

# AUTOMATIC DATA PROCESSING INC

## FORM 10-K (Annual Report)

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Address	ONE ADP BOULVARD ROSELAND, New Jersey 07068
Telephone	973-974-7849
CIK	000008670
Industry	Business Services
Sector	Services
Fiscal Year	06/30

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# FORM 10-K

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

For the fiscal year ended June 30, 2000

OR

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

*Commission file number 1-5397*

### AUTOMATIC DATA PROCESSING, INC.

(Exact name of registrant as specified in its charter)

**Delaware 22-1467904**

(State or other jurisdiction of (I.R.S. Employer Identification No.)

incorporation or organization)

One ADP Boulevard, Roseland, New Jersey 07068  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 973-974-5000

#### Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$.10 Par Value (voting)	New York Stock Exchange Chicago Stock Exchange Pacific Stock Exchange
Liquid Yield Option Notes due 2012	New York Stock Exchange

#### Securities registered pursuant to Section 12(g) of the Act: NONE

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 the filing requirements for the past 90 days. Yes x No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (ss.229.405 of this chapter) is not contained herein and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of September 6, 2000 was approximately \$38,792,200,000. On September 6, 2000, there were 630,126,931 shares of Common Stock outstanding.

## DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's 2000 Annual Report to Shareholders

Parts I, II & IV

Portions of the Registrant's Proxy Statement for Annual Meeting of Stockholders to be held on November 14, 2000.

Part III

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## Part I

### Item 1. Business

Automatic Data Processing, Inc., incorporated in Delaware in 1961 (together with its subsidiaries "ADP" or the "Registrant"), is one of the largest providers of computerized transaction processing, data communication, and information services in the world. For financial information by segment and by geographic area, see Note 11 of the "Notes to Consolidated Financial Statements" contained in ADP's 2000 Annual Report to Shareholders, which information is incorporated herein by reference. The following summary describes ADP's activities.

#### Employer Services

ADP Employer Services offers a comprehensive range of payroll, human resources, benefits administration, time and attendance, tax filing and reporting, professional employer organization ("PEO"), compliance management (e.g., new hire reporting and wage garnishment processing) and retirement plan services to 450,000 employers in the United States, Canada, Europe and Latin America. These services are marketed through ADP's direct marketing sales forces and through other indirect sales channels such as marketing relationships with banks, accountants, and increasingly, online companies through which ADP's services are marketed to their customers. In fiscal 2000, North America accounted for 88% of Employer Services' revenues, with Europe generating 11% of Employer Services' revenues and Latin America (principally Brazil) contributing the remaining 1%. Further, with the acquisition of PayConnect in July of 2000, ADP entered into the payroll services market of Australia, and currently provides payroll and HR solutions to over 7,500 clients in Australia.

In North America, ADP provides payroll services that include the preparation of client employee paychecks and electronic direct deposits, along with supporting journals, summaries and management reports. ADP also supplies the quarterly and annual social security, Medicare, and federal, state and local income tax withholding reports required to be filed by employers and employees. ADP's tax filing services process federal, state and local payroll taxes on behalf of ADP clients and remit such taxes to the appropriate taxing authorities when due. Through service offerings such as new hire reporting, ADP check/full service direct deposit (in conjunction with major bank partners) and wage garnishment payment, the ADP Tax and Financial Services Center is also responsible for the efficient movement of funds and information to third parties. In Europe and Latin America, ADP Employer Services provides full departmental outsourcing of payroll services.

ADP Employer Services' approach to the market is to match a client's needs with the product that will best meet expectations. In North America, approximately 30% of Employer Services' revenue during the past fiscal year was attributable to its Emerging Business Services (companies with fewer than 100 employees); approximately 34% of such revenue was attributable to Major Accounts (companies with between 100 and 999 employees); and approximately 25% of such revenue was attributable to National Accounts (companies with 1,000 or more employees).

ADP's human resource ("HR") services, operating in conjunction with a client's payroll database, provide comprehensive recordkeeping HR services, including benefits administration and outsourcing, applicant tracking, employee history and position control.

ADP is in the process of Internet-enabling existing product offerings, while at the same time creating new products expressly designed for the Internet. This year ADP launched its eBusiness

Services unit to provide online payroll, HR, 401(k) and other services to smaller companies that use the Internet to staff, manage, pay and retain their employees. ADP also introduced ADP Enterprise Payroll, an Internet-based system with self-service features for large businesses. Clients can now use ADP Connection(TM) to interface ADP's payroll and tax filing solutions with enterprise resource planning applications from Oracle(R), SAP and PeopleSoft(R). ADP is also developing an Internet-based payroll, benefits and HR management system with self-service features for the middle market.

Emerging Business Services ("EBS") processes payroll for over 370,000 clients. EBS provides these smaller companies of usually 1-99 employees with leading solutions, including a range of value-added services that are specifically designed for small business clients. Major Accounts (100-999 employees) offers a full suite of best-of-breed employer services solutions for mid-sized companies, including full database and other functional integration between payroll and HR. Many of the world's largest corporations (1000 or more employees) are National Accounts Services clients. In many cases, ADP provides system solutions for its clients' entire human resource, payroll and benefits needs. For those companies who choose to process these applications in-house, ADP also delivers stand-alone services such as payroll tax filing, check printing and distribution, and year-end statements (i.e., W-2's). Other large clients rely on ADP to design and deliver their own customized human resource information systems and benefits outsourcing solutions. Further, as part of ADP's initiatives to develop online products and services, this year ADP acquired Business Management Software, LTD, a United Kingdom-based software developer and long-term partner of ADP, specializing in the development of payroll and HR applications.

The ADP Tax and Financial Services Center supports large, mid-sized and small clients. It provides an electronic interface between approximately 350,000 ADP clients in the United States and Canada and about 2000 federal, state and local tax agencies, from the Internal Revenue Service to local town governments. In fiscal 2000, the ADP Tax and Financial Service Center processed over 17 million federal and other employer payroll tax returns.

In 1999, ADP became the second largest PEO in the United States with the acquisition of The Vincam Group, Inc. A PEO provides a comprehensive, bundled outsourcing solution, including payroll, HR, benefits and workers' compensation to its clients. ADP's combined PEO business, called TotalSource(R), has 26 offices located in 11 states and supports approximately 85,000 work-site employees in 48 states.

ADP complements its payroll and HR services with additional employer services that include products ranging from time and attendance tracking to 401(k) recordkeeping. ADP's unemployment compensation services aid clients in managing and reducing unemployment insurance costs. In the last fiscal year, ADP enhanced its position as a leading benefits administration provider with the acquisition of netBOA, Inc., a provider of COBRA administration services.

The continued increase in multinational companies makes payroll and human resource management services a global opportunity. ADP Europe provides payroll solutions to nearly 24,000 clients in nine European countries and is the only Pan-European service provider. Additionally, ADP is well positioned in Latin America to take advantage of future growth in this market. As previously stated, Employer Services' European and Latin American operations already comprise 12% of the consolidated Employer Services worldwide revenues. As this business grows, ADP's Global Business Services will provide a dedicated sales and service organization trained and equipped to handle payroll for clients with diverse locations in ADP's major world markets.

## Brokerage Services

ADP Brokerage Services provides securities transaction processing, broker productivity applications and investor communication services to the financial services industry. These services include bank and brokerage back-office and related financial computing services such as trade processing, automated inquiry, reporting and record keeping services for virtually all financial instruments including foreign currency, fixed income, equities, commodities and derivatives.

ADP serves a diverse client base, including full service and discount brokerage firms, global banks, and Internet brokerage companies, as well as corporations, mutual funds, institutional investors, specialty trading firms, and other providers of financial services.

In fiscal 2000, ADP processed a significant portion of U.S. and Canadian securities transactions, with combined daily volumes of more than 1.2 million trades per day, up 50% from the prior year. In addition, ADP served the North American securities transaction processing needs of most large global banks.

This year, ADP processed over 25% of all online trades in North America and expanded its presence as a leading service provider of Internet-based brokerage services. ADP also initiated new relationships with Web Street Securities and Millennium Clearing Company LLC, a subsidiary of National Discount Brokers Group, Inc.

ADP Brokerage Services also provides computerized proxy vote tabulation and shareholder communication, distribution and fulfillment services, including Internet-enabled products and services. In fiscal 2000, ADP handled over 680 million shareholder communications on behalf of its clients worldwide, nearly 35% more than fiscal 1999. It also more than doubled Internet distribution of shareholder communications in fiscal 2000. ADP also signed Morgan Stanley Dean Witter to a new multi-year investor communication services contract. This year, ADP created the IRExpress.com(SM) Internet platform suite of services that allows investor relations professionals to manage their process, access institutional ownership of information, and track institutional portfolios online.

Internationally, ADP Brokerage Services integrated the delivery of multiple products and services through its Global Processing Solution. ADP now serves brokerage and banking clients in 25 countries, providing global trade processing and settlement systems for international securities in multiple currencies. In fiscal 2000, ADP's Wilco Systems strengthened its ability to adapt to market changes by setting up a development center in Hyderabad, India. In fiscal 2000, ADP also launched initiatives to continue serving the emerging online brokerage markets internationally, developing a new Internet-enabled trading solution for the European market, with global straight through processing capabilities, as well as partnering with a leading provider of end-to-end on-line retail financial services enabling ADP to offer turnkey Internet solutions. In addition, ADP maintained ISO 9002 certification for shareholder information processing, an international standard for the highest quality.

In June 2000, ADP acquired Cunningham Graphics International, Inc., a provider of a wide range of graphic communications services to financial services, insurance, healthcare, and telecommunication firms, as well as publishing houses. These services include the production and distribution of time sensitive analytical research and marketing materials, as well as general commercial and on-demand printing services. Cunningham Graphics operates in select international markets through its facilities in the United States, United Kingdom, Canada, Hong Kong, and Singapore.

## **Dealer Services**

ADP Dealer Services provides e-business and integrated computing solutions for motor vehicle (car and truck) retailers and their manufacturers worldwide. Approximately 40% of the automotive retailers in North America (about 20% globally) and more than 30 vehicle manufacturers use ADP's on-site systems and communications networks to manage sales, operations and marketing, with over 200,000 installed applications.

ADP offers clients a service solution that includes computer hardware, licensed software, software support, network consulting, design and hardware maintenance services. Clients use ADP's systems to manage business activities such as accounting, inventory, factory communications, scheduling, finance, insurance, sales and service. ADP designs, establishes and maintains communications networks for its clients that allow interactive communications among multiple site locations for larger dealers as well as links between franchise dealers and their respective manufacturers. These networks are used for new vehicle ordering, status inquiry and warranty submission and validation, parts and vehicle locating, credit application submissions, vehicle repair estimates, vehicle registration and lienholder information.

In fiscal 2000, ADP Dealer Services formed ChoiceParts, LLC with ADP Claims Services and other partners to establish an efficient parts procurement marketplace for auto retailers and collision repair centers. ADP's acquisition last year of Dealer Solutions, Inc., a developer of Windows NT(R) dealer management systems software, is another significant step in ADP's Internet-based strategy. This past fiscal year, ADP launched DealerSuite.com(SM), an e-business portal that provides dealers with quick access to a wide range of Internet-based products, services and tools, including consumer finance sources, online training, and ADP customer service. ADP also introduced myautogarage.com (SM), ADP's Internet initiative with IBM that links dealers and manufacturers with vehicle owners to create unique brand loyalty relationships.

## **Claims Services**

ADP Claims Services offers a broad line of claims information products to property and casualty insurance companies, claims adjusters, repair shops and auto parts recycling facilities. These products help insurers to accurately estimate auto damage, property damage and bodily injury claims and help repair shops and recyclers locate parts and manage their operations. The products and services include the following: repair estimating applications and databases for the property and casualty, and collision repair industries, including wireless-enabled, digital imaging, and complete workflow services; total loss vehicle valuations; body shop management systems; parts locator systems; and medical cost containment applications and services for the auto injury and workers' compensation markets.

## **Markets and Marketing Methods**

All of ADP's services are sold broadly across the United States and Canada. Most ADP services are offered in Western Europe and some employer services are offered in Brazil and Australia. All services use common marketing techniques, including direct sales methodologies with emphasis on referral sources.

None of ADP's major business groups have a single homogenous client base or market. For example, while Brokerage Services primarily serves the retail brokerage market, it also serves banks,

commodity dealers, the institutional brokerage market and individual non-brokerage corporations. Dealer Services primarily serves automobile dealers, but also serves truck and agricultural equipment dealers, auto repair shops, used car lots, state departments of motor vehicles and manufacturers of automobiles, trucks and agricultural equipment. Claims Services has many clients who are insurance companies, but also provides services to automobile manufacturers, body repair shops, salvage yards, distributors of new and used automobile parts and other non-insurance clients. Employer Services has clients from a large variety of industries and markets. Within this client base are concentrations of clients in specific industries. Employer Services also sells to auto dealers, brokerage clients and insurance clients. While concentrations of clients exist, no one business group is material to ADP's overall revenue.

None of ADP's businesses are overly sensitive to price changes. Economic conditions among selected clients and groups of clients may and do have a temporary impact on demand for ADP's services.

ADP enjoys a leadership position in each of its major service offerings and does not believe any major service or business unit in ADP is subject to unique market risk.

### **Competition**

The computing services industry is highly competitive. ADP knows of no reliable statistics by which it can determine the number of its competitors, but it believes that it is one of the largest providers of computerized transaction processing, data communication and information services in the world.

ADP's competitors include other independent computing services companies, divisions of diversified enterprises and banks. Another competitive factor in the computing services industry is the in-house computing function, whereby a company installs and operates its own computing systems.

Competition in the computing services industry is primarily based on service responsiveness, product quality and price. ADP believes that it is very competitive in each of these areas and that there are no material negative factors impacting ADP's competitive position in the computing services industry. No one competitor or group of competitors is dominant in the computing services industry.

### **Clients and Client Contracts**

ADP provides its services to nearly 500,000 clients. No single client accounts for revenues in excess of 1% of annual consolidated revenue.

ADP has no material "backlog" because the period between the time a client agrees to use ADP's services and the time the service begins is generally very short and because no sale is considered firm until it is installed and begins producing revenue.

ADP's average client retention is about 8 years in Employer Services and is 10 or more years in Brokerage, Dealer and Claims Services, and does not vary significantly from period to period.

ADP's services are provided under written price quotations or service agreements having varying terms and conditions. No one price quotation or service agreement is material to ADP. Discounts, rebates and promotions offered by ADP to clients are not material.

ADP offers a service warranty to its clients that if any errors or omissions occur in its service offerings, ADP will correct them as soon as possible. In addition, ADP provides, either directly or through third parties, maintenance and support for the ADP-provided equipment and software which facilitates the delivery of its services to clients.

### **Systems Development and Programming**

During the fiscal years ended June 30, 2000, 1999 and 1998, ADP spent \$460 million, \$412 million and \$376 million, respectively, on systems development and programming activities for the development of new, and the improvement and maintenance of existing, computing services.

### **Product Development**

ADP continually upgrades, enhances and expands its existing products and services. Generally, no new product or service has a significant effect on ADP's revenue or negatively impacts its existing products and services, and ADP's products and services have a significant remaining life cycle.

