used is primarily due to an increase in working capital as the increase in accounts receivable was partially offset by the timing of payment of liabilities accrued for at fiscal year end.

Net cash flows used in investing activities for the three months ended September 30, 2011 were \$79.3 million, a decrease of \$5.2 million compared to \$84.5 million net cash flows used in investing activities for the three months ended September 30, 2010. The decrease reflects lower spending of \$4.7 million on acquisitions during the three months ended September 30, 2011, compared to the three months ended September 30, 2010, and lower capital expenditures of \$2.2 million, slightly offset by higher purchases of intangible assets of \$1.7 million.

Net cash flows provided by financing activities for the three months ended September 30, 2011 were \$66.9 million, an increase of \$197.1 million compared to \$130.2 million net cash flows used in financing activities for the three months ended September 30, 2010. The decreased use of cash in the three months ended September 30, 2011 reflects a decrease in the purchases of common stock of \$105.5 million, coupled with \$87.5 million of net proceeds from long-term borrowings after debt repayment and borrowing costs.

### **Liquidity Risk**

Our liquidity position may be negatively affected by changes in general economic conditions, regulatory requirements and access to the capital markets, which may be limited if we were to fail to renew any of the credit facilities on their renewal dates or if we were to fail to meet certain ratios.

Based upon current and anticipated levels of operation, management believes that the Company's cash on hand and cash flows from operations, combined with borrowings available under credit facilities, will be sufficient to enable the Company to meet its current and anticipated cash operating requirements, capital expenditures and working capital needs. Please refer to the discussion of net cash flows provided by financing activities in the preceding section for further discussion of the Company's financing activities.

### **Seasonality**

Processing and distributing proxy materials and annual reports to investors in equity securities and mutual funds comprises a large portion of our Investor Communication Solutions business. We process and distribute the greatest number of proxy materials and annual reports during our fourth fiscal quarter (the second quarter of the calendar year). The recurring periodic activity of this business is linked to significant filing deadlines imposed by law on public reporting companies and mutual funds. Historically this has caused our revenues, operating income, net earnings, and cash flows from operating activities to be higher in our fourth fiscal quarter than in any other fiscal quarter. The seasonality of our revenues makes it difficult to estimate future operating results based on the results of any specific fiscal quarter and could affect an investor's ability to compare our financial condition, results of operations, and cash flows on a fiscal quarter-by-quarter basis.

### **Income Taxes**

Our effective tax rate for the three months ended September 30, 2011 was 36.3 %, compared to 36.4% for the three months ended September 30, 2010. The decrease in our effective tax rate for the three months ended September 30, 2011 compared to the three months ended September 30, 2010 is primarily attributable to the geographical mix of income and lower tax rates in certain non U.S. tax jurisdictions when compared to 2010.

### **Contractual Obligations**

The Company entered into a data center outsourcing services agreement with ADP before our spin-off from ADP in March 2007 under which ADP provides the Company with data center services consistent with the services provided to the Company immediately before the spin-off, provided that the operation of the data center is the sole responsibility of ADP. Among the principal services provided by the data center are information technology services and service delivery network services. The agreement with ADP provides for increasing volumes and the addition of new services over the term. Under the agreement, ADP is responsible for hosting the mainframe, midrange, open systems, and networks. Additionally, systems engineering, network engineering, hardware engineering, network operations, data center operations, application change management, and data center disaster recovery services are managed by ADP. The agreement will expire on June 30, 2012 and the Company is currently negotiating a short-term extension of the term. The Company expects to incur less than \$10 million in costs in connection with the services to be provided during this term extension. For the three months ended September 30, 2011 and 2010, the Company recorded \$28.8 million and \$27.2 million, respectively, of expenses in the Condensed Consolidated Statements of Earnings related to these services.

In March 2010, the Company and IBM entered into the IT Services Agreement, under which IBM will provide certain aspects of the Company's information technology infrastructure that are currently provided under a data center outsourcing services agreement with ADP. Under the IT Services Agreement, IBM will provide a broad range of technology services to the Company including supporting its mainframe, midrange, server, network and data center operations, as well as providing disaster recovery services. The Company has the option of incorporating additional services into the agreement over time. The Company expects that the migration of its data center processing from ADP to IBM will be substantially completed by June 2012. The IT Services Agreement expires on June 30, 2022. The Company has the right to renew the initial term of the IT Services Agreement for up to one additional 12-month term. Commitments under this agreement are \$563.9 million through fiscal year 2022, the final year of the contract. For the three months ended September 30, 2011, the Company recorded \$3.2 million of expenses in the Condensed Consolidated Statements of Earnings related to these services.

### **Other Commercial Agreements**

The Company has a five-year revolving credit facility that expires in September 2016 that has an available capacity of \$500.0 million. Our revolving credit facility had zero outstanding at September 30, 2011.

In addition, immediately prior to the separation from ADP, certain of the Company's foreign subsidiaries established unsecured, uncommitted lines of credit with banks. These lines of credit bear interest at LIBOR plus 250 basis points. There were no outstanding borrowings under these lines of credit at September 30, 2011.

### **Off-balance Sheet Arrangements**

It is not the Company's business practice to enter into off-balance sheet arrangements. However, the Company is exposed to market risk from changes in foreign currency exchange rates that could impact its financial position, results of operations and cash flows. The Company manages its exposure to these market risks through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. The Company uses derivative financial instruments as risk management tools and not for trading purposes. The Company was not a party to any derivative financial instruments at September 30, 2011 or at June 30, 2011. In the normal course of business, the Company also enters into contracts in which it makes representations and warranties that relate to the performance of the Company's products and services. The Company does not expect any material losses related to such representations and warranties or collateral arrangements.

### **Recently-issued Accounting Pronouncements**

Please refer to Note 2. "New Accounting Pronouncements" to our Financial Statements under Item 1. of Part I of this Quarterly Report on Form 10-Q for a discussion on the impact of new accounting pronouncements.

### **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company provides guarantees to securities clearinghouses and exchanges. Under the standard membership agreement, members are required to guarantee the performance of the other members. Under the agreements, if another member becomes unable to satisfy its obligations to the clearinghouse, the other members would be required to meet any shortfalls. The Company's liability under these arrangements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, the potential for the Company to be required to make payments under these arrangements is remote. Accordingly, no contingent liability is carried on the Condensed Consolidated Balance Sheets for these transactions.

In June 2010, we completed the sale of the contracts of substantially all of Ridge's securities clearing clients and Ridge no longer performs securities clearing services for correspondent broker-dealers. However, Ridge remains a registered broker-dealer to perform operations outsourcing services. In January 2011, we acquired Matrix, a provider of mutual fund processing services for third party administrators, financial advisors, banks and wealth management professionals. As registered broker-dealers and members of FINRA, Ridge and Matrix are subject to regulations concerning many aspects of their business, including trade practices, capital requirements, record retention, money laundering prevention, and the supervision of the conduct of directors, officers and employees. For Ridge, these regulations include the SEC's customer protection rule, which protects both the customer funds and customer securities; the SEC's hypothecation Rules 8c-1 and 15c2-1 regarding the borrowing and lending of customer securities; Regulation T, which regulates the borrowing and lending of securities by broker-dealers; and Regulation SHO, which prohibits short sales in certain instances. Matrix does not hold customer funds or securities so it is not therefore subject to the full requirements of the SEC's customer protection rule. A failure by Ridge or Matrix to comply with any of these laws, rules or regulations could result in censure, fine, the issuance of cease-and-desist orders, or the suspension or revocation of SEC or FINRA authorization granted to allow the operation of their business or disqualification of their directors, officers or employees. In addition, as registered broker-dealers, Ridge and Matrix are required to participate in the Securities Investor Protection Corporation ("SIPC") for the benefit of customers. Matrix's subsidiary, MG Trust Company, LLC, ("MG Trust"), is a Colorado State non-depository trust company whose primary business is to provide cash agent, custodial and directed or non-discretionary trust services to institutional customers. MG Trust operates pursuant to the rules and regulations of the Colorado Division of Banking.

At September 30, 2011, the Company had \$614.3 million outstanding Long-term debt, consisting of a \$490.0 million five-year term loan facility and unsecured senior notes of \$124.3 million principal amount. Borrowings under the five-year term loan facility bear interest at LIBOR plus 125 basis points. The weighted-average interest rate on the five-year term loan facility was 0.83% during the three months ended September 30, 2011.

### **Item 4. CONTROLS AND PROCEDURES**

#### **Management's Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2011. The Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of September 30, 2011 were effective to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

***Changes in Internal Control over Financial Reporting***

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended September 30, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. LEGAL PROCEEDINGS

In the normal course of business, the Company is subject to claims and litigation. While the outcome of any claim or litigation is inherently unpredictable, the Company believes that the ultimate resolution of these matters will not, individually or in the aggregate, result in a material impact on its financial condition, results of operations, or cash flows.

On January 28, 2010, the Company filed a declaratory action in the U.S. District Court for the District of Delaware (the “Delaware District Court”) against Investshare, Inc. (the “Defendant”) seeking a declaration by the court that Broadridge does not infringe two U.S. patents owned by the Defendant that included claims related to the delivery and distribution of an electronic solicitation. The Company’s complaint also alleged that the Defendant’s patents are invalid and/or are unenforceable due to inequitable conduct. On March 22, 2010, the Defendant answered the Company’s complaint and filed a counterclaim against the Company alleging that Broadridge uses a process that infringes one of the patents in the action. In its counterclaim, Defendant is seeking injunctive relief and unspecified damages. This lawsuit is in an early procedural stage; however, due to the limited scope of this matter, the Company believes that the outcome of this litigation would not result in a material adverse impact on its financial condition, results of operations, or cash flows.

### Item 1A. RISK FACTORS

In addition to the information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the “Risk Factors” disclosed under Item 1A. to Part I in our Annual Report on Form 10-K for the fiscal year ended June 30, 2011, filed on August 12, 2011. You should be aware that these risk factors and other information may not describe every risk facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. Other than as set forth below, there have been no material changes to the risk factors we have disclosed in the “Risk Factors” section of our 2011 Annual Report on Form 10-K.

***We purchase a significant portion of our data center services, including disaster recovery capabilities, from a third party data center services provider, and if our data center services provider fails to adequately perform the data center services in the manner necessary to meet our clients’ needs, our business, financial condition, and results of operations may be harmed.***

ADP provides us with data center services under a data center outsourcing services agreement that include hosting the mainframe, midrange, open systems, and networks. Additionally, systems engineering, network engineering, hardware engineering, network operations, data center operations, application change management, and data center disaster recovery services are managed by ADP. As a result, we currently purchase a significant portion of our data center services, including disaster recovery capabilities, from ADP. In March 2010, we entered into the IT Services Agreement with IBM under which IBM will provide us with data center services. We expect the migration to IBM to be substantially completed by June 2012 and ADP will continue to provide us with data center services until the migration to IBM is complete. During the transition to IBM, if ADP fails to adequately perform the data center services in the manner necessary to meet our clients’ needs, our business, financial condition and results of operations may be harmed. In addition, there is a risk that we may experience a disruption as a result of the transition from ADP to IBM impacting the services we provide to our clients. As a result, our business, financial condition, and results of operations may be harmed. Some of these risks are anticipated and covered through service level credits, termination rights, and indemnification clauses in our services agreements with ADP and IBM. However, we may not adequately be protected against all possible losses through the terms of those agreements.

### Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

#### Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table contains information about our purchases of our equity securities for each of the three months during our first fiscal quarter ended September 30, 2011:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan(1)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans (1)
July 1, 2011 – July 31, 2011	347,650	\$ 24.05	347,650	7,219,489
August 1, 2011 – August 31, 2011	—	—	—	—
September 1, 2011 – September 30, 2011	—	—	—	—
Total	<u>347,650</u>	<u>\$ 24.05</u>	<u>347,650</u>	<u>7,219,489</u>

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- (1) On August 11, 2010, the Board of Directors authorized a stock repurchase plan for the repurchase of up to 10 million shares of the Company's common stock to offset share dilution created by the Company's equity compensation plans. During the fiscal quarter ended September 30, 2011, the Company purchased 347,650 shares of common stock under this plan at an average price per share of \$24.05.

At September 30, 2011, there were 7,219,489 shares remaining for repurchase under the August 11, 2010 stock repurchase plan.

**Item 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**Item 4. (REMOVED AND RESERVED)**

**Item 5. OTHER INFORMATION**

None.