### **Licenses**

ADP is the licensee under a number of agreements for computer programs and databases. ADP's business is not dependent upon a single license or group of licenses. Third-party licenses, patents, trademarks and franchises are not material to ADP's business as a whole.

### **Number of Employees**

ADP employed approximately 40,000 persons as of June 30, 2000.

### **Item 2. Properties**

ADP leases space for more than 55 of its processing centers. In addition, ADP leases numerous small processing centers and sales offices. All of these leases, which aggregate approximately 5,800,000 square feet in the United States, Canada, Europe, South America, Asia, Australia and South Africa, expire at various times up to the year 2016. ADP owns 30 of its processing facilities and its corporate headquarters complex in Roseland, New Jersey, which aggregate approximately 3,000,000 square feet.

### **Item 3. Legal Proceedings**

None

### **Item 4. Submission of Matters to a Vote of Security Holders**

None

## Part II

### **Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters**

See "Market Price, Dividend Data and Other" contained in the Registrant's 2000 Annual Report to Shareholders, which information is incorporated herein by reference. As of September 6, 2000, the Registrant had 33,985 registered holders of its Common Stock, par value \$.10 per share. The Registrant's Common Stock is traded on the New York, Chicago and Pacific Stock Exchanges.

On July 6, 1999, the Registrant issued 6,317 shares of its Common Stock in respect of an earnout paid to certain shareholders of a company previously acquired by the Registrant in exchange for all of the issued and outstanding shares of such company pursuant to a stock acquisition agreement dated April 28, 1998. On December 23, 1999, the Registrant issued 178,228 shares of its Common Stock in respect of an earnout paid to certain shareholders of a company previously acquired by the Registrant in exchange for all of the issued and outstanding shares of such company pursuant to a stock purchase agreement dated February 11, 1998. On June 30, 2000, the Registrant issued 293,325 shares of its Common Stock to the shareholders of a company acquired by the Registrant in exchange for all of the issued and outstanding shares of the capital stock of such company pursuant to the terms of a share purchase agreement. The Registrant issued the foregoing shares of Common Stock without registration under the Securities Act of 1933, as amended, in reliance upon the exemption therefrom set forth in Section 4(2) of such Act, relating to sales by an issuer not involving a public offering.

### **Item 6. Selected Financial Data**

See "Selected Financial Data" contained in the Registrant's 2000 Annual Report to Shareholders, which information is incorporated herein by reference.

### **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

See "Management's Discussion and Analysis" contained in the Registrant's 2000 Annual Report to Shareholders, which information is incorporated herein by reference.

### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

Approximately half of the Registrant's overall investment portfolio is invested in overnight interest-bearing instruments, which are therefore impacted immediately by changes in interest rates. The other half of the Registrant's investment portfolio is invested in fixed-income securities, with maturities up to five and a half years, which are also subject to interest rate risk, including reinvestment risk. The Registrant has historically had the ability to hold these investments until maturity, and therefore this has not had an adverse impact on income or cash flows.

**Item 8. Financial Statements and Supplementary Data**

The financial statements described in Item 14(a) hereof are incorporated herein.

The following supplementary data is incorporated herein by reference:

Quarterly Financial Results (unaudited) for the two years ended June 30, 2000 (see Note 12 of the "Notes to Consolidated Financial Statements" contained in ADP's 2000 Annual Report to Shareholders)

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None

### Part III

#### Item 10. Directors and Executive Officers of the Registrant

##### Executive Officers of the Registrant

The executive officers of the Registrant, their ages, positions and the period during which they have been employed by ADP are as follows:

Name	Age	Position	Employed by ADP Since
John D. Barfitt	47	President, Claims Services	1979
James B. Benson	55	Vice President, General Counsel and Secretary	1977
Richard C. Berke	55	Vice President, Human Resources	1989
Gary C. Butler	53	President and Chief Operating Officer	1975
Raymond L. Colotti	54	Vice President and Treasurer	1995
Richard J. Daly	47	Group President, Brokerage Services	1989
Richard A. Douville	45	Vice President, Finance	1999
G. Harry Durity	53	Vice President, Worldwide Business Development	1994
Karen E. Dykstra	41	Vice President and Controller	1981
Russell P. Fradin	45	Group President, Employer Services - North America	1996
Eugene A. Hall	44	Senior Vice President and President of Financial and Technology Services, Employer Services - North America	1998
Richard J. Haviland	54	Chief Financial Officer and Vice President	1982

John Hogan	52	Group President, Brokerage Services	1993
Campbell Langdon	39	Vice President, Strategic Development	2000
S. Michael Martone	52	Group President, Dealer Services	1987
Arthur F. Weinbach	57	Chairman and Chief Executive Officer	1980

Messrs. Benson, Berke, Butler, Daly, Durity, Haviland, Hogan, Martone and Weinbach have each been employed by ADP in senior executive positions for more than the past five years.

John D. Barfitt joined ADP in 1979. Prior to his promotion to President, Claims Services, he served as Senior Vice President - Automotive Claims Services at ADP from 1996 to 1998 and Senior Vice President - Value Added Services at ADP from 1994 to 1996.

Raymond L. Colotti joined ADP in 1995. Prior to his promotion to Vice President and Treasurer, he served as President of ADP Atlantic, Inc. and its related companies from 1995 to 1997.

Karen E. Dykstra joined ADP in 1981. Prior to her promotion to Vice President and Controller in 1998, she served as Assistant Corporate Controller from 1996 to 1998 and as Chief Financial Officer of Dealer Services from 1995 to 1996.

Richard A. Douville joined ADP in 1999 as Vice President, Finance. Prior to joining ADP, he was a Senior Vice President and Chief Financial Officer of United States Surgical Corporation for six years.

Russell P. Fradin joined ADP in 1996. Prior to his promotion to Group President, Employer Services - North America, he served as Senior Vice President. Prior to joining ADP, he was a senior partner of McKinsey & Company and had been associated with that firm for 18 years.

Eugene A. Hall joined ADP in 1998 as Senior Vice President. In 2000, he also became President of Financial and Technology Services of Employer Services - North America. Prior to joining ADP, he was a senior partner of McKinsey & Company and had been associated with that firm for 16 years.

Campbell Langdon joined ADP in 2000 as Vice President, Strategic Development. Prior to joining ADP, he was a partner of McKinsey & Company and had been associated with that firm for 11 years.

Each of ADP's executive officers is elected for a term of one year and until their successors are chosen and qualified or until their death, resignation or removal.

### **Directors of the Registrant**

See "Election of Directors" in the Proxy Statement for Registrant's 2000 Annual Meeting of Stockholders, which information is incorporated herein by reference.

## Section 16(a) Beneficial Ownership Reporting Compliance

See "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement for Registrant's 2000 Annual Meeting of Stockholders, which information is incorporated herein by reference.

## **Item 11. Executive Compensation**

See "Compensation of Executive Officers" in the Proxy Statement for Registrant's 2000 Annual Meeting of Stockholders, which information is incorporated herein by reference.

## **Item 12. Security Ownership of Certain Beneficial Owners and Management**

See "Election of Directors - Security Ownership of Certain Beneficial Owners and Managers" in the Proxy Statement for Registrant's 2000 Annual Meeting of Stockholders, which information is incorporated herein by reference.

## **Item 13. Certain Relationships and Related Transactions**

See "Compensation of Executive Officers - Certain Transactions" in the Proxy Statement for Registrant's 2000 Annual Meeting of Stockholders, which information is incorporated herein by reference.

## Part IV

### Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

#### (a)1. Financial Statements

The following reports and consolidated financial statements of the Registrant contained in the Registrant's 2000 Annual Report to Shareholders are also included in Part II, Item 8:

Statements of Consolidated Earnings - years ended June 30, 2000, 1999 and 1998

#### **Consolidated Balance Sheets - June 30, 2000 and 1999**

Statements of Consolidated Shareholders' Equity - years ended June 30, 2000, 1999 and 1998

Statements of Consolidated Cash Flows - years ended June 30, 2000, 1999 and 1998

#### **Notes to Consolidated Financial Statements**

#### **Report of Management**

#### **Independent Auditors' Report**

Financial information of the Registrant is omitted because the Registrant is primarily an operating company. The Registrant's subsidiaries which are listed on Exhibit 21 attached hereto are wholly-owned.

2.	Financial Statement Schedules	Page in Form 10-K
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	Independent Auditors' Report on Schedule	16
	Schedule II - Valuation and Qualifying Accounts	17

All other Schedules have been omitted because they are inapplicable or are not required or the information is included elsewhere in the financial statements or notes thereto.

3. The following exhibits are filed with this Form 10-K or incorporated herein by reference to the document set forth next to the exhibit in the list below:

3.1 - Amended and Restated Certificate of Incorporation dated November 11, 1998 - incorporated by reference to Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 1998

- 3.2 - By-Laws as currently in effect (amended May 15, 2000)
- 4 - Indenture dated as of February 20, 1992 between Automatic Data Processing, Inc. and Bankers Trust Company, as trustee, regarding the Liquid Yield Option Notes due 2012 of the Registrant - incorporated by reference to Exhibit (4)-#1 to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1992
- 10.1 - Letter Agreement dated as of August 1, 1996 between Automatic Data Processing, Inc. and Arthur F. Weinbach - incorporated by reference to Exhibit 10.2 to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1996 (Management Contract)
- 10.2 - Letter Agreement dated September 14, 1998 between Automatic Data Processing, Inc. and Gary Butler - incorporated by reference to Exhibit 10.2 to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1998 (Management Contract)
- 10.4 - Key Employees' Restricted Stock Plan - incorporated by reference to Registrant's Registration Statement No. 33-25290 on Form S-8 (Management Compensatory Plan)
- 10.5 - Supplemental Officers' Retirement Plan, as amended and restated - incorporated by reference to Exhibit 10(iii)(A)-#5 to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1993 (Management Compensatory Plan)

10.5(a) - Amendment to Supplemental Officers' Retirement Plan - incorporated by reference to Exhibit 10(iii)(A)- #5 to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1997 (Management Compensatory Plan)

10.6 - 1989 Non-Employee Director Stock Option Plan - incorporated by reference to Exhibit 10(iii)(A)-#7 to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1990 (Management Compensatory Plan)

10.6(a) - Amendment to 1989 Non-Employee Director Stock Option Plan - incorporated by reference to Exhibit 10(6)(a)- to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1997 (Management Compensatory Plan)

10.7 - 1990 Key Employees' Stock Option Plan - incorporated by reference to Exhibit 10(iii)(A)-#8 to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1990 (Management Compensatory Plan)

10.7(a) - Amendment to 1990 Key Employees' Stock Option Plan - incorporated by reference to Exhibit 10(7)(a) to Registrant's Annual Report on Form

10-K for the fiscal year ended June 30, 1997  
(Management Compensatory Plan)

- 10.8 - 1994 Directors' Pension Arrangement - incorporated by reference to Exhibit 10(iii)(A)-#10 to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1994 (Management Compensatory Plan)
- 10.9 - 1994 Executive Compensation Plan - incorporated by reference to Exhibit A to Registrant's Proxy Statement for its Annual Meeting of Stockholders held November 15, 1994 (Management Compensatory Plan)
- 10.10 - 2000 Key Employees' Stock Option Plan - incorporated by reference to Exhibit 10.10 to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1999 (Management Compensatory Plan)
- 11 - Schedule of Calculation of Earnings Per Share
- 13 - Pages 18 - 32 of the 2000 Annual Report to Shareholders (with the exception of the pages incorporated by reference herein, the Annual Report is not a part of this filing)
- 21 - Subsidiaries of the Registrant
- 23 - Independent Auditors' Consent
- 27 - Financial Data Schedule
- (b) None.

To the Board of Directors  
and Shareholders of  
Automatic Data Processing, Inc.  
Roseland, New Jersey

We have audited the consolidated financial statements of Automatic Data Processing, Inc. and subsidiaries as of June 30, 2000 and 1999, and for each of the three years in the period ended June 30, 2000, and have issued our report thereon dated August 14, 2000; such consolidated financial statements and report are included in your 2000 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the financial statement schedule of Automatic Data Processing, Inc., listed in Item 14. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

*/s/ Deloitte & Touche LLP*

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*New York, New York*

*August 14, 2000*

**AUTOMATIC DATA PROCESSING, INC.**

**AND SUBSIDIARIES**

**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS**

(In thousands)

Column A -----	Column B -----	Column C ----- Additions		Column D -----	Column E -----
		(1)	(2)		
	Balance at beginning of period -----	Charged to costs and expenses -----	Charged to other accounts- describe -----	Deductions describe -----	Balance at end of period -----
Year ended June 30, 2000:					
Allowance for doubtful accounts:					
Current	\$46,357	\$ 25,020	\$1,663 (B)	\$ (24,592) (A)	\$ 48,448
Long-term	\$16,556	\$ 1,942	\$ --	\$ (1,552) (A)	\$ 16,946
Deferred Tax Valuation Allowance	\$22,496	\$ --	\$ (333) (C)	\$ --	\$ 22,163
Year ended June 30, 1999:					
Allowance for doubtful accounts:					
Current	\$45,595	\$ 17,551	\$1,788 (B)	\$ (18,577) (A)	\$ 46,357
Long-term	\$14,431	\$ 2,470	\$ --	\$ (345) (A)	\$ 16,556
Deferred Tax Valuation Allowance	\$22,639	\$ --	\$ (143) (C)	\$ --	\$ 22,496
Year ended June 30, 1998:					
Allowance for doubtful accounts:					
Current	\$40,374	\$ 17,677	\$ 907 (B)	\$ (13,363) (A)	\$ 45,595
Long-term	\$20,370	\$ 1,345	\$ --	\$ (7,284) (A)	\$ 14,431
Deferred Tax Valuation Allowance	\$22,776	\$ --	\$ (137) (C)	\$ --	\$ 22,639

(A) Doubtful accounts written off, less recoveries on accounts previously written off.

(B) Acquired in purchase/pooling transactions.