**Item 6. EXHIBITS**

The following exhibits are being filed as part of this Quarterly Report on Form 10-Q:

- 10.1 Amendment to Broadridge Financial Solutions, Inc. 2007 Omnibus Award Plan effective August 2, 2011.
- 10.2 Amendment Agreement, dated as of October 11, 2011, by and among SAI Holdings, Inc., Penson Financial Services, Inc., Penson Worldwide, Inc., Penson Financial Services Ltd., Penson Financial Services Canada Inc., Broadridge Financial Solutions, Inc., Ridge Clearing & Outsourcing Solutions, Inc., Broadridge Financial Solutions (Canada) Inc., and Ridge Clearing & Outsourcing Solutions Limited.(1)
- 10.3 Amended and Restated Seller Note effective as of July 1, 2011.
- 31.1 Certification of the Chief Executive Officer of Broadridge Financial Solutions, Inc., pursuant to Rule 13a-14 of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of the Chief Financial Officer of Broadridge Financial Solutions, Inc., pursuant to Rule 13a-14 of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 The following financial statements from the Broadridge Financial Solutions, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, formatted in eXtensible Business Reporting Language (XBRL): (i) condensed consolidated statements of earnings for the three months ended September 30, 2011 and 2010, (ii) condensed consolidated balance sheets as of September 30, 2011 and June 30, 2011, (iii) condensed consolidated statements of cash flows for the three months ended September 30, 2011 and 2010, and (iv) the notes to the condensed consolidated financial statements.

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(1) Certain Confidential Information contained in this Exhibit was omitted by means of redacting a portion of the text and replacing it with an asterisk. This Exhibit has been filed separately with the Secretary of the Securities and Exchange Commission without the redaction pursuant to a Confidential Treatment Request under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned hereunto duly authorized.

### **BROADRIDGE FINANCIAL SOLUTIONS, INC.**

Date: November 3, 2011

By: /s/ Dan Sheldon  
Dan Sheldon  
Vice President, Chief Financial Officer  
(Principal Financial and Accounting Officer)

## INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
10.1	Amendment to Broadridge Financial Solutions, Inc. 2007 Omnibus Award Plan effective August 2, 2011.
10.2	Amendment Agreement, dated as of October 11, 2011, by and among SAI Holdings, Inc., Penson Financial Services, Inc., Penson Worldwide, Inc., Penson Financial Services Ltd., Penson Financial Services Canada Inc., Broadridge Financial Solutions, Inc., Ridge Clearing & Outsourcing Solutions, Inc., Broadridge Financial Solutions (Canada) Inc., and Ridge Clearing & Outsourcing Solutions Limited.(1)
10.3	Amended and Restated Seller Note effective as of July 1, 2011.
31.1	Certification of the Chief Executive Officer of Broadridge Financial Solutions, Inc., pursuant to Rule 13a-14 of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer of Broadridge Financial Solutions, Inc., pursuant to Rule 13a-14 of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial statements from the Broadridge Financial Solutions, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, formatted in eXtensible Business Reporting Language (XBRL): (i) condensed consolidated statements of earnings for the three months ended September 30, 2010 and 2009, (ii) condensed consolidated balance sheets as of September 30, 2011 and June 30, 2011, (iii) condensed consolidated statements of cash flows for the three months ended September 30, 2011 and 2010, and (iv) the notes to the condensed consolidated financial statements.

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- (1) Certain Confidential Information contained in this Exhibit was omitted by means of redacting a portion of the text and replacing it with an asterisk. This Exhibit has been filed separately with the Secretary of the Securities and Exchange Commission without the redaction pursuant to a Confidential Treatment Request under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

**Amendment to  
Broadridge Financial Solutions, Inc. 2007 Omnibus Award Plan effective August 2, 2011**

The Broadridge Financial Solutions, Inc. 2007 Omnibus Award Plan is amended by deleting the second sentence of Section 11(d)(i) and replacing it with the following:

“If an Award Agreement provides that a Participant will receive a Performance Compensation Award if the Participant incurs a Termination prior to the last day of the Performance Period, unless otherwise provided in the Award Agreement, such Performance Compensation Award will be based on the actual achievement of the Performance Goals through the last day of the Performance Period.”

Confidential Treatment is Requested by Broadridge Financial Solutions, Inc.  
Pursuant to 17 C.F.R. 200.83

**NOTE: PORTIONS OF THIS AGREEMENT ARE THE SUBJECT OF A  
CONFIDENTIAL TREATMENT REQUEST BY THE REGISTRANT TO THE  
SECURITIES AND EXCHANGE COMMISSION. SUCH PORTIONS HAVE BEEN  
REDACTED AND ARE MARKED WITH A “[\*\*\*\*]” IN PLACE OF THE REDACTED LANGUAGE.**

**AMENDMENT AGREEMENT**

THIS AMENDMENT AGREEMENT (this “Amendment Agreement”) is made and entered into as of the 11th day of October, 2011, among SAI Holdings, Inc. (“SAI”), Penson Financial Services, Inc. (“PFSI”), Penson Worldwide, Inc. (“PWI”), Penson Financial Services Ltd. (“PFSL”), Penson Financial Services Canada Inc. (“PFSC”), Broadridge Financial Solutions, Inc. (“Broadridge”), Ridge Clearing & Outsourcing Solutions, Inc. (“Ridge”), Broadridge Financial Solutions (Canada) Inc. (“Broadridge Canada”) and Ridge Clearing & Outsourcing Solutions Limited. (“Ridge UK”).

WITNESSETH:

WHEREAS, Broadridge and PWI are parties to that certain Master Services Agreement, dated as of November 2, 2009 (as amended by that certain Amendment, Assignment and Assumption Agreement, dated as of June 25, 2010, among PWI, PFSI, SAI, PFSC, PFSL, Broadridge, Ridge, Broadridge Canada and Ridge UK (the “Amendment, Assignment and Assumption Agreement”), that certain Amendment Agreement, dated as of June 25, 2010, among PWI, PFSI, SAI, PFSC, PFSL, Broadridge, Ridge, Broadridge Canada and Ridge UK (the “Amendment Agreement”), and that certain letter agreement, dated as of June 25, 2010, among PWI, PFSI, SAI, Broadridge and Ridge (the “Letter Agreement”), and as further amended or modified from time to time, the “Master Services Agreement”) and pursuant to the Master Services Agreement, Ridge and PFSI have entered into that certain Schedule A (United States) Service Bureau and Operations Support Services Schedule to the Master Services Agreement, dated as of November 2, 2009 (as amended by the Amendment, Assignment and Assumption Agreement, the Amendment Agreement and as further amended or modified from time to time, the “U.S. MSA Schedule”), and Broadridge Canada and Penson Canada have entered into that certain Schedule A (Canada) Service Bureau and Operations Support Services Schedule to the Master Services Agreement, dated as of November 2, 2009 (as amended by the Amendment, Assignment and Assumption Agreement, the Amendment Agreement and as further amended or modified from time to time, the “Canada MSA Schedule”), and Ridge U.K. and PFSL have entered into that certain Schedule A (United Kingdom) Service Bureau and Operations Support Services Schedule to the Master Services Agreement, dated as of November 2, 2009 (as amended by the Amendment, Assignment and Assumption Agreement, the Amendment Agreement and as

further amended or modified from time to time, the “U.K. MSA Schedule” and the U.S. MSA Schedule, Canada MSA Schedule and U.K. MSA Schedule, collectively, the “MSA Schedules” and each an “MSA Schedule”).

WHEREAS, the parties desire to make certain amendments to, and to clarify certain provisions of, the Master Services Agreement and the MSA Schedules.

NOW, THEREFORE, in consideration of the premises, the mutual covenants herein contained, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

I. CONVERSION PAYMENT

In consideration for the additional services and other amendments contemplated by this Amendment Agreement and to defray costs of PWI and its affiliates associated with the conversion to the Broadridge platform, no later than October 11, 2011, Broadridge shall make an upfront payment to PWI of \$7,000,000 (the "Conversion Payment").

II. MSA SCHEDULE AMENDMENTS

A. Amendments to U.K. MSA Schedule.

- a) Section IV.B(i) of the U.K. MSA Schedule is hereby amended and restated as follows: "Client Local Affiliate may terminate this Schedule for convenience upon sixty (60) days notice to Ridge Local Affiliate without penalty".
- b) Section IV.B(iii) of the U.K. MSA Schedule is hereby deleted in its entirety.

B. Amendments to U.S. MSA Schedule.

- a) No later than January 2012, Ridge shall make available to PFSI the Existing Operations Support Services set forth on Exhibit A hereto (the "Expanded Existing Operations Support Services") in accordance with Section I(2) of Attachment B-1 to Attachment B to the U.S. MSA Schedule (except that with respect to the Expanded Existing Operations Support Services, references in such Section I(2) to "Schedule Effective Date" shall be deemed to mean the date of this Amendment). Accordingly, Appendix 3 to Attachment A to the U.S. MSA Schedule is hereby amended to add such Expanded Existing Operations Support Services thereto. Expanded Existing Operations Support Services to be provided by Ridge Local Affiliate shall be as good as or better than the services they replace.
- b) Section IV.B(iii) of the U.S. MSA Schedule is hereby amended by deleting the reference to "U.S. \$75,000,000.00" at the end thereof and replacing it with "U.S. \$87,000,000.00; provided, however, that such \$87,000,000.00 amount shall be reduced by an amount equal to any Clawback Payment previously paid to Ridge".

C. Amendments to Canada MSA Schedule.

- a) No later than January 2012, Broadridge Canada shall make available to PFSC the Existing Operations Support Services set forth on Exhibit B hereto (the "Expanded Existing Operations Support Services") in accordance with Section I(1) of Attachment B-1 to Attachment B to the Canada MSA Schedule (except that with respect to the Expanded Existing Operations Support Services, references in such Section I(2) to "Schedule Effective Date" shall be deemed to mean the date of this Amendment). Accordingly, Appendix 3 to Attachment A to the Canada MSA Schedule is hereby amended to add such Expanded Existing Operations Support Services thereto. Expanded Existing Operations Support Services to be provided by Ridge Local Affiliate shall be as good as or better than the services they replace.

b) Whereas under Section IV(1) of Attachment B-1 to the Canada MSA Schedule Broadridge Canada agreed to [\*\*\*\*].

### III. REGULATORY APPROVALS

The amendments to the MSA Schedules pursuant to this Agreement are subject to the review and approval of any applicable regulatory authorities of PFSI, PFSC and PFSL.

### IV. MISCELLANEOUS

- A. Unless otherwise defined herein, capitalized terms shall have the meaning ascribed to them in the Master Services Agreement.
- B. This Agreement will inure to the benefit of and bind the respective successors and assigns of the parties hereto.
- C. This Amendment Agreement shall be governed by and construed in accordance with the internal substantive laws of the State of New York without giving effect to conflict of laws principles thereof.
- D. This Amendment Agreement may be executed in any number of counterparts, and any party hereto may execute any such counterpart, each of which when executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument.
- E. No provision of this Amendment Agreement is intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

**[Remainder of Page Intentionally Left Blank; Signature Page Follows]**

IN WITNESS WHEREOF, this Amendment Agreement has been duly executed and delivered as of the date first above written.

**Penson Financial Services, Inc.**

By: /s/ Bill Yancy  
Name: Bill Yancy  
Title: President

**SAI Holdings, Inc.**

By: /s/ Philip A. Pendergraft  
Name: Philip A. Pendergraft  
Title: Chief Executive Officer

**Penson Worldwide, Inc.**

By: /s/ Bryce Engel  
Name: Bryce Engel  
Title: President and COO

**Penson Financial Services Canada Inc.**

By: /s/ John Skain  
Name: John Skain  
Title: President and CEO

**Penson Financial Services Ltd.**

By: /s/ Bryce Engel  
Name: Bryce Engel  
Title: Director

[Signature Page to Amendment Agreement]

**Ridge Clearing & Outsourcing Solutions, Inc.**

By: /s/ Joe Barra  
Name: Joe Barra  
Title: President

**Broadridge Financial Solutions, Inc.**

By: /s/ John Hogan  
Name: John Hogan  
Title: President and COO

**Broadridge Financial Services (Canada) Inc.**

By: /s/ John Hogan  
Name: John Hogan  
Title: Authorized Signatory

**Ridge Clearing & Outsourcing Solutions Limited**

By: /s/ John Hogan  
Name: John Hogan  
Title: Director

[Signature Page to Amendment Agreement]

EXHIBIT A  
to  
Amendment Agreement

EXPANDED EXISTING OPERATIONS SUPPORT SERVICES (UNITED STATES)