(C) Related to foreign exchange fluctuation.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### AUTOMATIC DATA PROCESSING, INC. (Registrant)

September 12, 2000

By: /s/ Arthur F. Weinbach

-----  
Arthur F. Weinbach  
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signature -----	Title -----	Date -----
/s/ Arthur F. Weinbach ----- (Arthur F. Weinbach)	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	September 12, 2000
/s/ Richard J. Haviland ----- (Richard J. Haviland)	Chief Financial Officer (Principal Financial Officer)	September 12, 2000
/s/ Gary C. Butler ----- (Gary C. Butler)	Director	September 12, 2000
/s/ Joseph A. Califano, Jr. ----- (Joseph A. Califano, Jr.)	Director	September 12, 2000
/s/ Leon G. Cooperman ----- (Leon G. Cooperman)	Director	September 12, 2000
/s/ George H. Heilmeier ----- (George H. Heilmeier)	Director	September 12, 2000
/s/ Ann Dibble Jordan ----- (Ann Dibble Jordan)	Director	September 12, 2000

/s/ Harvey M. Krueger ----- (Harvey M. Krueger)	Director	September 12, 2000
/s/ Frederic V. Malek ----- (Frederic V. Malek)	Director	September 12, 2000
/s/ Henry Taub ----- (Henry Taub)	Director	September 12, 2000
/s/ Laurence A. Tisch ----- (Laurence A. Tisch)	Director	September 12, 2000
/s/ Josh S. Weston ----- (Josh S. Weston)	Director	September 12, 2000

**Exhibit 3.2**

**AUTOMATIC DATA PROCESSING, INC.**

**BY-LAWS**

**As Amended and Restated on March 24, 1997**  
(further amended on May 15, 2000)

## BY-LAWS

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**AUTOMATIC DATA PROCESSING, INC.**

**BY-LAWS**

**As Amended and Restated on March 24, 1997**  
(further amended on May 15, 2000)

**ARTICLE I**

**STOCKHOLDERS**

Section 1.01. Annual Meetings. The annual meeting of the stockholders of the Corporation for the election of directors and for the transaction of such other business as properly may come before such meeting shall be held at such place, either within or without the State of Delaware, and at such date and hour, as may be fixed from time to time by resolution of the Board of Directors and set forth in the notice or waiver of notice of the meeting. [Sections 211(a), (b).]<sup>1</sup>

Section 1.02. Special Meetings. Special meetings of the stockholders may be called at any time by the Chief Executive Officer or the Secretary or by the Board of Directors. A special meeting shall be called by the Chief Executive Officer or by the Secretary immediately upon receipt of a written request therefor by stockholders holding in the aggregate not less than one-third in number of the outstanding shares of the Corporation at the time entitled to vote at any meeting of the stockholders. Such special meetings of the stockholders shall be held at such places, within or without the State of Delaware, as shall be specified in the respective notices or waivers of notice thereof. [Section 211(d).]

Section 1.03. Notice of Meetings; Waiver. The Secretary or any Assistant Secretary shall cause written notice of the place, date and hour of each meeting of the stockholders, and, in the case of a special meeting, the purpose or purposes for which such meeting is called, to be given personally or by mail, not less than ten nor more than sixty days prior to the meeting, to each stockholder of record entitled to vote at such meeting. If such notice is mailed, it shall be deemed to have been given to a stockholder when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the record of stockholders of the Corporation, or, if he or she shall have filed with the Secretary of the Corporation a written request that notices to him or her be mailed to some other address, then directed to him or her at such other address. Such further notice shall be given as may be required by law.

No notice of any meeting of stockholders need be given to any stockholder who submits a signed waiver of notice, whether before or after the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be  
[FN]

<sup>1</sup> Citations are to the General Corporation Law of the State of Delaware as in effect on January 1, 1996 (the "GCL"). The citations are inserted for reference only, and do not constitute a part of the By-Laws.

specified in a written waiver of notice. The attendance of any stockholder at a meeting of stockholders shall constitute a waiver of notice of such meeting, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting is not lawfully called or convened. [Sections 222, 229.]

Section 1.04. Quorum. Except as otherwise required by law or by the Certificate of Incorporation, the presence in person or by proxy of the holders of record of a majority of the shares entitled to vote at a meeting of stockholders shall constitute a quorum for the transaction of business at such meeting. [Section 216.]

Section 1.05. Voting. If, pursuant to Section 5.05 of these By-Laws, a record date has been fixed, every holder of record of shares entitled to vote at a meeting of stockholders shall be entitled to one vote for each share outstanding in his or her name on the books of the Corporation at the close of business on such record date. If no record date has been fixed, then every holder of record of shares entitled to vote at a meeting of stockholders shall be entitled to one vote for each share of stock standing in his or her name on the books of the Corporation at the close of business on the day next preceding the day on which notice of the meeting is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. Except as otherwise required by law or by the Certificate of Incorporation or by these By-Laws, the vote of a majority of the shares represented in person or by proxy at any meeting at which a quorum is present shall be sufficient for the transaction of any business at such meeting. [Sections 212(a), 213, 216.]

Section 1.06. Voting by Ballot. No vote of the stockholders need be taken by written ballot unless demanded by the holders of at least fifteen percent (15%) of the shares represented in person or by proxy at any meeting at which a quorum is present or as otherwise required by law. Any vote which need not be taken by ballot may be conducted in any manner approved by the meeting.

Section 1.07. Adjournment. If a quorum is not present at any meeting of the stockholders, the holders of a majority of the shares present in person or by proxy shall have the power to adjourn any such meeting from time to time until a quorum is present. Notice of any adjourned meeting of the stockholders of the Corporation need not be given if the place, date and hour thereof are announced at the meeting at which the adjournment is taken, provided, however, that if the adjournment is for more than thirty days, or if after the adjournment a new record date for the adjourned meeting is fixed pursuant to Section 5.05 of these By-Laws, a notice of the adjourned meeting, conforming to the requirements of

Section 1.03 of these By-Laws, shall be given to each stockholder of record entitled to vote at such meeting. At any adjourned meeting at which a quorum is present, any business may be transacted that might have been transacted on the original date of the meeting. [Section 222 (c).]

Section 1.08. Proxies. Any stockholder entitled to vote at any meeting of the stockholders or to express consent to or dissent from corporate action in writing without a meeting may authorize another person or persons to vote at any such meeting and express such

consent or dissent for him or her by proxy. Every proxy shall be revocable at the pleasure of the stockholder executing it, except in those cases where applicable law provides that a proxy shall be irrevocable. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or by filing another duly executed proxy bearing a later date with the Secretary. [Section 212.]

Section 1.09. Organization; Procedure. At every meeting of stockholders the presiding officer shall be the Chairman or, in the event of his or her absence or should the Chairman in his or her discretion determine not to preside, in the following order of availability, the Chief Executive Officer, the President, or a Vice President, and in the case more than one Vice President shall be present, that Vice President designated by the Board of Directors (or in the absence of any such designation, the most senior Vice President, based on title). In case none of the foregoing officers designated to be the presiding officer shall be present, a presiding officer shall be chosen by the vote of a majority of the shares represented in person or by proxy and entitled to vote at the meeting. The Secretary, or in the event of his or her absence or disability, the Assistant Secretary, if any, or if there be no Assistant Secretary, in the absence of the Secretary, an appointee of the presiding officer, shall act as secretary of the meeting. The order of business and all other matters of procedure at every meeting of stockholders may be determined by such presiding officer.

Section 1.10. Inspectors of Elections. Preceding any meeting of the stockholders, the Board of Directors shall appoint one or more persons to act as Inspectors of Elections, and may designate one or more alternate inspectors. In the event no inspector or alternate is able to act, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of the duties of an inspector, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector shall:

- (a) ascertain the number of shares outstanding and the voting power of each;
- (b) determine the shares represented at a meeting and the validity of proxies and ballots;
- (c) count all votes and ballots;
- (d) determine and retain for a reasonable period a record of the disposition of any challenge made to any determination by the inspectors; and
- (e) certify his or her determination of the number of shares represented at the meeting, and his or her count of all votes and ballots.

The inspector may appoint or retain other persons or entities to assist in the performance of the duties of inspector. [Sections 231(a), (b).]

Section 1.11. Opening and Closing of Polls. The date and time for the opening and the closing of the polls for each matter to be voted upon at a stockholder meeting shall be announced at the meeting. The inspector of the election shall be prohibited from accepting any ballots, proxies or votes or any revocations thereof or changes thereto after the closing of the polls, unless the Court of Chancery upon application by a stockholder shall determine otherwise. [Section 231(c).]

Section 1.12. Consent of Stockholders in Lieu of Meeting. To the fullest extent permitted by law, whenever the vote of stockholders at a meeting thereof is required or permitted to be taken for or in connection with any corporate action, such action may be taken without a meeting, without prior notice and without a vote of stockholders, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded.

Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty days of the earliest dated consent delivered in the manner required by law to the Corporation, written consents signed by a sufficient number of holders to take action are delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of stockholders to take the action were delivered to the Corporation as provided in this Section 1.12. [Section 228(a), (c), (d).]

## **ARTICLE II**

### **BOARD OF DIRECTORS**

Section 2.01. General Powers. Except as may otherwise be provided by law, by the Certificate of Incorporation or by these By-Laws, the property, affairs and business of the Corporation shall be managed by or under the direction of the Board of Directors and the Board of Directors may exercise all the powers of the Corporation. [Section 141(a).]

Section 2.02. Number and Term of Office. The number of directors constituting the entire Board of Directors shall be between 9 and 13, which number may be modified from time to time by resolution of the Board of Directors, but in no event shall the number of directors be

less than three. No person shall be nominated by the Board of Directors to serve as a director after he or she has passed his or her 72nd birthday, unless the Executive Committee of the Board of Directors has voted (in its capacity as the nominating committee), on an annual basis, to waive, or continue to waive, the mandatory retirement age of such person as a director. Each director (whenever elected) shall hold office until his or her successor has been duly elected and qualified, or until his or her earlier death, resignation or removal. [Section 141(b).]

Section 2.03. Election of Directors. Except as otherwise provided in Sections 2.12 and 2.13 of these By-Laws, the directors shall be elected at each annual meeting of the stockholders. If the annual meeting for the election of directors is not held on the date designated therefor, the directors shall cause the meeting to be held as soon thereafter as convenient. At each meeting of the stockholders for the election of directors, provided a quorum is present, the directors shall be elected by a plurality of the votes validly cast in such election. [Sections 211(b), (c), 216.]

Section 2.04. Annual and Regular Meetings. The annual meeting of the Board of Directors for the purpose of electing officers and for the transaction of such other business as may come before the meeting shall be held as soon as possible following adjournment of the annual meeting of the stockholders at the place of such annual meeting of the stockholders. Notice of such annual meeting of the Board of Directors need not be given. The Board of Directors from time to time may by resolution provide for the holding of regular meetings and fix the place (which may be within or without the State of Delaware) and the date and hour of such meetings. Notice of regular meetings need not be given. [Section 141(g).]

Section 2.05. Special Meetings; Notice. Special meetings of the Board of Directors may be called by the Chairman, the Chief Executive Officer, the Secretary or an Assistant Secretary, if any, and, on the written request of any two directors, the Secretary or an Assistant Secretary shall call such meeting. Special meetings shall be held at such place (within or without the State of Delaware), date and hour as may be specified in the respective notices or waivers of notice of such meetings. Special meetings of the Board of Directors may be called on twenty-four hours' notice, if notice is given to each director personally or by telephone or telegram, or on five days' notice, if notice is mailed to each director, addressed to him or her at his or her usual place of business. Notice of any special meeting need not be given to any director who attends such meeting without protesting the lack of notice to him or her, prior to or at the commencement of such meeting, or to any director who submits a signed waiver of notice, whether before or after such meeting, and any business may be transacted thereat. [Sections 141(g), 229.]

Section 2.06. Quorum; Voting. At all meetings of the Board of Directors, the presence of at least one-third of the total authorized number of directors, but not less than two directors, shall constitute a quorum for the transaction of business. Except as otherwise required by law, the Certificate of Incorporation or these By-Laws, the vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. [Section 141(b).]

Section 2.07. Adjournment. A majority of the directors present, whether or not a quorum is present, may adjourn any meeting of the Board of Directors to another time or place. No

notice need be given of any adjourned meeting unless the time and place of the adjourned meeting are not announced at the time of adjournment, in which case notice conforming to the requirements of Section 2.05 of these By-Laws shall be given to each director.

Section 2.08. Action Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if all members of the Board of Directors consent thereto in writing, and such writing or writings are filed with the minutes of proceedings of the Board of Directors. [Section 141(f).]

Section 2.09. Regulations; Manner of Acting. To the extent consistent with applicable law, the Certificate of Incorporation and these By-Laws, the Board of Directors may adopt such rules and regulations for the conduct of meetings of the Board of Directors and for the management of the property, affairs and business of the Corporation as the Board of Directors may deem appropriate. The directors shall act only as a Board, and the individual directors shall have no power as such.

Section 2.10. Action by Telephonic Communications. Except as otherwise determined by the Board of Directors, members of the Board of Directors may participate in a meeting of the Board of Directors by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting. [Section 141(i).]

Section 2.11. Resignations. Any director may resign at any time by delivering a written notice of resignation, signed by such director, to the Chairman or the Chief Executive Officer. Unless otherwise specified therein, such resignation shall take effect upon delivery. [Section 141(b).]

Section 2.12. Removal of Directors. Any director may be removed at any time, either for or without cause, upon the affirmative vote of the holders of a majority of the outstanding shares of stock of the Corporation entitled to vote for the election of such director. Any vacancy in the Board of Directors caused by any such removal may be filled at such meeting by the stockholders entitled to vote for the election of the director so removed. If such stockholders do not fill such vacancy at such meeting (or in the written instrument effecting such removal, if such removal was effected by consent without a meeting), such vacancy may be filled in the manner provided in Section 2.13 of these By-Laws. [Section 141(k).]

Section 2.13. Vacancies and Newly Created Directorships. If any vacancies shall occur in the Board of Directors, by reason of death, resignation, removal or otherwise, or if the authorized number of directors shall be increased, the directors then in office shall continue to act, and such vacancies and newly created directorships may be filled by a majority of the directors then in office, although less than a quorum. A director elected to fill a vacancy or a newly created directorship shall hold office until his or her successor has been elected and qualified or until his or her earlier death, resignation or removal. Any such vacancy or newly created directorship may also be filled at any time by vote of the stockholders. [Section 223.]

Section 2.14. Compensation. Each director, in consideration of his or her service as such, shall be entitled to receive from the Corporation such amount per annum or such fees for attendance at directors' meetings, or both, as the Board of Directors may from time to time determine, together with reimbursement for the reasonable out-of-pocket expenses, if any, incurred by such director in connection with the performance of his or her duties. Each director who shall serve as a member of any Committee designated by the Board of Directors in consideration of serving as such shall be entitled to such additional amount per annum or such fees for attendance at committee meetings, or both, as the Board of Directors may from time to time determine, together with reimbursement for the reasonable out-of-pocket expenses, if any, incurred by such director in the performance of his or her duties. Nothing contained in this Section 2.14 shall preclude any director from serving the Corporation or its subsidiaries in any other capacity and receiving proper compensation. [Section 141(h).]

Section 2.15. Reliance on Accounts and Reports, etc. A director, or a member of any Committee designated by the Board of Directors shall, in the performance of his or her duties, be fully protected in relying in good faith upon the records of the Corporation and upon information, opinions, reports or statements presented to the Corporation by any of the Corporation's officers or employees, or Committees designated by the Board of Directors, or by any other person as to the matters the member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation. [Section 141(e).]

Section 2.16. Honorary Directors. The Board of Directors may, by vote at a regularly held meeting, appoint at its discretion individuals as Honorary Directors to serve for such period of time and with such compensation as shall be fixed by the Board of Directors. Individuals appointed as Honorary Directors shall have the right to attend regularly scheduled Board of Directors meetings but shall not have the right to cast a vote.