The parties acknowledge that they intend to work together to seek to effect the provision by the applicable Ridge Local Affiliate and acceptance by the applicable Client Local Affiliate of Expanded Existing Operations Support Services under this Schedule and the Canada MSA Schedule so as to provide for Expanded Existing Operations Support Services under such Schedules that provide (on an annualized basis) for a Base Fee of : (i) U.S. \$2,000,000.00 or more, on and after February 1, 2012, (ii) U.S. \$4,000,000.00 or more, on and after July 1, 2012, (iii) U.S. \$6,000,000.00 or more, on and after January 1, 2013 and (iv) U.S. \$8,000,000.00 or more, on and after July 1, 2013. Penson shall notify Ridge in writing, at least three months prior to each of such dates, of the Expanded Existing Operations Support Services that, subject to the terms of this Agreement and any Conversion SOW, it will be utilizing on each of such dates. In the event that the Base Fee with respect to the Expanded Existing Operations Support Services under this Schedule and the Canada MSA Schedule (on an annualized basis) payable by the respective Client Local Affiliates pursuant to the applicable Schedules shall in the aggregate be less than U.S. \$8,000,000.00, on July 1, 2013, Penson shall pay to Ridge, prior to August 1, 2013, an amount equal to the amount by which such Base Fees (on an annualized basis) payable as of August 1, 2013 is less than \$7,000,000.00 (the "Clawback Payment"). In the event that Penson makes such payment, the parties acknowledge that Penson shall be under no obligations to go live on any Expanded Existing Operations Support Services under such Schedules for which no Live Date has occurred as of July 1, 2013, and such Expanded Existing Operations Support Services shall no longer be subject to Section II.C.

EXHIBIT B  
TO  
AMENDMENT AGREEMENT

EXPANDED EXISTING OPERATIONS SUPPORT SERVICES (CANADA)

The parties acknowledge that they intend to work together to seek to effect the provision by the applicable Ridge Local Affiliate and acceptance by the applicable Client Local Affiliate of Expanded Existing Operations Support Services under this Schedule and the U.S. MSA Schedule so as to provide for Expanded Existing Operations Support Services under such Schedules that provide (on an annualized basis) for a Base Fee of : (i) U.S. \$2,000,000.00 or more, on and after February 1, 2012, (ii) U.S. \$4,000,000.00 or more, on and after July 1, 2012, (iii) U.S. \$6,000,000.00 or more, on and after January 1, 2013 and (iv) U.S. \$8,000,000.00 or more, on and after July 1, 2013. Penson shall notify Ridge in writing, at least three months prior to each of such dates, of the Expanded Existing Operations Support Services that, subject to the terms of this Agreement and any Conversion SOW, it will be utilizing on each of such dates. In the event that the Base Fee with respect to the Expanded Existing Operations Support Services under this Schedule and the U.S. MSA Schedule (on an annualized basis) payable by the respective Client Local Affiliates pursuant to the applicable Schedules shall in the aggregate be less than U.S. \$8,000,000.00, on July 1, 2013, Penson shall pay to Ridge, prior to August 1, 2013, an amount equal to the amount by which such Base Fees (on an annualized basis) payable as of August 1, 2013 is less than \$7,000,000.00 (the "Clawback Payment"). In the event that Penson makes such payment, the parties acknowledge that Penson shall be under no obligations to go live on any Expanded Existing Operations Support Services under such Schedules for which no Live Date has occurred as of July 1, 2013, and such Expanded Existing Operations Support Services shall no longer be subject to Section II.D.

**AMENDED AND RESTATED SELLER NOTE**

\$20,578,155

Effective as of July 1, 2011

1. FOR VALUE RECEIVED, the undersigned, PENSON WORLDWIDE, INC., a Delaware corporation (the “Company” or “Issuer”), hereby promises to pay to the order of Broadridge Financial Solutions, Inc. (“Payee”) the principal amount of Twenty Million Five Hundred Seventy Eight One Hundred Fifty-Five Dollars \$20,578,155 (the “Initial Amount”), subject to adjustment as provided in this Note (if adjusted, the “Adjusted Amount”) on the Maturity Date (or, if such day is not a Business Day, on the immediately succeeding Business Day), subject to the provisions herein. The Issuer further promises to pay interest on the unpaid principal amount of this Note from time to time at a rate per annum equal to the LIBOR Rate plus an amount (the “Spread”) equal to five and one-half percent (5.50%). Interest on this Note shall be due and payable on the Maturity Date, provided that if any such day is not a Business Day, payment shall be made on the immediately succeeding Business Day. Notwithstanding the foregoing, while an Event of Default is continuing the Spread shall, to the extent permitted by applicable law, increase by 2.00%, and the Spread will be increased by an additional 2.00% each additional 90 days the Event of Default remains uncured or unwaived, subject to a maximum Spread of 12.0%. After the cure or waiver of any such Event of Default and provided no other Events of Default are then continuing, the Spread shall return to 5.50%.

Payments of principal hereof and interest hereon shall be made in Dollars in immediately available funds to such account of the Noteholder located in New York, New York, as the Noteholder may designate in writing to the Issuer.

2. Prepayments; Optional Prepayment. Subject to the provisions herein, the Issuer may, at any time and from time to time prior to the Maturity Date, prepay the principal amount of this Note, in whole or in part, without penalty or premium, on any Business Day. Prepayments of this Note must be accompanied by payment of accrued and unpaid interest on the principal amount prepaid to and including the date of payment.

3. Negative Covenants. So long as any principal of and interest on this Note or any other amount payable hereunder remains unpaid or unsatisfied:

(a) Mergers and Consolidations. The Issuer shall not merge or consolidate with or into any Person or sell all or substantially all of its assets, except that so long as both prior to and subsequent to such merger or consolidation, no Event of Default has occurred and is continuing, the Issuer may merge or consolidate with any Person, provided that (x) the Issuer shall be the continuing or surviving Person or (y) if the Issuer shall not be the surviving Person, such surviving Person shall have assumed the obligations of the Issuer hereunder pursuant to documentation in form and substance reasonably satisfactory to the Noteholder (each such merger or consolidation, a “Permitted Merger”).