### **ARTICLE III**

#### **EXECUTIVE COMMITTEE, AUDIT COMMITTEE, COMPENSATION COMMITTEE AND OTHER COMMITTEES**

Section 3.01. How Constituted. The Board of Directors shall have an Executive Committee, an Audit Committee and a Compensation Committee, each such Committee to consist of such number of directors as from time to time may be fixed by the Board of Directors in accordance with this Section 3.01. The Executive Committee shall consist of three or more directors. The Audit Committee and Compensation Committee shall each consist of three or more outside directors, with each Audit Committee member having such level of independence as shall be deemed necessary by the Board of Directors. The Board of Directors may designate one or more other Committees, each of which shall consist of such number of directors as from time to time may be fixed by the Board of Directors. The Board of Directors may designate one or more directors as alternate members of any Committee, who may replace any absent or

disqualified member or members at any meeting of such Committee. Thereafter, members (and alternate members, if any) of each Committee may be designated at the annual meeting of the Board of Directors. Any Committee, other than the Executive Committee, Audit Committee and Compensation Committee, may be abolished or re-designated from time to time by the Board of Directors. Each member (and each alternate member) of any Committee (whether designated at an annual meeting of the Board of Directors or to fill a vacancy or otherwise) shall hold office until his or her successor shall have been designated or until he or she shall cease to be a director, or until his or her earlier death, resignation or removal. [Section 141(c).]

Section 3.02. Powers; Duties and Responsibilities. During the intervals between the meetings of the Board of Directors, the Executive Committee, except as otherwise provided in this Section 3.02, shall have and may exercise all the powers and authority of the Board of Directors in the management of the property, affairs and business of the Corporation, including the power to declare dividends and to authorize the issuance of stock. The Executive Committee shall, in addition, act as the corporate governance/nominating committee to advise the Board of Directors (as a whole) on corporate governance matters, to develop policies on the size and composition of the Board, to review possible candidates for Board membership, to perform Board evaluations, and to recommend a slate of nominees to the Board with respect to nominations for the Board. The Executive Committee may not recommend any person to serve as a director after he or she has passed his or her 72nd birthday, unless the Committee has voted (in its capacity as the nominating committee), on an annual basis, to waive, or continue to waive, the mandatory retirement of such person as a director of the Corporation.

The Audit Committee shall have the power and authority of the Board of Directors to perform the following duties:

- (a) Review the recommendation of senior management of the Corporation as to the selection, retention or discharge of the independent certified public accountants to serve as the independent auditors of the Corporation for each fiscal year of the Corporation and report to the full Board of Directors the agreement or disagreement by the Committee with such recommendation;
- (b) Review with the independent auditors and the Corporate Audit Department of the Corporation the scope of the separate audits to be performed by such auditors and such Department for each fiscal year of the Corporation and report to the full Board of Directors the agreement or disagreement by the Committee with the scope of each audit;
- (c) Review with the independent auditors and senior management of the Corporation significant proposed changes in the accounting policies of the Corporation;
- (d) Review with the independent auditors and senior management of the Corporation the annual financial statements of the Corporation and report on the same to the full Board of Directors;

- (e) Review with the independent auditors, senior management and Corporate Audit Department of the Corporation the adequacy of the financial and administrative controls, procedures and practices of the Corporation;
- (f) Review the fees of the independent auditors of the Corporation and the scope of management advisory services to be performed by such auditors;
- (g) Perform such other duties as may otherwise be related to the foregoing duties or as may be established from time to time by the Board of Directors.

The Compensation Committee shall have the power and authority of the Board of Directors to perform the following duties:

- (a) Develop guidelines and review the compensation and performance of officers of the Corporation and review and approve the compensation for the Chief Executive Officer on behalf of the Board of Directors;
- (b) Serve as the Option Committee for the Board of Directors with the power and authority to establish criteria for the granting of options to the officers and other employees of the Corporation and to review and approve the granting of options in accordance with such criteria;
- (c) Develop plans for managerial succession for the Corporation;
- (d) Review major organizational and staffing matters; and
- (e) Perform such other duties as may otherwise be related to the foregoing duties or as may be established from time to time by the Board of Directors.

Each Committee, other than the Executive Committee, Audit Committee and Compensation Committee, except as otherwise provided in this section, shall have and may exercise such powers of the Board of Directors as may be provided by resolution or resolutions of the Board of Directors. Neither the Executive Committee, the Audit Committee or the Compensation Committee nor any such other Committee shall have the power or authority:

- (a) to amend the Certificate of Incorporation (except that a Committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors as provided in Section 151(a) of the General Corporation Law, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the Corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series);

(b) to adopt an agreement of merger or consolidation;

(c) to recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets;

(d) to recommend to the stockholders a dissolution of the Corporation or a revocation of dissolution; or

(e) to amend the By-Laws of the Corporation. [Section 141(c).]

Section 3.03. Proceedings. The Chairman of each Committee shall be designated by the Board of Directors. Each Committee may fix its own rules of procedure and may meet at such place (within or without the State of Delaware), at such time and upon such notice, if any, as it shall determine from time to time or as may be required by the Board of Directors. Each Committee shall keep minutes of its proceedings and shall report such proceedings to the Board of Directors at the meeting of the Board of Directors next following any such proceedings.

Section 3.04. Quorum and Manner of Acting. Except as may be otherwise provided in the resolution creating such Committee, at all meetings of any Committee the presence of members (or alternate members) constituting a majority of the total authorized membership of such Committee shall constitute a quorum for the transaction of business. The act of the majority of the members present at any meeting at which a quorum is present shall be the act of such Committee. Any action required or permitted to be taken at any meeting of any such Committee may be taken without a meeting, if all members of such Committee shall consent to such action in writing and such writing or writings are filed with the minutes of the proceedings of the Committee. The members of any such Committee shall act only as a Committee, and the individual members of such Committee shall have no power as such. [Section 141(c), (f).]

Section 3.05. Action by Telephonic Communications. Except as otherwise provided by the applicable Committee or by the Board of Directors, members of any Committee may participate in a meeting of such Committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting. [Section 141(i).]

Section 3.06. Absent or Disqualified Members. In the absence or disqualification of a member of any Committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another qualified member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. [Section 141(c).]

Section 3.07. Resignations. Any member (and any alternate member) of any Committee may resign at any time by delivering a written notice of resignation, signed by such member, to the Chairman or the Chief Executive Officer. Unless otherwise specified therein, such resignation shall take effect upon delivery.

Section 3.08. Removal. Any member (and any alternate member) of any Committee may be removed from his or her position as a member (or alternate member, as the case may be) of such Committee at any time, either for or without cause, by the Board of Directors.

Section 3.09. Vacancies. If any vacancy shall occur in any Committee, by reason of disqualification, death, resignation, removal or otherwise, the remaining members (and any alternate members) shall continue to act, and any such vacancy may be filled by the Board of Directors.

## **ARTICLE IV**

### **OFFICERS**

Section 4.01. Number. The officers of the Corporation shall be a Chairman of the Board, a President, a Secretary, a Treasurer and such other officers as the Board of Directors may appoint, including one or more Vice Presidents and one or more Assistant Secretaries and Assistant Treasurers, who shall exercise such powers and perform such duties and have such titles as shall be determined from time to time by the Board of Directors or as otherwise provided in the By-Laws. The Board of Directors shall designate an officer to be the Chief Executive Officer of the Corporation and may designate any officer to be the Chief Operating Officer or Chief Financial Officer of the Corporation. Any number of offices may be held by the same person unless the Certificate of Incorporation or these By-Laws provide otherwise. [Section 142 (a) , (b).]

Section 4.02. Election. Unless otherwise determined by the Board of Directors, the officers of the Corporation shall be elected by the Board of Directors at the annual meeting of the Board of Directors, and shall be elected to hold office until the next succeeding annual meeting of the Board of Directors. In the event of the failure to elect officers at such annual meeting, officers may be elected at any regular or special meeting of the Board of Directors. Each officer shall hold office until his or her successor has been elected and qualified, or until his or her earlier death, resignation or removal. [Section 142(b).]

Section 4.03. Salaries. The salaries of all officers and agents of the Corporation shall be fixed by the Board of Directors, the Chief Executive Officer or such other persons to whom the authority to fix such salaries shall be delegated by the Board of Directors or the Chief Executive Officer. No officer shall be prevented from receiving a salary or other compensation by reason of the fact that the officer is also a director of the Corporation.

Section 4.04. Removal and Resignation; Vacancies. Any officer may be removed for or without cause at any time by the Board of Directors or by the Chief Executive Officer. Any officer may resign at any time by delivering a written notice of resignation, signed by such officer, to the Board of Directors or the Chief Executive Officer. Unless otherwise specified therein, such resignation shall take effect upon delivery. Any vacancy occurring in any office of

the Corporation by death, resignation, removal or otherwise, shall be filled by the Board of Directors or by the Chief Executive Officer. [Section 142(b), (e).]

Section 4.05. Authority and Duties of Officers. The officers of the Corporation shall have such authority and shall exercise such powers and perform such duties as may be specified in these By-Laws, except that in any event each officer shall exercise such powers and perform such duties as may be required by law. [Section 142(a).]

Section 4.06. Chairman. The Chairman shall preside at all meetings of the stockholders and the Board of Directors and shall exercise such powers and perform such other duties as shall be determined from time to time by the Board of Directors.

Section 4.07. President. The President shall have general supervision over the business of the Corporation, subject, however, to the control of the Board of Directors, any duly authorized Committee designated by the Board of Directors and the Chief Executive Officer (if not the President). The President may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts and other instruments except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Corporation or shall be required by statute otherwise to be signed or executed and, in general, the President shall perform all duties incident to the office of President of a corporation and such other duties as may from time to time be assigned to the President by the Board of Directors and the Chief Executive Officer (if not the President).

Section 4.08. Vice Presidents. At the request of the Chief Executive Officer, or, in the Chief Executive Officer's absence, at the request of the Board of Directors, the Vice Presidents shall (in such order as may be designated by the Chief Executive Officer or the Board of Directors or, in the absence of any such designation, the most senior Vice President based on title) perform all of the duties of the President and, in so performing, shall have all the powers of, and be subject to all restrictions upon, the President. Any Vice President may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts or other instruments, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Corporation, or shall be required by statute otherwise to be signed or executed, and each Vice President shall perform such other duties as from time to time may be assigned to such Vice President by the Board of Directors or by the Chief Executive Officer.

Section 4.09. Secretary. The Secretary shall attend all meetings of the stockholders and the Board of Directors and shall record all the proceedings of such meetings in a book or books to be kept for that purpose, and shall perform like duties for the Committees of the Board of Directors, when required. The Secretary shall give, or cause to be given, all notices to be given in accordance with these By-Laws or as required by law and shall perform such other duties as may be prescribed by the Board of Directors or by the Chief Executive Officer. The Secretary or an Assistant Secretary, if any, may attest all instruments signed by the Chairman, the Chief Executive Officer, the President, any Vice President or any other authorized officers of the Corporation. The Secretary shall have charge of the stock books and ledgers of the Corporation

and all the books, records and papers of the Corporation relating to its organization and management, shall see that the reports, statements and other documents required by statute are properly kept and filed and, in general, shall perform all duties incident to the office of Secretary of a corporation and such other duties as may from time to time be assigned to the Secretary by the Board of Directors or by the Chief Executive Officer.

4.10. Treasurer. The Treasurer shall have charge and custody of, and be responsible for, all funds, securities and notes of the Corporation; receive and give receipts for moneys due and payable to the Corporation from any sources whatsoever; deposit all such moneys and valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors, the Chief Executive Officer, the Treasurer or by any person to whom such power to designate is delegated by the Board of Directors, the Chief Executive Officer or the Treasurer; against proper vouchers, cause such funds to be disbursed by checks or drafts on the authorized depositories of the Corporation signed in such manner as shall be determined by the Board of Directors or the Chief Executive Officer and be responsible for the accuracy of the amounts of all moneys so disbursed; regularly enter or cause to be entered in books or other records maintained for the purpose full and adequate account of all moneys received or paid for the account of the Corporation; have the right to require from time to time reports or statements giving such information as the Treasurer may desire with respect to any and all financial transactions of the Corporation from the officers or agents transacting the same; render to the Chief Executive Officer or the Board of Directors, whenever the Chief Executive Officer or the Board of Directors shall require the Treasurer so to do, an account of the financial condition of the Corporation and of all financial transactions of the Corporation; exhibit at all reasonable times the records and books of account to any of the directors upon application at the office of the Corporation where such records and books are kept; disburse the funds of the Corporation as ordered by the Board of Directors and the Chief Executive Officer; and, in general, perform all duties incident to the office of Treasurer of a corporation and such other duties as may from time to time be assigned to the Treasurer by the Board of Directors or the Chief Executive Officer.

Section 4.11. Assistant Secretaries and Assistant Treasurers. Assistant Secretaries and Assistant Treasurers shall perform such duties as shall be assigned to them by the Secretary or by the Treasurer, respectively, or by the Board of Directors or by the Chief Executive Officer.

Section 4.12. Security. The Board of Directors may require any officer, agent or employee of the Corporation to provide security for the faithful performance of his or her duties, in such amount and of such character as may be determined from time to time by the Board of Directors. [Section 142(c).]

## **ARTICLE V**

### **CAPITAL STOCK**

Section 5.01. Certificates of Stock; Uncertificated Shares. The shares of the Corporation shall be represented by certificates, provided that the Board of Directors may provide by

resolution or resolutions that some or all of any or all classes or series of the stock of the Corporation shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until each certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock in the Corporation represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the Corporation, by the Chairman, the President or a Vice President, and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary, representing the number of shares registered in certificate form. Such certificate shall be in such form as the Board of Directors may determine, to the extent consistent with applicable law, the Certificate of Incorporation and these By-Laws. [Section 158.]

Section 5.02. Signatures; Facsimile. All of such signatures on the certificate referred to in Section 5.01 of these By-Laws may be a facsimile, engraved or printed, to the extent permitted by law. In case any officer, transfer agent or registrar who has signed, or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue. [Section 158.]

Section 5.03. Lost, Stolen or Destroyed Certificates. The Board of Directors may direct that a new certificate be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon delivery to the Board of Directors of proof satisfactory to the Board of Directors of such loss, theft or destruction. The Board of Directors may require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise such loss, theft or destruction in such manner as the Board of Directors may require and to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of any such new certificate. [Section 167.]

Section 5.04. Transfer of Stock. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares, duly endorsed or accompanied by appropriate evidence of succession, assignment or authority to transfer, the Corporation shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Subject to the provisions of the Certificate of Incorporation and these By-Laws, the Board of Directors may prescribe such additional rules and regulations as it may deem appropriate relating to the issue, transfer and registration of shares of the Corporation. [Section 151(f).]

Section 5.05. Record Date. In order to determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted by the Board of Directors, and which shall not be more than sixty nor less than ten days before the date of such meeting. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to

any adjournment of the meeting, provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights of the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. [Section 213.]

Section 5.06. Registered Stockholders. Prior to due surrender of a certificate for registration of transfer, the Corporation may treat the registered owner as the person exclusively entitled to receive dividends and other distributions, to vote, to receive notice and otherwise to exercise all the rights and powers of the owner of the shares represented by such certificate, and the Corporation shall not be bound to recognize any equitable or legal claim to or interest in such shares on the part of any other person, whether or not the Corporation shall have notice of such claim or interests. Whenever any transfer of shares shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of the transfer if, when the certificates are presented to the Corporation for transfer or uncertificated shares are requested to be transferred, both the transferor and transferee request the Corporation to do so. [Section 159.]

Section 5.07. Transfer Agent and Registrar. The Board of Directors may appoint one or more transfer agents and one or more registrars, and may require all certificates representing shares to bear the signature of any such transfer agents or registrars.

## **ARTICLE VI**

### **INDEMNIFICATION**

Section 6.01. Nature of Indemnity. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was or has agreed to become a director or officer of the Corporation, or is or was serving or has agreed to serve at the request of the Corporation as a director or officer, of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, and may indemnify any person who was or is a party or is threatened to be made a party to such an action, suit or proceeding by reason of the fact that he or she is or was or has agreed to become an employee or agent of the Corporation, or is or was serving or has agreed to serve at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her or on his or her behalf in connection with such

action, suit or proceeding and any appeal therefrom, if he or she (x) acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation and, in the case of any such employee or agent, in a manner he or she reasonably believed to be not in violation of any policies or directives of the Corporation, and (y) with respect to any criminal action or proceeding had no reasonable cause to believe his or her conduct was unlawful; except that in the case of an action or suit by or in the right of the Corporation to procure a judgment in its favor (i) such indemnification shall be limited to expenses (including attorneys' fees) actually and reasonably incurred by such person in the defense or settlement of such action or suit, and (ii) no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper. The indemnification under this Section 6.01 shall apply to all directors and officers of the Corporation who sit on the boards of directors of non-profit corporations in keeping with the Corporation's philosophy.

The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 6.02. Successful Defense. To the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 6.01 of these By-Laws or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

Section 6.03. Determination That Indemnification Is Proper. Any indemnification of a director or officer of the Corporation under Section 6.01 of these By-Laws (unless ordered by a court) shall be made by the Corporation unless a determination is made that indemnification of the director or officer is not proper in the circumstances because he or she has not met the applicable standard of conduct set forth in Section 6.01 of these By-Laws. Any indemnification of an employee or agent of the Corporation under Section 6.01 of these By-Laws (unless ordered by a court) may be made by the Corporation upon a determination that indemnification of the employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Section 6.01 of these By-Laws. Any such determination shall be made (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (iii) by the stockholders.

Section 6.04. Advance Payment of Expenses. Expenses (including attorneys' fees) incurred by a director or officer in defending any civil, criminal, administrative or investigative

action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation as authorized in this Article. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate. The Board of Directors may authorize the Corporation's counsel to represent such director, officer, employee or agent in any action, suit or proceeding, whether or not the Corporation is a party to such action, suit or proceeding.

Section 6.05. Procedure for Indemnification of Directors and Officers. Any indemnification of a director or officer of the Corporation under Sections 6.01 and 6.02 of these By-Laws, or advance of costs, charges and expenses to a director or officer under Section 6.04 of these By-Laws, shall be made promptly, and in any event within thirty days, upon the written request of the director or officer. If a determination by the Corporation that the director or officer is entitled to indemnification pursuant to this Article is required, and the Corporation fails to respond within sixty days to a written request for indemnity, the Corporation shall be deemed to have approved such request. If the Corporation denies a written request for indemnity or advancement of expenses, in whole or in part, or if payment in full pursuant to such request is not made within thirty days, the right to indemnification or advances as granted by this Article shall be enforceable by the director or officer in any court of competent jurisdiction. Such person's costs and expenses incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such action shall also be indemnified by the Corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for the advance of costs, charges and expenses under Section 6.04 of these By-Laws where the required undertaking, if any, has been received by or tendered to the Corporation) that the claimant has not met the standard of conduct set forth in Section 6.01 of these By-Laws, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, its independent legal counsel, and its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 6.01 of these By-Laws, nor the fact that there has been an actual determination by the Corporation (including its Board of Directors, its independent legal counsel, and its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 6.06. Survival; Preservation of Other Rights. The foregoing indemnification provisions shall be deemed to be a contract between the Corporation and each director, officer, employee and agent who serves in any such capacity at any time while these provisions as well as the relevant provisions of the General Corporation Law are in effect and any repeal or modification thereof shall not affect any right or obligation then existing with respect to any state of facts then or previously existing or any action, suit or proceeding previously or thereafter brought or threatened based in whole or in part upon any such state of facts. Such a "contract

right" may not be modified retroactively without the consent of such director, officer, employee or agent.

The indemnification provided by this Article VI shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any By-Law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 6.07. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was or has agreed to become a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her or on his or her behalf in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article, provided that such insurance is available on acceptable terms, which determination shall be made by a vote of a majority of the entire Board of Directors.

Section 6.08. Severability. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each director or officer and may indemnify each employee or agent of the Corporation as to costs, charges and expenses (including attorneys' fees) judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the Corporation, to the fullest extent permitted by any applicable portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law.

## **ARTICLE VII**

### **GENERAL PROVISIONS**

Section 7.01. Dividends. Subject to any applicable provisions of law and the Certificate of Incorporation, dividends upon the shares of the Corporation may be declared by the Board of Directors at any regular or special meeting of the Board of Directors and any such dividend may be paid in cash, property, or shares of the Corporation's capital stock.

A member of the Board of Directors, or a member of any Committee designated by the Board of Directors shall be fully protected in relying in good faith upon the records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees, or Committees of the Board of Directors, or by any other person as to matters the director reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on

behalf of the Corporation, as to the value and amount of the assets, liabilities and/or net profits of the Corporation, or any other facts pertinent to the existence and amount of surplus or other funds from which dividends might properly be declared and paid. [Sections 172, 173.]

Section 7.02. Reserves. There may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, thinks proper as a reserve or reserves to meet contingencies or for repairing or maintaining any property of the Corporation or for such other purpose as the Board of Directors shall think conducive to the interest of the Corporation, and the Board of Directors may similarly modify or abolish any such reserve. [Section 171.]

Section 7.03. Execution of Instruments. The Board of Directors, except as otherwise provided in these By-Laws, may prospectively or retroactively authorize any officer or officers, employee or employees or agent or agents, in the name and on behalf of the Corporation, to enter into any contract or agreement or execute and deliver any instrument, including checks, drafts and other orders for the payment of moneys out of the funds of the Corporation, promissory notes, bonds or other evidences of indebtedness of the Corporation, endorsements, assignments, transfers, stock powers or other instruments of transfer of stock or other securities belonging to and/or standing in the name of the Corporation, and any other documents requiring the execution by or in the name of the Corporation, and any such authority may be general or confined to specific instances, or otherwise limited.

Section 7.04. Corporate Indebtedness. The Board of Directors may prospectively or retroactively authorize the Chief Executive Officer or any other officer, employee or agent of the Corporation to effect loans and advances at any time for the Corporation from any banks, trust company or other institution, or from any firm, corporation or individual, and, when authorized by the Board of Directors so to do, may pledge and hypothecate or transfer any securities or other property of the Corporation as security for any such loans or advances. Such authority conferred by the Board of Directors may be general or confined to specific instances, or otherwise limited.

Section 7.05. Fiscal Year. The Board of Directors may determine the fiscal year of the Corporation and may from time to time change the same.

Section 7.06. Seal. The seal of the Corporation shall be circular in form

\_\_\_\_\_ and shall contain the name of the Corporation, the year of its incorporation and the words "Corporate Seal" and "Delaware". The form of such seal shall be subject to alteration by the Board of Directors. The seal may be used by causing it or a facsimile thereof to be impressed, affixed or reproduced, or may be used in any other lawful manner.

Section 7.07. Books and Records; Inspection. Except to the extent otherwise required by law, the books and records of the Corporation shall be kept at such place or places within or without the State of Delaware as may be determined from time to time by the Board of Directors. Subject to the General Corporation Law, the Board of Directors from time to time may determine whether, to what extent, at what times and places, and under what conditions and regulations, the accounts, books and papers of the Corporation, or any of them, shall be open to

the inspection of stockholders; and no stockholder shall have any right to inspect any account, book or paper of the Corporation except as expressly conferred by the General Corporation Law or authorized by the Board of Directors.

## **ARTICLE VIII**

### **AMENDMENT OF BY-LAWS**

Section 8.01. Amendment. Subject to the provisions of the Certificate of Incorporation, these By-Laws may be amended, altered or repealed:

(a) by resolution adopted by a majority of the Board of Directors at any special or regular meeting of the Board of Directors if, in the case of such special meeting only, notice of such amendment, alteration or repeal is contained in the notice or waiver of notice of such meeting; or

(b) at any regular or special meeting of the stockholders if, in the case of such special meeting only, notice of such amendment, alteration or repeal is contained in the notice or waiver of notice of such meeting. [Section 109(a).]

## **ARTICLE IX**

### **CONSTRUCTION**

Section 9.01. Construction. Whenever in these By-Laws references are made to the Certificate of Incorporation, such references shall be deemed to be references to the Certificate of Incorporation, as the same, at the time of the adoption of these By-Laws, may have been amended and as the same, subsequent to such time, may be amended; and wherever in these By-Laws references are made to the By-Laws of the Corporation, such references shall be deemed to be references to these By-Laws, and to the same as they from time to time may be amended. Wherever in these By-Laws references are made to the General Corporation Law, such references shall be deemed to be references to the General Corporation Law of the State of Delaware.

**EXHIBIT 11**  
**AUTOMATIC DATA PROCESSING, INC.**  
**AND SUBSIDIARIES**

**CALCULATION OF EARNINGS PER SHARE**  
(In thousands, except per share amounts)

	Year ended June 30,				
	2000	1999	1998	1997	1996
<b>BASIC EARNINGS PER SHARE:</b>					
Net earnings applicable to common shares	\$840,800	\$696,840	\$608,262	\$515,244	\$454,747
	=====	=====	=====	=====	=====
Average number of common shares outstanding	626,766	615,630	600,803	588,112	582,861
	=====	=====	=====	=====	=====
Basic earnings per share	\$ 1.34	\$ 1.13	\$ 1.01	\$ 0.88	\$ 0.78
	=====	=====	=====	=====	=====
<b>DILUTED EARNINGS PER SHARE:</b>					
Net earnings used in basic earnings per share	\$840,800	\$696,840	\$608,262	\$515,244	\$454,747
Adjustment for interest (net of tax) - zero coupon convertible subordinated notes (5 1/4% yield)	2,912	3,607	7,833	11,302	11,703
	-----	-----	-----	-----	-----
Net earnings used for diluted earnings per share	\$843,712	\$700,447	\$616,095	\$526,546	\$466,450
	=====	=====	=====	=====	=====
Average number of shares outstanding on a diluted basis:					
Shares used in calculating basic earnings per share	626,766	615,630	600,803	588,112	582,861
Diluted effect of all stock options outstanding after application of treasury stock method	14,823	15,306	13,363	12,633	12,317
Shares assumed to be issued upon conversion of Debentures-Zero coupon convertible subordinated notes (5 1/4% yield)	4,509	5,956	14,030	19,372	20,720
	-----	-----	-----	-----	-----
Average number of shares outstanding on a diluted basis	646,098	636,892	628,196	620,117	615,898
	=====	=====	=====	=====	=====
Diluted earnings per share	\$ 1.31	\$ 1.10	\$ 0.98	\$ 0.85	\$ 0.76
	=====	=====	=====	=====	=====

## Exhibit 13

### Selected Financial Data

Automatic Data Processing, Inc. and Subsidiaries

(In thousands, except per share amounts)					
Years ended June 30,	2000	1999	1998	1997	1996
Total revenues	\$ 6,287,512	\$ 5,540,141	\$ 4,925,956	\$ 4,193,447	\$3,613,014
Earnings before income taxes	\$ 1,289,600	\$ 1,084,500	\$ 890,717	\$ 726,439	\$ 635,321
Net earnings	\$ 840,800	\$ 696,840	\$ 608,262	\$ 515,244	\$ 454,747
Basic earnings per share	\$ 1.34	\$ 1.13	\$ 1.01	\$ .88	\$ .78
Diluted earnings per share	\$ 1.31	\$ 1.10	\$ .98	\$ .85	\$ .76
Basic shares outstanding	626,766	615,630	600,803	588,112	582,861
Diluted shares outstanding	646,098	636,892	628,196	620,117	615,898
Cash dividends per share	\$ .33875	\$ .295	\$ .25625	\$ .2225	\$ .19375
Return on equity	19.7%	18.7%	20.0%	20.6%	20.3%
At year end:					
Cash, cash equivalents and marketable securities	\$ 2,452,549	\$ 2,169,040	\$ 1,673,271	\$ 1,516,450	\$1,107,323
Working capital	\$ 1,767,784	\$ 907,864	\$ 626,063	\$ 805,797	\$ 618,409
Total assets before funds held for clients	\$ 6,429,927	\$ 5,824,820	\$ 5,242,867	\$ 4,439,293	\$3,862,009
Total assets*	\$16,850,816	\$12,839,553	\$11,787,685	\$10,249,089	\$8,884,138
Long-term debt	\$ 132,017	\$ 145,765	\$ 192,063	\$ 402,088	\$ 405,157
Shareholders' equity	\$ 4,582,818	\$ 4,007,941	\$ 3,439,447	\$ 2,689,415	\$2,309,468

1999 data includes non-recurring charges totaling approximately \$17 million (after-tax), or \$.03 per share, associated with certain acquisitions and dispositions.

\*Prior years' data has been restated.

## Management's Discussion and Analysis

### Operating Results

Revenues and earnings reached record levels during each of the past three fiscal years. During fiscal '00 revenues increased 13% to almost \$6.3 billion. Prior to non-recurring charges in '99, pre-tax earnings increased 21% and diluted earnings per share increased 16% to \$1.31. During fiscal '99 the Company sold several businesses and decided to exit several other businesses and contracts. The Company also recorded transaction costs and other adjustments related to Employer Services' acquisition of Vincam. The combination of these transactions resulted in non-recurring charges of \$0.03 in fiscal '99. Fiscal '00 was ADP's 39th consecutive year of double-digit earnings per share growth since becoming a public company in 1961.

Revenues and revenue growth by ADP's major business units are shown below:

(In Millions)	Revenues			Revenue Growth		
	Years Ended June 30,			Years Ended June 30,		
	2000	1999	1998	2000	1999	1998
Employer Services	\$3,620	\$3,269	\$2,830	11%	16%	21%
Brokerage Services	1,479	1,150	1,096	29	5	23
Dealer Services	736	733	688	-	7	10
Other	453	388	312	17	24	(9)
Consolidated	\$6,288	\$5,540	\$4,926	13%	12%	17%

Consolidated revenues grew 13% in fiscal '00 primarily from increased market penetration, from an expanded array of products and services, and from increased transaction volume, with relatively minor contributions from price increases. Prior to acquisitions and dispositions, revenues increased approximately 15%.

The consolidated pre-tax margin was 20.5% in '00, 19.3% in '99 (prior to non-recurring charges) and 18.1% in '98. Pre-tax margin improved over the previous year as continued automation and operating efficiencies enabled the Company to offset accelerated investments in new products, increased spending on systems development and programming, and the impact of transitioning the investment portfolio from tax-exempt to taxable instruments.