(b) Liens. The Issuer shall not, and shall not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired to secure Indebtedness without making, or causing such Subsidiary to make effective provision for securing this Note equally and ratably with such Indebtedness or in the event such Indebtedness is subordinate in right of payment to this Note, prior to such Indebtedness, as to such property or assets for so long as such Indebtedness shall be secured. The foregoing restrictions shall not apply to the following Liens:

- (A) Liens existing on the date hereof;
- (B) Liens securing the Credit Agreement (including any modification, replacement, renewal or extension of any such Lien in connection with the modification, renewal, replacements, extension, amendment or amendment and restatement of the Credit Agreement);
- (C) Liens permitted by the Credit Agreement;
- (D) Liens securing Cash Management Obligations, Hedging Agreements and other Indebtedness in respect of netting services, automatic clearinghouse arrangements, overdraft protections, employee credit card programs and other cash management and similar arrangements in the ordinary course of business and any guarantees thereof;
- (E) Liens arising from judgments or orders for the payment of money;
- (F) Liens (I) on cash advances in favor of the seller of any property to be acquired in an investment to be applied against the purchase price for such investment or (II) consisting of an agreement to dispose of any property;
- (G) Liens existing on property at the time of its acquisition or existing on the property of any Person at the time such Person becomes a Subsidiary;
- (H) Liens in connection with any sale-leasebacks;
- (I) Liens in connection with any credit facility or other lending arrangement entered into by a Regulated Subsidiary to finance operations in the ordinary course of business;
- (J) Liens on assets of a Regulated Subsidiary resulting from the lending of securities and repurchase and reverse repurchase agreements;
- (K) Liens for taxes, fees, assessments or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings;
- (L) Liens of materialmen, mechanics, warehousemen, carriers or employees or other similar Liens arising by operation of law in the ordinary course of business;
- (M) Liens consisting of deposits or pledges to secure the performance of bids, trade contracts, leases, public or statutory obligations, or other obligations of a like nature incurred in the ordinary course of business;

(N) Liens upon or in any assets acquired or held to secure the purchase price of such assets or Indebtedness incurred for the purpose of financing the acquisition of such assets to secure Indebtedness not exceeding

(x) if the Credit Agreement (including any agreement that refinances or replaces the Credit Agreement) is in effect (regardless of whether any indebtedness is outstanding thereunder) \$25,000,000 in the aggregate under this clause (N) without prejudice to any other clause hereof or

(y) if the Credit Agreement (including any agreement that refinances or replaces the Credit Agreement) is terminated or otherwise no longer in effect (and not replaced), an amount not to exceed 15% of the Company's net revenues for the trailing twelve month period (based on the latest period for which internal financial statements are available),

in each case, provided that the Liens are restricted to such assets and the proceeds thereof; it being understood that any Lien that was permitted to be incurred as of the date of incurrence shall not violate subsection (y) solely as a result of a subsequent decline in the Issuer's net revenues;

(O) restrictions and other minor encumbrances on real property which do not in the aggregate materially impair the use or value of such property;

(P) the rights of licensors or lessors of property under the license or lease agreements related thereto;

(Q) Liens which constitute rights of set-off or bankers' liens or securities intermediaries' liens whether arising by operation of law or by contract; and

(R) the modification, replacement, renewal or extension of any Lien permitted under this Section 3(b) (other than Section 3(b)(B)).

(c) Convertible Notes. Borrower will not voluntarily redeem, purchase or otherwise voluntarily prepay its 8.00% Senior Convertible Notes due 2014 prior to maturity.

(d) Credit Agreement. In the event the Issuer amends, refinances or otherwise modifies the Credit Agreement (a "Replacement Credit Agreement"), the Issuer agrees it will use good faith efforts to (i) cause the terms of the Replacement Credit Agreement to permit the Issuer to make regularly scheduled interest and principal payments on this Note or (ii) have the Replacement Facility not contain covenants that materially adversely affect the Issuer's ability to make regularly scheduled interest and principal payments on this Note beyond the terms that exist in the Credit Agreement.

(e) Notice of Proposed Debt Financings. The Issuer will give Payee at least 30 days prior written notice of the anticipated closing of an issuance of debt securities by the Issuer by way of (x) an offering to institutional investors exempt from registration under the Securities Act of 1933 (such as a so-called Rule 144A offering), or (y) an offering covered by an effective registration statement filed pursuant to the Securities Act of 1933, in each case in a principal amount at least equal to the amount outstanding under this Note.

4. Events of Default. The following are “Events of Default”:

- (a) The Issuer fails to pay any interest or principal of this Note as and on the date when due and such failure shall continue unremedied for more than 3 (three) Business Days; or
- (b) (i) The Issuer fails to perform or observe any term, covenant or agreement contained in Section 3(a) hereof or (ii) the Issuer fails to perform or observe any other covenant or agreement (not specified in the preceding clause (b)(i)) contained in this Note on its part to be performed or observed and in the case of this clause (ii) such failure continues unremedied for 45 days; or
- (c) The occurrence of a Change of Control; or
- (d) An event of default has occurred and is continuing under any agreement in respect of Indebtedness with an outstanding principal amount in excess of \$50,000,000 or under the Credit Agreement resulting in such Indebtedness or the Credit Agreement being or being declared due and payable (or such default is a failure to pay at maturity); provided, however, if any such acceleration of Indebtedness has been rescinded, there shall no longer be any Event of Default under this Section 4(d) with respect to such acceleration; or
- (e) The Issuer or any Material Subsidiary institutes any proceeding under any Debtor Relief Law, or makes a general assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator, or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator, or similar officer is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property is instituted without the consent of such Person and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered, or consented to by such Person, in any such proceeding or an order for the liquidation of any such Person is entered in any such proceeding or any such Person admits in writing its inability to pay its debts generally as they become due (such proceedings collectively, the “Insolvency Proceedings”); or
- (f) Any termination of the Outsourcing Agreement, as such term is defined in the Asset Purchase Agreement, as amended, restated, or otherwise modified from time to time (x) by the Noteholder, pursuant to the exercise of remedies for a material breach of the Outsourcing Agreement by the Issuer entitling such termination or (y) by the Issuer, for any reason (other than a termination by the Issuer for a material breach or material failure to perform by the Payee or its Affiliates including the exercise of any termination right pursuant to any service level agreement).

Upon the occurrence and during the continuation of an Event of Default, the Noteholder may declare all sums outstanding hereunder, including all interest thereon, to be immediately due and payable, whereupon the same shall become and be immediately due and payable, without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor, or other notices or demands of any kind or character, all of which are hereby expressly waived; provided, however, that upon the occurrence of an actual entry of an

order for relief with respect to the Issuer under the Bankruptcy Code, all sums outstanding hereunder including all interest thereon, shall become and be immediately due and payable, without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor, or other notices or demands of any kind or character, all of which are hereby expressly waived.