Certain revenues and expenses are charged to business units at a standard rate for management and motivation reasons. Other costs are recorded based on management responsibility. As a result, various income and expense items, including certain non-recurring gains and losses, are recorded at the corporate level and certain shared costs are not allocated. The prior years' business unit revenues and pre-tax earnings have been restated to reflect fiscal year 2000 budgeted foreign exchange rates.

## **Employer Services**

Employer Services' revenues grew 11% in fiscal '00, and in the absence of acquisitions and dispositions revenue growth would have been about 12% in '00, and 15% in both '99 and '98.

Employer Services' operating margin was 21.4% in '00, 20.6% in '99 and 20.2% in '98. Employer Services' operating margin improved due to operating efficiencies and the prior year dispositions of several businesses, slightly offset by investments in new products and acquisitions.

Employer Services' revenues shown above include interest earned on collected but not yet remitted funds held for clients at a standard rate of 6%.

## **Brokerage Services**

Brokerage Services' revenue growth of 29% was impacted by the prior year dispositions of the front-office business and several other small, non-strategic businesses. In the absence of acquisitions and dispositions, revenue growth would have been about 31% in '00 aided by record brokerage trade volumes, compared to 21% in '99 and 22% in '98.

Brokerage Services' operating margin was 23% in '00 compared to 19% in '99 and 15% in '98. The improved margin resulted from the prior year dispositions of several unprofitable businesses and strong trade processing activity.

In '99 the Company divested the \$150 million revenue front-office "market data" business and as part of the agreement took a minority investment in the acquiring company.

## **Dealer Services**

Dealer Services' revenues were roughly flat in '00. In the absence of acquisitions and dispositions, '00 revenue growth would have been 3%, compared to 7% in '99 and 8% in '98. Dealer Services' operating margin increased to 16% in fiscal '00 compared to 15% in '99 and 14% in '98. Dealer Services' operating margin improved primarily from operating efficiencies in North America and the dispositions of several small businesses in '00 and '99.

## **Other**

The primary components of "Other" revenues are Claims Services, foreign exchange differences, and miscellaneous processing services. "Other" also includes interest on corporate investments of \$119 million, \$84 million, and \$82 million in '00, '99 and '98, respectively. In addition, "Other" revenues have been adjusted for the difference between actual interest earned on invested funds held for clients and interest credited to Employer Services at a standard rate of 6%.

During fiscal '00 the Company transitioned a portion of its corporate and client fund investments from tax-exempt to taxable instruments in order to increase liquidity of the overall portfolio. Approximately \$2.6 billion of tax-exempt investments were sold prior to maturity at a pre-tax loss of approximately \$32 million (\$10 million corporate funds, \$22 million funds held for clients), and the proceeds were reinvested at higher prevailing interest rates, which will benefit future periods.

During fiscal '99 the Company sold its Peachtree Software and Brokerage Services front-office businesses, and decided to exit several other businesses and contracts. The combination of these transactions and certain other charges resulted in an approximately \$37 million reduction in general, administrative and selling expenses and a \$40 million provision for income taxes.

Additionally, '99 includes approximately \$21 million of transaction costs and other adjustments in general, administrative and selling expenses, (\$14 million after-tax) recorded by Vincam prior to the March 1999 pooling transaction.

In each of the past three years, investments in systems development and programming have increased to accelerate automation, migrate to new computing technologies, and develop new products.

Certain member countries of the European Union have agreed to transition to the Euro as a new common legal currency. The costs of this transition are not expected to have a material effect on ADP.

In '00 the Company's effective tax rate was 34.8%. Excluding the impact of non-recurring charges associated with certain acquisitions, dispositions and other activities, the effective tax rate was 33.2% in '99, and 31.7% in '98. The increased rate is primarily a result of non-taxable investment income declining as a percentage of pre-tax income. The transition, referred to above, of a portion of the Company's investment portfolio to taxable investments will continue to increase the Company's effective tax rate in fiscal '01.

For '01 ADP is planning another record year with revenue growth of about 13% to 15% and diluted earnings per share growth of 16% to 18% over '00 results.

## Financial Condition

ADP's financial condition and balance sheet remain exceptionally strong. At June 30, 2000, cash and marketable securities approximated \$2.5 billion. Shareholders' equity was almost \$4.6 billion, and return on average equity for the year was about 20%. The ratio of long-term debt to equity at June 30, 2000 was 3%.

Cash flow from operating activities approximated \$1.1 billion in '00 with another excellent year expected in '01.

In '00 4.6 million shares of common stock were purchased at an average price of approximately \$43 as part of an ongoing program to fund equity-related employee benefits. The Board of Directors has authorized the purchase of up to 19.9 million additional shares.

In '00 zero coupon convertible subordinated notes were converted to about 0.8 million shares of common stock.

During '00 the Company purchased several businesses for approximately \$200 million in cash and common stock. The cost of acquisitions in '99 and '98 aggregated \$107 million and \$351 million, respectively.

During '99 the Company issued 7.2 million shares of common stock to acquire Vincam in a pooling of interests transaction, and the Company's results were restated accordingly. The Company also acquired several businesses in fiscal '99 (subsequent to the Vincam merger) and '98 in pooling of interests transactions in exchange for approximately 4 million, and 1 million shares of common stock, respectively. The Company's consolidated financial statements were not restated because in the aggregate these transactions were not material.

Capital expenditures during '00 were \$166 million following investments of \$178 million in '99 and \$202 million in '98. Capital spending in fiscal '01 should approximate \$225 million.

Approximately half of the Company's overall investment portfolio is invested in overnight interest-bearing instruments, which are therefore impacted immediately by changes in interest rates. The other half of the Company's investment portfolio is invested in fixed-income securities, with maturities up to five and a half years, which are also subject to interest rate risk, including reinvestment risk. The Company has historically had the ability to hold these investments until maturity, and therefore this has not had an adverse impact on income or cash flows.

## Market Price, Dividend Data and Other

The market price of the Company's common stock (symbol: AUD) based on New York Stock Exchange composite transactions and cash dividends per share declared during the past two years have been:

Fiscal 2000 quarter ended	Price Per Share		Dividends Per Share
	High	Low	
June 30	\$57 15/16	\$44 11/16	\$.08750
March 31	55 7/16	40	.08750
December 31	54 13/16	43	.08750
September 30	44 7/8	37 3/8	.07625
-----			
Fiscal 1999 quarter ended			
June 30	\$46 7/8	\$39 1/16	\$.07625
March 31	42 5/8	36 1/4	.07625
December 31	42 5/32	32 23/32	.07625
September 30	40 7/32	31 3/4	.06625
-----			

As of June 30, 2000 there were approximately 34,000 holders of record of the Company's common stock. Approximately 257,000 additional holders have their stock in "street name."

This report contains "forward-looking statements" based on management's expectations and assumptions and are subject to risks and uncertainties that may cause actual results to differ from those expressed. Factors that could cause differences include: ADP's success in obtaining, retaining and selling additional services to clients; the pricing of products and services; overall economic trends, including interest rate and foreign currency trends; stock market activity; auto sales and related industry changes; employment levels; changes in technology; availability of skilled technical associates; and the impact of new acquisitions.

Statements of Consolidated Earnings

Automatic Data Processing, Inc. and Subsidiaries

(In thousands, except per share amounts)

Years ended June 30,	2000	1999	1998
Revenues other than interest on funds held for clients and PEO revenues	\$5,729,042	\$5,110,262	\$4,543,335
Interest on funds held for clients	348,596	269,496	245,901
PEO revenues (net of pass-through costs of \$2,197,323, \$1,748,841 and \$1,293,866, respectively)	209,874	160,383	136,720
<b>Total revenues</b>	<b>6,287,512</b>	<b>5,540,141</b>	<b>4,925,956</b>
Operating expenses	2,564,496	2,376,172	2,149,343
General, administrative and selling expenses	1,643,360	1,379,026	1,239,464
Systems development and programming costs	460,275	412,380	376,485
Depreciation and amortization	284,282	272,807	247,625
Interest expense	13,140	19,090	24,383
Realized (gains)/losses on sale of investments	32,359	(3,834)	(2,061)
	<b>4,997,912</b>	<b>4,455,641</b>	<b>4,035,239</b>
Earnings before income taxes	1,289,600	1,084,500	890,717
Provision for income taxes	448,800	387,660	282,455
<b>Net earnings</b>	<b>\$ 840,800</b>	<b>\$ 696,840</b>	<b>\$ 608,262</b>
Basic earnings per share	\$ 1.34	\$ 1.13	\$ 1.01
Diluted earnings per share	\$ 1.31	\$ 1.10	\$ .98
Basic shares outstanding	626,766	615,630	600,803
Diluted shares outstanding	646,098	636,892	628,196

See notes to consolidated financial statements.

## Consolidated Balance Sheets

Automatic Data Processing, Inc. and Subsidiaries

(In thousands, except per share amounts)

Years ended June 30,	2000	1999
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,227,637	\$ 861,280
Short-term marketable securities	596,792	231,214
Accounts receivable	899,314	860,836
Other current assets	340,709	240,927
Total current assets	3,064,452	2,194,257
Long-term marketable securities	628,120	1,076,546
Long-term receivables	245,249	213,413
Property, plant and equipment:		
Land and buildings	439,022	400,189
Data processing equipment	612,608	550,757
Furniture, leaseholds and other	498,354	449,862
	1,549,984	1,400,808
Less accumulated depreciation	(952,715)	(821,514)
	597,269	579,294
Other assets		
Intangibles	271,136	228,936
	1,623,701	1,532,374
Total assets before funds held for clients	6,429,927	5,824,820
Funds held for clients	10,420,889	7,014,733
Total assets	\$16,850,816	\$12,839,553
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Notes payable	\$ 21,523	\$ 66,952
Accounts payable	129,436	130,456
Accrued expenses and other current liabilities	1,044,002	952,326
Income taxes	101,707	136,659
Total current liabilities	1,296,668	1,286,393
Long-term debt	132,017	145,765
Other liabilities	171,843	132,081
Deferred income taxes	151,337	138,236
Deferred revenue	95,361	114,404
Total liabilities before client funds obligations	1,847,226	1,816,879
Client fund obligations	10,420,772	7,014,733
Total Liabilities	12,267,998	8,831,612
Shareholders' equity:		
Preferred stock, \$1.00 par value:		
Authorized, 300 shares; issued, none	--	--
Common stock, \$.10 par value:		
Authorized, 1,000,000 shares; issued, 631,443 shares at June 30, 2000 and 628,576 at June 30, 1999	63,144	62,858
Capital in excess of par value	402,767	421,333
Retained earnings	4,477,141	3,848,421
Treasury stock -- at cost 2,697 and 4,949 shares, respectively	(130,800)	(189,204)
Accumulated other comprehensive income	(229,434)	(135,467)
Total shareholders' equity	4,582,818	4,007,941
Total liabilities and shareholders' equity	\$16,850,816	\$12,839,553

See notes to consolidated financial statements.

Statements of Consolidated Shareholders' Equity

Automatic Data Processing, Inc. and Subsidiaries

(In thousands, except per share amounts)

	Common Stock		Capital in	Retained	Treasury	Comprehensive	Accumulated
	Shares	Amount	Excess of Par Value	Earnings	Stock	Income	Other Comprehensive Income
Balance, July 1, 1997	628,576	\$62,858	\$359,345	\$2,917,915	\$(577,164)		\$ (73,539)
Net earnings	--	--	--	608,262	--	\$ 608,262	--
Currency translation						(26,531)	(26,531)
Unrealized loss on securities						(1,550)	(1,550)
Comprehensive income						\$ 580,181	
Employee stock plans and related tax benefits	--	--	68,050	--	61,714		
Treasury stock acquired (1,792 shares)	--	--	--	--	(40,907)		
Acquisitions (1,911 shares)	--	--	(15,841)	(1,004)	29,431		
Debt conversion (11,850 shares)	--	--	64,583	--	156,202		
Dividends (\$.25625 per share)	--	--	--	(152,888)	--		
Other transactions	--	--	549	(38)	--		
Balance, June 30, 1998	628,576	62,858	476,686	3,372,247	(370,724)		(101,620)
Net earnings	--	--	--	696,840	--	\$ 696,840	--
Currency translation						(47,674)	(47,674)
Unrealized gain on securities						13,827	13,827
Comprehensive income						\$ 662,993	
Employee stock plans and related tax benefits	--	--	44,163	--	95,086		
Treasury stock acquired (2,550 shares)	--	--	--	--	(85,365)		
Acquisitions (4,316 shares)	--	--	(97,594)	(39,533)	119,583		
Debt conversion (2,623 shares)	--	--	(1,922)	--	52,216		
Dividends (\$.295 per share)	--	--	--	(181,133)	--		
Balance, June 30, 1999	628,576	62,858	421,333	3,848,421	(189,204)		(135,467)
Net earnings	--	--	--	840,800	--	\$ 840,800	--
Currency translation						(86,277)	(86,277)
Unrealized loss on securities						(7,690)	(7,690)
Comprehensive income						\$ 746,833	
Employee stock plans and related tax benefits	2,867	286	(7,841)	498	207,322		
Treasury stock acquired (4,648 shares)	--	--	--	--	(201,007)		
Acquisitions (478 shares)	--	--	4,359	--	20,122		
Debt conversion (808 shares)	--	--	(15,084)	--	31,967		
Dividends (\$.33875 per share)	--	--	--	(212,578)	--		
Balance, June 30, 2000	631,443	\$63,144	\$402,767	\$4,477,141	\$(130,800)		\$(229,434)

See notes to consolidated financial statements.

Statements of Consolidated Cash Flows

Automatic Data Processing, Inc. and Subsidiaries

(In thousands)

Years ended June 30,

	2000	1999	1998
<b>Cash Flows From Operating Activities</b>			
Net earnings	\$ 840,800	\$ 696,840	\$ 608,262
Adjustments to reconcile net earnings to net cash flows provided by operating activities:			
Depreciation and amortization	284,282	272,807	247,625
Deferred income taxes	8,885	(23,235)	(3,020)
Increase in receivables and other assets	(149,913)	(155,132)	(207,819)
Increase in accounts payable and accrued expenses	39,339	100,057	103,028
Other	46,708	(37,476)	35,277
Net cash flows provided by operating activities	1,070,101	853,861	783,353
<b>Cash Flows From Investing Activities</b>			
Purchases of marketable securities	(7,372,892)	(1,882,411)	(2,622,477)
Proceeds from sale of marketable securities	4,001,848	1,064,810	1,836,569
Net change in client fund obligations	3,406,039	486,293	718,644
Capital expenditures	(166,012)	(177,700)	(202,169)
Additions to intangibles	(67,303)	(62,360)	(95,797)
Acquisitions of businesses, net of cash acquired	(175,248)	(107,317)	(338,436)
Disposals of businesses	14,634	276,035	59,171
Other	(11,664)	10,590	13,634
Net cash flows used in investing activities	(370,598)	(392,060)	(630,861)
<b>Cash Flows From Financing Activities</b>			
Payments of debt	(106,090)	(289,141)	(7,681)
Proceeds from issuance of notes	13,940	91,696	120,986
Repurchases of common stock	(201,007)	(85,365)	(40,907)
Proceeds from issuance of common stock	172,589	100,359	81,111
Dividends paid	(212,578)	(181,133)	(152,888)
Other	--	--	(1,845)
Net cash flows used in financing activities	(333,146)	(363,584)	(1,224)
Net change in cash and cash equivalents	366,357	98,217	151,268
Cash and cash equivalents, at beginning of period	861,280	763,063	611,795
Cash and cash equivalents, at end of period	\$1,227,637	\$ 861,280	\$ 763,063

See notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

Years ended June 30, 2000, 1999 and 1998

### Note 1. Summary of Significant Accounting Policies

A. Consolidation and Basis of Preparation. The consolidated financial statements include the financial results of Automatic Data Processing, Inc. and its majority-owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

B. Revenue Recognition. Service revenues, including monthly license, maintenance and other fees, are recognized as services are provided. Prepaid software licenses and the gross profit on the sale of hardware is recognized in revenue primarily at installation and client acceptance with a portion deferred and recognized on the straight-line basis over the initial contract period. Interest earnings on collected but not yet remitted funds held for clients are an integral part of certain of the Employer Services product offerings and are recognized in revenues as earned. Professional Employer Organization (PEO) revenues are net of pass-through costs, which include wages and taxes.

C. Cash and Cash Equivalents. Highly-liquid investments with a maturity of ninety days or less at the time of purchase are considered cash equivalents.

D. Investments. Short-term and long-term marketable securities and funds held for clients are primarily invested in high-grade fixed-income instruments. All of the Company's marketable securities, including \$3,363 million of funds held for clients, are considered to be "available-for-sale" at June 30, 2000 and, accordingly, are carried on the balance sheet at fair market value. The remainder of the funds held for clients are cash equivalents. Approximately \$1,702 million of the "available-for-sale" investments mature in less than one year, \$1,058 million in 1-2 years, \$1,060 million in 2-3 years, \$284 million in 3-4 years, and \$484 million in 5-6 years.

E. Property, Plant and Equipment. Property, plant and equipment is stated at cost and depreciated over the estimated useful lives of the assets by the straight-line method. Leasehold improvements are amortized over the shorter of the term of the lease or the estimated useful lives of the improvements.

The estimated useful lives of assets are primarily as follows:

Data processing equipment	2 to 3 years
Buildings	20 to 40 years
Furniture and fixtures	3 to 7 years

F. Intangibles. Intangible assets are recorded at cost and are amortized primarily on the straight-line basis. Goodwill is amortized over periods from 10 to 40 years, and is periodically reviewed for impairment by comparing carrying value to undiscounted expected future cash flows. If impairment is indicated, a write-down to fair value (normally measured by discounting estimated future cash flows) is taken.

G. Foreign Currency Translation. The net assets of the Company's foreign subsidiaries are translated into U.S. dollars based on exchange rates in effect at the end of each period, and revenues and expenses are translated at average exchange rates during the periods. Currency transaction gains or losses, which are included in the results of operations, are immaterial for all periods presented. Gains or losses from balance sheet translation are included in other comprehensive income on the balance sheet.

H. Earnings Per Share (EPS). The calculation of basic and diluted EPS is as follows:

(In thousands, except EPS)

	Basic	Effect of Zero Coupon Subordinated Notes	Effect of Stock Options	Diluted
2000				
Net earnings	\$840,800	\$ 2,912	\$ --	\$843,712
Average shares	626,766	4,509	14,823	646,098
EPS	\$ 1.34			\$ 1.31
1999				
Net earnings	\$696,840	\$ 3,607	\$ --	\$700,447
Average shares	615,630	5,956	15,306	636,892
EPS	\$ 1.13			\$ 1.10
1998				
Net earnings	\$608,262	\$ 7,833	\$ --	\$616,095
Average shares	600,803	14,030	13,363	628,196
EPS	\$ 1.01			\$ .98

I. Restatement of Prior Financial Statements. Certain reclassifications and restatements, including the inclusion of funds held for clients and client funds obligations on the Consolidated Balance Sheets, have been made to previous years' financial statements to conform to current presentation.

**Note 2. Acquisitions and Dispositions**

During fiscal 2000, 1999, and 1998, the Company purchased several businesses for approximately \$200 million (including \$25 million in common stock), \$107 million and \$351 million (including \$13 million in common stock), respectively, net of cash acquired. The results of these acquired businesses are included from the date of acquisition.

In March 1999 the Company issued 7.2 million shares of common stock to acquire The Vincam Group (Vincam), a leading PEO providing a suite of human resource functions to small- and medium-sized employers on an outsourced basis, in a pooling of interests transaction. The Company also acquired several other businesses in fiscal 1999 (subsequent to the Vincam acquisition) and 1998 in pooling of interests transactions in exchange for approximately 4.3 million and 0.9 million shares of common stock, respectively.

Additionally, in fiscal 2000 and 1999, the Company sold several businesses with annual revenues of approximately \$27 million and \$270 million, respectively. As part of the 1999 business dispositions, the Company received \$90 million of convertible preferred stock which is included in other assets. The \$90 million approximates fair value.

**Note 3. Non-recurring Items**

During fiscal 1999 the Company sold its Peachtree Software and Brokerage Services front-office "market data" businesses and decided to exit several other businesses and contracts. The combination of these transactions and certain other non-recurring charges resulted in a net pre-tax gain of approximately \$37 million and a \$40 million provision for income taxes.

Additionally, 1999 also includes approximately \$21 million of transaction costs and other non-recurring adjustments (\$14 million after-tax) recorded by Vincam prior to the March 1999 pooling transaction.

#### Note 4. Receivables

Accounts receivable is net of an allowance for doubtful accounts of \$48 million and \$46 million at June 30, 2000 and 1999, respectively.

The Company finances the sale of computer systems to certain of its clients. These finance receivables, most of which are due from automobile and truck dealerships, are reflected in the consolidated balance sheets as follows:

(In thousands) June 30,	2000		1999	
	Current	Long-term	Current	Long-term
Receivables	\$171,415	\$293,489	\$147,274	\$259,585
Less:				
Allowance for doubtful accounts	(13,063)	(16,946)	(14,196)	(16,556)
Unearned income	(29,980)	(31,294)	(26,776)	(29,616)
	\$128,372	\$245,249	\$106,302	\$213,413

Unearned income from finance receivables represents the excess of gross receivables over the sales price of the computer systems financed. Unearned income is amortized using the interest method to maintain a constant rate of return on the net investment over the term of each contract.

Long-term receivables at June 30, 2000 mature as follows:

(In thousands)	
2002	\$136,319
2003	91,997
2004	48,800
2005	15,280
2006	972
Thereafter	121
	-----
	\$293,489
	-----
	-----

## Note 5. Intangible Assets

Components of intangible assets are as follows:

---

(In thousands) June 30,	2000	1999
	-----	-----
Goodwill	\$ 1,378,265	\$ 1,215,179
Other	1,025,610	978,240
	-----	-----
	2,403,875	2,193,419
Less accumulated amortization	(780,174)	(661,045)
	-----	-----
	\$ 1,623,701	\$ 1,532,374
	-----	-----

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Other intangibles consist primarily of purchased rights (acquired directly or through acquisitions) to provide data processing services to various groups of clients (amortized over periods from 5 to 36 years) and purchased software (amortized over periods from 3 to 10 years). Amortization of intangibles totaled \$133 million for fiscal 2000, \$126 million for 1999 and \$103 million for 1998.

## Note 6. Debt

Components of long-term debt are as follows:

---

(In thousands) June 30,	2000	1999
	-----	-----
Zero coupon convertible subordinated notes (5 1/4% yield)	\$ 86,639	\$ 97,705
Industrial revenue bonds (with fixed and variable interest rates from 3.3% to 6.3%)	36,858	37,267
Other	11,713	11,876
	-----	-----
	135,210	146,848
Less current portion	(3,193)	(1,083)
	-----	-----
	\$ 132,017	\$ 145,765
	-----	-----

---

The zero coupon convertible subordinated notes have a face value of approximately \$159 million at June 30, 2000 and mature February 20, 2012, unless converted or redeemed earlier. At June 30, 2000, the notes were convertible into approximately 4.1 million shares of the Company's common stock. The notes are callable at the option of the Company, and the holders of the notes can convert into common stock at any time or require redemption in 2002 and 2007. During fiscal 2000 and 1999, approximately \$31 million and \$101 million face value of notes were converted or redeemed.

As of June 30, 2000 and 1999, the quoted market prices for the zero coupon notes were approximately \$208 million and \$197 million, respectively. The fair value of the other debt, included above, approximates its carrying value.

Long-term debt repayments at June 30, 2000 are due as follows:

(In thousands)

2002	\$	245
2003		248
2004		268
2005		763
2006		165
Thereafter		130,328
		-----
		\$132,017
		-----
		-----

During fiscal 2000 and 1999, the average interest rate for notes payable was 5.0% and 4.3%, respectively.

Interest payments were approximately \$10 million in fiscal 2000 and \$12 million in both fiscal 1999 and 1998.

#### Note 7. Funds Held for Clients and Client Funds Obligations

As part of its integrated payroll and payroll tax filing services, the Company impounds funds for federal, state and local employment taxes from approximately 350,000 clients; files annually over 17 million returns; handles all regulatory correspondence, amendments, and penalty and interest disputes; remits the funds to the appropriate tax agencies; and handles other employer-related services. In addition to fees paid by clients for these services, the Company receives interest during the interval between the receipt and disbursement of these funds by investing the funds primarily in fixed-income instruments. The amount of collected but not yet remitted funds for the Company's payroll and tax filing and certain other services varies significantly during the year and averaged approximately \$6.9 billion in fiscal 2000, \$5.9 billion in fiscal 1999, and \$5.2 billion in fiscal 1998.

#### Note 8. Employee Benefit Plans

A. Stock Plans. The Company has stock option plans which provide for the issuance to eligible employees of incentive and non-qualified stock options, which may expire as much as 10 years from the date of grant, at prices not less than the fair market value on the date of grant. At June 30, 2000 there were 9,400 participants in the plans. The aggregate purchase price for options outstanding at June 30, 2000 was approximately \$1.3 billion. The options expire at various points between 2000 and 2010.

A summary of changes in the stock option plans for the three years ended June 30, 2000 is as follows:

(In thousands, except per share amounts)						
Years ended June 30,	Number of Options			Weighted Average Price		
	2000	1999	1998	2000	1999	1998
Options outstanding, beginning of year	47,467	45,596	43,176	\$24	\$18	\$15
Options granted	9,646	11,616	11,377	\$46	\$38	\$29
Options exercised	(6,736)	(6,154)	(5,970)	\$16	\$12	\$10
Options canceled	(3,683)	(3,591)	(2,987)	\$32	\$24	\$18
Options outstanding, end of year	46,694	47,467	45,596	\$29	\$24	\$18
Options exercisable, end of year	18,719	16,898	14,820	\$19	\$15	\$11
Shares available for future grants, end of year	10,478	1,691	9,358			
Shares reserved for issuance under stock option plans	57,172	49,158	54,954			

Summarized information about stock options outstanding as of June 30, 2000 is as follows:

Exercise Price Range	Outstanding			Exercisable	
	Number of Options (In thousands)	Remaining Life (In years)	Average Exercise Price	Number of Options (In thousands)	Average Exercise Price
Under \$15	8,898	2.9	\$11	7,820	\$11
\$15 to \$20	6,670	5.3	\$18	4,264	\$18
\$20 to \$25	4,786	6.5	\$23	1,921	\$23
\$25 to \$30	5,595	7.4	\$27	2,021	\$27
\$30 to \$35	2,533	7.9	\$32	757	\$32
\$35 to \$40	6,573	8.3	\$38	1,277	\$38
\$40 to \$45	8,360	9.1	\$44	526	\$44
Over \$45	3,279	9.7	\$51	133	\$51

The Company has stock purchase plans under which eligible employees have the ability to purchase shares of common stock at 85% of the lower of market value as of the date of purchase election or as of the end of the plans. Approximately 2.8 million and 2.6 million shares are scheduled for issuance on December 31, 2001 and 2000, respectively. Approximately 3.1 million and 3.2 million shares were issued during the years ended June 30, 2000 and 1999, respectively. At June 30, 2000 and 1999, there were approximately 7.2 million and 9.5 million shares, respectively, reserved for purchase under the plans. Included in liabilities as of June 30, 2000 and 1999 are employee stock purchase plan withholdings of approximately \$86 million and \$72 million, respectively.

The Company follows APB 25 to account for its stock plans. The pro forma net income impact of options and stock purchase plan rights granted subsequent to July 1, 1995 is shown below. The fair value for these instruments was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

Years ended June 30,	2000	1999	1998
Risk-free interest rate	6.0-6.7%	4.5-5.7%	5.4-6.3%
Dividend yield	.8-.9%	1.0%	1.0%
Volatility factor	22.0-26.7%	19.7-21.8%	13.9-17.4%
Expected life:			
Options	6.4	6.3	6.2
Purchase rights	2.0	2.0	2.0
Weighted average fair value:			
Options	\$16.89	\$11.63	\$ 7.99
Purchase rights	\$19.73	\$12.29	\$10.72

The Company's pro forma information, amortizing the fair value of the stock options and stock purchase plan rights issued subsequent to July 1, 1995 over their vesting period, is as follows:

(In millions, except per share amounts)			
Years ended June 30,	2000	1999	1998
Pro forma net earnings	\$ 762	\$ 638	\$ 569
Pro forma basic earnings per share	\$ 1.22	\$ 1.04	\$ .95
Pro forma diluted earnings per share	\$ 1.18	\$ 1.01	\$ .92

The Company has a restricted stock plan under which shares of common stock have been sold for nominal consideration to certain key employees. These shares are restricted as to transfer and in certain circumstances must be resold to the Company at the original purchase price. The restrictions lapse over periods of up to six years. During the years ended June 30, 2000, 1999 and 1998 the Company issued 171,900, 121,400 and 261,000 restricted shares, respectively.

B. Pension Plans. The Company has a defined benefit cash balance pension plan covering substantially all U.S. employees, under which employees are credited with a percentage of base pay plus 7% interest. Employees are fully vested on completion of five years' service. The Company's policy is to make contributions within the range determined by generally accepted actuarial principles. In addition, the Company has various retirement plans for its non-U.S. employees.