5. Guarantees. (i) The Issuer will not permit any of its subsidiaries to Guarantee any Indebtedness of the Issuer, other than the Credit Agreement and except as permitted by the Credit Agreement and except to the extent a Lien of such Indebtedness would be permitted under Section 3(b) above, and (ii) the Issuer will not permit any of its subsidiaries to Guarantee any Indebtedness issued to a seller for the purposes of financing the acquisition of substantially all the assets of a business, unless in each case such subsidiary, concurrently with the incurrence of any such Guarantee, executes and delivers to the Noteholder a guarantee of the Issuer's obligations under this Note, in the substantially the same form or otherwise in a form and substance reasonably satisfactory to the Noteholder.

6. Adjustment of Principal Amount in Certain Cases.

(a) This Note has been issued in connection with the Asset Purchase Agreement. In accordance with the Asset Purchase Agreement, the principal amount of this Note may, at the Issuer's option, be reduced by the amount of any Claims of the Issuer or increased by the amount of any Claims of the Payee.

(b) For the purposes of this Note, "Claims" shall mean, as determined pursuant to the Asset Purchase Agreement, (i) any Purchase Price Adjustment and (ii) any and all Losses (as defined in the Asset Purchase Agreement) in respect of which Issuer or the Payee is entitled to indemnification pursuant to the Asset Purchase Agreement and in accordance with the Asset Purchase Agreement the principal amount of this Note may be adjusted. Payee is authorized to record any such adjustment on the grid attached to this Note in the columns provided therefor and after such record is made, Payee will promptly furnish to Issuer a copy of the Note reflecting such adjustment; provided that the failure to do so will not affect the validity of any adjustment made in accordance with the provisions of the Asset Purchase Agreement and this Note.

7. Successors and Assigns. The provisions of this Note shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that neither the Issuer nor any Guarantor may assign its rights and obligations under this Note other than pursuant to a Permitted Merger. The Noteholder may at any time assign its rights and obligations under this Note to any other Person.

8. Definitions. As used in this Agreement, the following terms shall have the following meanings:

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with") with respect to any Person,

means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Asset Purchase Agreement” means that certain Asset Purchase Agreement dated as of November 2, 2009, among the Company, Buyer, Broadridge Financial Solutions, Inc. and Ridge Clearing & Outsourcing Solutions, Inc. (as amended, restated, or otherwise modified from time to time).

“Bankruptcy Code” means The Bankruptcy Reform Act of 1978, as codified as 11 U.S.C. Section 101 *et seq.*

“Business Day” means any day other than Saturday, Sunday or other day on which the New York Stock Exchange is authorized or required by Law to close.

“Capitalized Lease” means a lease under which the Issuer or any of its Subsidiaries is the lessee or obligor, the discounted future rental payment obligations under which are required to be capitalized on the balance sheet of the lessee or obligor in accordance with GAAP.

“Cash Management Obligations” means any obligations of the Issuer or any Subsidiary in respect of overdrafts and related liabilities arising from treasury, depository or cash management services.

“CFTC” means the Commodity Futures Trading Corporation, or any successor thereto.

“Change of Control” means

(i) an event or series of events by which any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding the Company, its subsidiaries, any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) (any such person or group, an “Acquiror”) files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that, or the Issuer otherwise becomes aware that, such person or group has become the direct or indirect ultimate “beneficial owner,” as defined in Rule 13d-3 under the Exchange Act, of 50% or more of the equity securities of the Issuer entitled to vote for members of the board of directors or equivalent governing body of the Issuer (“Issuer Voting Securities”) on a fully diluted basis (a “Control Interest”);

(ii) all or substantially all of the assets of the Issuer (on a consolidated basis) are sold or otherwise transferred to any person in one transaction or a series of related transactions in which, immediately after the consummation thereof, the holders of the majority of the Issuer Voting Securities prior to such transaction do not represent a majority of the Issuer Voting Securities or of the equity interests of the surviving or transferee person; or

(iii) the Issuer shall adopt a plan of liquidation or dissolution or any such plan shall be approved by the stockholders of the Issuer.

“Company” has the meaning set forth in Section 1.

“Credit Agreement” means that certain Second Amended and Restated Credit Agreement dated as of May 6, 2010, with Regions Bank, as Administrative Agent, Swing Line Lender and Letter of Credit Issuer, the lenders party thereto and other parties thereto (together with all exhibits and schedules thereto, as amended, restated, amended and restated, replaced, refinanced, supplemented or otherwise modified in writing from time to time) and any extension, renewal, replacement or refinancing of such credit facility from time to time.

“Debtor Relief Laws” means the Bankruptcy Code, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Default” means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“Dollar” means lawful money of the United States.

“Events of Default” has the meaning specified in Section 4.

“FINRA” means the Financial Industry Regulatory Authority, Inc. or any successors thereto.

“FSA” means the Financial Services Authority, or any successor thereto.

“GAAP” means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

“Governmental Authority” means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“Guarantee” by any Person (the “guarantor”) means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, or (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation.

“Hedging Agreement” means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

“Indebtedness” of any Person means, without duplication, (a) all obligations of such Person for borrowed money (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (d) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (e) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (f) all Guarantees by such Person of Indebtedness of others, and (g) all obligations under Capitalized Leases.

“Indenture” means the Indenture, dated as of May 6, 2010, the Company, the Subsidiary Guarantors party hereto and U.S. Bank National Association, a national association banking corporation, as Trustee (in such capacity, including its successors and assigns from time to time, the “Trustee”) and as Collateral Agent (in such capacity, including its successors and assigns from time to time, the “Collateral Agent”) relating to the 12.50% Senior Second Lien Secured Notes due 2017 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time).

“Interest Period” means the period commencing on the date of the initial borrowing under the Note (or the continuation of any prior interest period) and ending on the date three months thereafter; provided that:

(i) any Interest Period that would otherwise end on a day that is not a business day shall be extended to the next succeeding business day unless such business day falls in another calendar month, in which case such Interest Period shall end on the next preceding business day;

(ii) any Interest Period that begins on the last business day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period shall extend beyond the Maturity Date.

“Insolvency Proceedings” has the meaning specified in Section 4(e).

“LIBOR Rate” means, for any Interest Period, an interest rate per annum equal to the 90-day rate per annum obtained by dividing (a) the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBOR01 Page (or any successor page) as the London interbank offered rate for deposits in Dollars at 11:00 A.M. (London time) two business days before the first day of such Interest Period for a period equal to such Interest Period (provided that, if for any reason such rate is not available, the term “LIBOR Rate” shall mean, for any Interest Period, the rate per annum (rounded upwards, if necessary,

to the nearest 1/100 of 1%) appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars at approximately 11:00 A.M. (London time) two Business days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided, however, if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates) by (b) a percentage equal to 100% minus the LIBOR Rate Reserve Percentage for such Interest Period.