The plans' funded status as of June 30, 2000 and 1999 follows:

(In thousands) June 30,	2000	1999
	-----	-----
Change in plan assets:		
Funded plan assets at market value at beginning of year	\$ 354,500	\$ 306,900
Plans of acquired employers	17,300	--
Actual return on plan assets	78,300	34,600
Employer contributions	43,000	19,200
Benefits paid	(7,400)	(6,200)
	-----	-----
Funded plan assets at market value at end of year	\$ 485,700	\$ 354,500
	-----	-----
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 256,400	\$ 231,300
Plans of acquired employers	20,900	--
Service cost	29,600	23,400
Interest cost	20,000	16,400
Actuarial and other gains	(2,900)	(8,500)
Benefits paid	(7,400)	(6,200)
	-----	-----
Projected benefit obligation end of year	\$ 316,600	\$ 256,400
	-----	-----
Plan assets in excess of projected benefits	\$ 169,100	\$ 98,100
Prior service cost	--	(700)
Transition obligation	500	700
Unrecognized net actuarial gain due to different experience than assumed	(58,200)	(14,900)
	-----	-----
Prepaid pension cost	\$ 111,400	\$ 83,200
	-----	-----

The components of net pension expense were as follows:

(In thousands) Years ended June 30,	2000	1999	1998
	-----	-----	-----
Service cost - benefits earned during the period	\$ 29,600	\$ 23,400	\$ 18,000
Interest cost on projected benefits	20,200	16,400	14,500
Expected return on plan assets	(32,900)	(24,500)	(21,300)
Net amortization and deferral	(100)	(700)	(700)
	-----	-----	-----
	\$ 16,800	\$ 14,600	\$ 10,500
	-----	-----	-----

Assumptions used to develop the actuarial present value of benefit obligations generally were:

Years ended June 30,	2000	1999
	----	----
Discount rate	7.75%	7.50%
Expected long-term rate on assets	8.75%	8.75%
Increase in compensation levels	6.0%	6.0%
	----	----

C. Retirement and Savings Plan. The Company has a 401(k) retirement and savings plan which allows eligible employees to contribute up to 16% of their compensation annually. The Company matches a portion of this contribution which amounted to approximately \$27 million, \$26 million and \$22 million for calendar years 1999, 1998 and 1997, respectively.

## Note 9. Income Taxes

The Company accounts for its income taxes using the asset and liability approach. Deferred taxes reflect the tax consequences on future years of differences between the financial reporting and tax bases of assets and liabilities.

The provision for income taxes consists of the following components:

(In thousands) Years ended June 30,	2000	1999	1998
Current:			
Federal	\$ 326,875	\$ 296,397	\$ 198,932
Non-U.S.	56,505	66,440	41,209
State	56,535	48,058	45,334
Total current	439,915	410,895	285,475
Deferred:			
Federal	5,750	(6,045)	(4,145)
Non-U.S.	1,220	(15,175)	3,115
State	1,915	(2,015)	(1,990)
Total deferred	8,885	(23,235)	(3,020)
	\$ 448,800	\$ 387,660	\$ 282,455

At June 30, 2000 and 1999, the Company had gross deferred tax assets of approximately \$188 million and \$168 million, respectively, consisting primarily of operating expenses not currently deductible for tax return purposes. Valuation allowances approximated \$23 million as of June 30, 2000 and 1999. Gross deferred tax liabilities approximated \$294 million and \$277 million, as of June 30, 2000 and June 30, 1999, respectively, consisting primarily of differences in the accounting and tax values of certain fixed and intangible assets.

Income tax payments were approximately \$375 million in 2000, \$270 million in 1999, and \$247 million in 1998.

A reconciliation between the Company's effective tax rate and the U.S. federal statutory rate is as follows:

(In thousands, except percentages) Years ended June 30,	2000	%	1999	%	1998	%
Provision for taxes at U.S. statutory rate	\$ 451,400	35.0	\$ 379,600	35.0	\$ 311,800	35.0
Increase (decrease) in provision from:						
Investments in municipals	(68,180)	(5.3)	(68,360)	(6.3)	(68,670)	(7.7)
State taxes, net of federal tax benefit	37,990	2.9	29,930	2.8	28,119	3.2
Other*	27,590	2.2	46,490	4.2	11,206	1.2
	\$ 448,800	34.8	\$ 387,660	35.7	\$ 282,455	31.7

\* Includes impact of certain fiscal '99 acquisitions, dispositions and other non-recurring adjustments.

## Note 10. Commitments and Contingencies

The Company has obligations under various facilities and equipment leases, and software license agreements. Total expense under these agreements was approximately \$243 million in 2000, \$202 million in 1999 and \$174 million in 1998, with minimum commitments at June 30, 2000 as follows:

(In millions)

Years ending June 30,	
2001	\$228
2002	179
2003	121
2004	69
2005	44
Thereafter	103
	-----
	\$744
	-----
	-----

In addition to fixed rentals, certain leases require payment of maintenance and real estate taxes and contain escalation provisions based on future adjustments in price indices.

In the normal course of business, the Company is subject to various claims and litigation. The Company does not believe that the resolution of these matters will have a material impact on the consolidated financial statements.

#### Note 11. Financial Data By Segment

Employer Services, Brokerage Services and Dealer Services are the Company's largest business units. ADP evaluates performance of its business units based on recurring operating results before interest on corporate funds, income taxes and foreign currency gains and losses. Certain revenues and expenses are charged to business units at a standard rate for management and motivation reasons. Other costs are recorded based on management responsibility. As a result, various income and expense items, including certain non-recurring gains and losses, are recorded at the corporate level and certain shared costs are not allocated. Goodwill amortization is charged to business units at an accelerated rate to act as a surrogate for the cost of capital for acquisitions. Interest on invested funds held for clients are recorded in Employer Services revenues at a standard rate of 6%, with the adjustment to actual revenues included in "Other". Prior years' business unit revenues and pre-tax earnings have been restated to reflect fiscal year 2000 budgeted foreign exchange rates. Business unit assets include funds held for clients but exclude corporate cash, marketable securities and goodwill. "Other" consists primarily of Claims Services, corporate expenses, non-recurring items and the reconciling items referred to above.

(In millions)	Employer Services	Brokerage Services	Dealer Services	Other	Total
Year ended June 30, 2000					
Revenues	\$ 3,620	\$ 1,479	\$ 736	\$ 453	\$ 6,288
Pre-tax earnings	\$ 776	\$ 334	\$ 115	\$ 65	\$ 1,290
Assets	\$11,264	\$ 522	\$ 202	\$ 4,863	\$16,851
Capital expenditures	\$ 94	\$ 27	\$ 24	\$ 21	\$ 166
Depreciation and amortization	\$ 177	\$ 81	\$ 38	\$ (12)	\$ 284
	-----	-----	-----	-----	-----
Year ended June 30, 1999					
Revenues	\$ 3,269	\$ 1,150	\$ 733	\$ 388	\$ 5,540
Pre-tax earnings	\$ 674	\$ 222	\$ 107	\$ 82	\$ 1,085
Assets	\$ 7,813	\$ 412	\$ 242	\$ 4,373	\$12,840
Capital expenditures	\$ 92	\$ 35	\$ 25	\$ 26	\$ 178
Depreciation and amortization	\$ 175	\$ 73	\$ 40	\$ (15)	\$ 273
	-----	-----	-----	-----	-----
Year ended June 30, 1998					
Revenues	\$ 2,830	\$ 1,096	\$ 688	\$ 312	\$ 4,926
Pre-tax earnings	\$ 570	\$ 163	\$ 94	\$ 64	\$ 891
Assets	\$ 7,333	\$ 400	\$ 224	\$ 3,831	\$11,788
Capital expenditures	\$ 108	\$ 49	\$ 24	\$ 21	\$ 202
Depreciation and amortization	\$ 158	\$ 80	\$ 39	\$ (29)	\$ 248
	-----	-----	-----	-----	-----

Revenues and assets by geographic area are as follows:

(In millions) Year ended June 30, 2000	United States	Europe	Canada	Other	Total
Revenues	\$ 5,330	\$ 645	\$ 259	\$ 54	\$ 6,288
Assets	\$14,640	\$1,126	\$1,014	\$ 71	\$16,851
Year ended June 30, 1999					
Revenues	\$ 4,564	\$ 704	\$ 212	\$ 60	\$ 5,540
Assets	\$10,498	\$1,216	\$1,043	\$ 83	\$12,840
Year ended June 30, 1998					
Revenues	\$ 4,172	\$ 493	\$ 194	\$ 67	\$ 4,926
Assets	\$ 9,670	\$1,248	\$ 794	\$ 76	\$11,788

## Note 12. Quarterly Financial Results

(Unaudited)

Summarized quarterly results of operations for the two years ended June 30, 2000 are as follows:

(In thousands, except per share amounts)				
Year ended June 30, 2000	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$1,351,095	\$1,492,486	\$1,719,730	\$1,724,201
Net earnings	\$ 146,200	\$ 199,500	\$ 271,310	\$ 223,790
Basic earnings per share	\$ .23	\$ .32	\$ .43	\$ .36
Diluted earnings per share	\$ .23	\$ .31	\$ .42	\$ .35
Year ended June 30, 1999 *				
Revenues	\$1,245,126	\$1,310,196	\$1,514,132	\$1,470,687
Net earnings	\$ 125,424	\$ 153,977	\$ 225,650	\$ 191,789
Basic earnings per share	\$ .20	\$ .25	\$ .37	\$ .31
Diluted earnings per share	\$ .20	\$ .24	\$ .36	\$ .30

\*After impact of non-recurring items. See note 3 to the consolidated financial statements.

## REPORT OF MANAGEMENT

Management is responsible for the preparation of the accompanying financial statements. The financial statements, which include amounts based on the application of business judgments, have been prepared in conformity with generally accepted accounting principles. Deloitte & Touche LLP, independent certified public accountants, have audited our consolidated financial statements as described in their report.

The Company maintains financial control systems designed to provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with management authorization. The control systems are supported by written policies and the control environment is regularly evaluated by both the Company's internal auditors and Deloitte & Touche.

The Board of Directors has an Audit Committee comprised of four outside directors. The Audit Committee meets with both Deloitte & Touche and the internal auditors with and without management's presence. It monitors and reviews the Company's financial statements and internal controls, and the scope of the internal auditors' and Deloitte & Touche's audits. Deloitte & Touche and the internal auditors have free access to the Audit Committee.

*/s/ Arthur F. Weinbach  
Arthur F. Weinbach  
Chairman and Chief Executive Officer*

*/s/ Richard J. Haviland  
Richard J. Haviland  
Chief Financial Officer*

*/s/ Karen E. Dykstra  
Karen E. Dykstra  
Controller*

*Roseland, New Jersey  
August 14, 2000*

## INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders  
Automatic Data Processing, Inc.  
Roseland, New Jersey

We have audited the accompanying consolidated balance sheets of Automatic Data Processing, Inc. and subsidiaries as of June 30, 2000 and 1999, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Automatic Data Processing, Inc. and subsidiaries as of June 30, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2000, in conformity with accounting principles generally accepted in the United States of America.

*/s/ Deloitte & Touche LLP*

*New York, New York  
August 14, 2000*

**EXHIBIT 21**

Name of Subsidiary -----	Jurisdiction of Incorporation -----
ADP Atlantic, Inc.	Delaware
ADP Belgium CVA	Belgium
ADP Brasil Ltda.	Brazil
ADP Broker-Dealer, Inc.	New Jersey
ADP Brokerage International Limited	United Kingdom
ADP Central, Inc.	Delaware
ADP Claims Solutions Group, Inc.	Delaware
ADP Credit Corp.	Delaware
ADP Dealer Services Ltd.	Canada (Federal)
ADP Dealer Services Deutschland GmbH	Germany
ADP Dealer Services Italia s.r.l.	Italy
ADP East, Inc.	Delaware
ADP Employer Services GmbH	Germany
ADP Europe S.A.	France
ADP Financial Information Services, Inc.	Delaware
ADP GSI S.A.	France
ADP Hollander, Inc.	Delaware
ADP, Inc.	Delaware
ADP Integrated Medical Solutions, Inc.	Delaware
ADP Nederland B.V.	The Netherlands
ADP Network Services International, Inc.	Delaware
ADP Network Services Limited	United Kingdom
ADP of North America, Inc.	Delaware
ADP of Roseland, Inc.	Delaware
ADP Pacific, Inc.	Delaware
ADP Savings Association	Pennsylvania
ADP Tax Services, Inc.	Delaware
ADP TotalSource Group, Inc.	Florida
Audatex GmbH	Switzerland
Audatex Holding GmbH	Switzerland
Audatex Deutschland Datenverarbeitungs GmbH	Germany
Automatic Data Processing Limited	United Kingdom
Automatic Data Processing SPRL	Belgium
Business Management Software Limited	United Kingdom
Canadian-Automatic Data Processing Services Ltd.	Canada (Federal)
Cunningham Graphics International, Inc.	New Jersey
Cunningham Graphics International, S.A.	British Virgin Islands
GSI Transport Tourisme S.A.	France
Health Benefits America	Utah
Informex S.A.	Belgium
OMR Systems Corporation	New Jersey
Wilco International Limited	United Kingdom

In accordance with Item 601(b)(21) of Regulation S-K, the Registrant has omitted the names of particular subsidiaries because the unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not

have constituted a significant subsidiary as of June 30, 2000.

**EXHIBIT 23**

**INDEPENDENT AUDITORS' CONSENT**

We consent to the incorporation by reference in Automatic Data Processing, Inc.'s Registration Statement Nos. 33-45150, 33-52876, 33-55909, 33-57207, 33-58165, 33-61629, 333-01839, 333-02331, 333-12767, 333-15103, 333-29713, 333-48493, 333-57075, 333-80237, 333-79749, 333-72497, 333-31058 and 333-42294 on Form S-3, Registration Statement No. 333-72023 on Form S-4, and Registration Statement Nos. 33-24987, 33-25290, 33-38338, 2-75287, 33-38366, 33-38365, 33-46168, 33-51979, 33-51977, 33-52629, 33-56419, 33-56463, 333-10281, 333-10279, 333-10277, 333-13945, 333-50123, 333-84647, 333-81725, 333-74265 and 333-33258 on Form S-8 of our reports dated August 14, 2000, included in and incorporated by reference in this Annual Report on Form 10-K of Automatic Data Processing, Inc. for the year ended June 30, 2000.

*/s/ Deloitte & Touche LLP*  
-----  
*New York, New York*  
*September 12, 2000*

**ARTICLE 5**

(Replace this text with the legend)

CIK: 0000008670

NAME: Automatic Data Processing, Inc.

MULTIPLIER: 1,000

CURRENCY: U.S. Dollars

PERIOD TYPE	12 MOS
FISCAL YEAR END	JUN 30 2000
PERIOD START	JUL 01 1999
PERIOD END	JUN 30 2000
EXCHANGE RATE	1.000
CASH	1,227,637
SECURITIES	1,224,912
RECEIVABLES	947,762
ALLOWANCES	48,448
INVENTORY	44,169
CURRENT ASSETS	3,064,452
PP&E	1,549,985
DEPRECIATION	952,715
TOTAL ASSETS	16,850,816
CURRENT LIABILITIES	1,296,668
BONDS	132,017
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	63,144
OTHER SE	4,519,674
TOTAL LIABILITY AND EQUITY	16,850,816
SALES	0
TOTAL REVENUES	6,287,512
CGS	0
TOTAL COSTS	4,959,752
OTHER EXPENSES	0
LOSS PROVISION	25,020
INTEREST EXPENSE	13,140
INCOME PRETAX	1,289,600
INCOME TAX	448,800
INCOME CONTINUING	840,800
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	840,800
EPS BASIC	1.34
EPS DILUTED	1.31

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