“LIBOR Rate Reserve Percentage” for any Interest Period means the reserve percentage applicable two business days before the first day of such Interest Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (as defined in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time) (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate on LIBOR Rate Loans is determined) having a term equal to such Interest Period.

“Lien” means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, and (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset.

“Loss” has the meaning ascribed to such term in the Asset Purchase Agreement.

“Material Subsidiary” means any Subsidiary of the Company which at the date of determination is a “significant subsidiary” as defined in Rule 1-02(w) of Regulation S-X under the Securities Exchange Act of 1934 (as such Regulation is in effect on the date hereof).

“Maturity Date” means June 25, 2015

“Note” means this Senior Note, as amended, restated, extended, supplemented or otherwise modified in writing from time to time.

“Noteholder” means the Payee and its permitted successors and assigns.

“Payee” has the meaning set forth in Section 1.

“Permitted Merger” has the meaning specified in Section 3(a).

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Purchase Price Adjustment” has the meaning ascribed to such term in Section 2.6 of the Asset Purchase Agreement.

“Regulated Subsidiary” means any Subsidiary registered or regulated as a broker or dealer with or by the SEC, FINRA, FSA, CFTC or any other applicable governmental authority, whether domestic or foreign.

“Subsidiary” of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a “Subsidiary” or to “Subsidiaries” shall refer to a Subsidiary or Subsidiaries of the Issuer.

“Uniform Commercial Code” means the Uniform Commercial Code as in effect from time to time.

#### 9. Miscellaneous.

(a) This Note is subject to the terms and conditions of (1) that certain Subordination Agreement dated as of even date herewith among Ridge Clearing & Outsourcing Solutions, Inc., Broadridge Financial Solutions, Inc. and Regions Bank, as administrative agent on behalf of the Lenders party to the Credit Agreement (as amended, restated or otherwise modified from time to time, the “Bank Subordination Agreement”) and (2) that certain Subordination Agreement dated as of even date herewith among Ridge Clearing & Outsourcing Solutions, Inc., Broadridge Financial Solutions, Inc. and the Trustee (as defined in the definition of Indenture above) (as amended, restated or otherwise modified from time to time, the “Bond Subordination Agreement”) and together with the Bank Subordination Agreement, the “Subordination Agreements” and the Bank Subordination Agreement and Bond Subordination Agreement each a “Subordination Agreement”). The Payee agrees that, upon the request of the Company and the agent or trustee (or other person performing a similar function) under the Credit Agreement or Trustee (as applicable), Payee will promptly execute and deliver written one or more subordination agreements substantially in the form of the Subordination Agreements.

(b) No amendment or waiver of any provision of this Note and no consent by the Noteholder to any departure therefrom by the Issuer shall be effective unless such amendment, waiver or consent shall be in writing and signed by the Noteholder, and any such amendment, waiver or consent shall then be effective only for the period and on the conditions and for the specific instance specified in such writing. No failure or delay by the Noteholder in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other rights, power or privilege.

(c) Except as otherwise expressly provided herein, notices and other communications to each party provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed or sent by telecopy to the address provided from time to time by such party. All notices and other communications shall be effective upon receipt.

(d) If any provision of this Note is held to be illegal, invalid or unenforceable, (i) the legality, validity and enforceability of the remaining provisions of this Note shall not be affected or impaired thereby and (ii) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect

of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(e) THIS NOTE IS GOVERNED BY, AND SHALL BE CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE CONFLICTS OF LAW RULES OF SUCH STATE. THE ISSUER AND NOTEHOLDER EACH HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT AND EACH STATE COURT IN THE CITY OF NEW YORK AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE OR THE TRANSACTIONS CONTEMPLATED HEREBY, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT. THE ISSUER AND NOTEHOLDER EACH IRREVOCABLY CONSENTS TO THE SERVICE OF ANY AND ALL PROCESS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES OF SUCH PROCESS TO THE ISSUER OR NOTEHOLDER AT ITS ADDRESS SET FORTH BENEATH ITS SIGNATURE HERETO. THE ISSUER AND THE NOTEHOLDER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(f) THE ISSUER AND THE NOTEHOLDER EACH WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS NOTE OR THE TRANSACTIONS CONTEMPLATED HEREBY.

(g) THIS NOTE AND THE ASSET PURCHASE AGREEMENT REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

(h) This Note represents an amendment and restatement of the obligations represented by that certain Seller Note dated as of June 25, 2010 (as amended, the "Original Note") and is not an accord and satisfaction, a novation, or an extinguishment of the obligations represented by the Original Note.

PENSON WORLDWIDE, INC.

By: /s/ Philip A. Pendergraft  
Name: Philip A. Pendergraft  
Title: Chief Executive Officer

BROADRIDGE FINANCIAL SOLUTIONS, INC.

By: /s/ John Hogan  
Name: John Hogan  
Title: President and COO

Signature Page to Amended and Restated Seller Note

Grid for Recording Adjusted Amount

<u>Date</u>	<u>Amount of Increase (Decrease) to Principal Amount</u>	<u>Adjusted Amount</u>	<u>Entered By</u>

## SECTION 302 CERTIFICATION

I, Richard J. Daly, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Broadridge Financial Solutions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2011

/s/ Richard J. Daly  
Richard J. Daly  
Chief Executive Officer

## SECTION 302 CERTIFICATION

I, Dan Sheldon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Broadridge Financial Solutions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2011

/s/ Dan Sheldon

Dan Sheldon

Vice President, Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Broadridge Financial Solutions, Inc. (the "Company") on Form 10-Q for the three months ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard J. Daly, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (a) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Richard J. Daly  
Richard J. Daly  
Chief Executive Officer

November 3, 2011

Pursuant to Securities and Exchange Commission Release 33-8238, dated June 5, 2003, this certification is being furnished and shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934, as amended, and will not be incorporated by reference into any registration statement filed under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Broadridge Financial Solutions, Inc. (the "Company") on Form 10-Q for the three months ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dan Sheldon, Vice President, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (a) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dan Sheldon

\_\_\_\_\_  
Dan Sheldon

Vice President, Chief Financial Officer

November 3, 2011

Pursuant to Securities and Exchange Commission Release 33-8238, dated June 5, 2003, this certification is being furnished and shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934, as amended, and will not be incorporated by reference into any registration statement filed under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.