

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended June 30, 2010

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

(State or other jurisdiction of incorporation or organization)

22-1467904

(I.R.S. Employer Identification No.)

One ADP Boulevard, Roseland, New Jersey

(Address of principal executive offices)

07068

(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)	NASDAQ Global Select Market Chicago Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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 No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) 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.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant as of the last business day of the Registrant's most recently completed second fiscal quarter was approximately \$21,535,777,370. On August 20 , 2010 there were 492,022,525 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for its 2010 Annual Meeting of Stockholders.

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 “Company”), is one of the world’s largest providers of business outsourcing solutions. Leveraging 60 years of experience, ADP® offers a wide range of human resource (HR), payroll, tax and benefits administration solutions from a single source. ADP is also a leading provider of integrated computing solutions to automotive, truck, motorcycle, marine, recreational vehicle and heavy machinery dealers throughout the world. For financial information by segment and by geographic area, see Note 18 of the “Notes to Consolidated Financial Statements” contained in this Annual Report on Form 10-K. *The Company’s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, all amendments to those reports, and the Proxy Statement for its Annual Meeting of Stockholders are made available, free of charge, on its website at www.adp.com as soon as reasonably practicable after such reports have been filed with or furnished to the Securities and Exchange Commission.* The following summary describes ADP’s activities.

Employer Services

Employer Services offers a comprehensive range of HR information, payroll processing, tax and benefits administration solutions and services, including traditional and Web-based outsourcing solutions, that assist employers in the United States, Canada, Europe, South America (primarily Brazil), Australia and Asia to staff, manage, pay and retain their employees. As of June 30, 2010, Employer Services assisted approximately 520,000 employers with approximately 614,000 payrolls. Employer Services markets these solutions and services through its direct marketing salesforce and, on a limited basis, through indirect sales channels, such as marketing relationships with banks and accountants, among others. In fiscal 2010, 80% of Employer Services’ revenues were from the United States, 13% were from Europe, 5% were from Canada and 2% were from South America (primarily Brazil), Australia and Asia.

United States

Employer Services’ approach to the market is to match clients’ needs to the solutions and services that will best meet their expectations. To facilitate this approach, in the United States, Employer Services is comprised of the following market-facing groups: Small Business Services (SBS) (serving primarily organizations with fewer than 50 employees); Major Account Services (serving primarily organizations with between 50 and 999 employees); and National Account Services (serving primarily organizations with 1,000 or more employees). In addition, Employer Services’ Added Value Services division provides services to clients across all three of these groups.

ADP provides payroll services that include the preparation of client employee paychecks, electronic direct deposits and stored value payroll cards, along with employee pay statements, 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. ADP enables its largest clients to interface their major enterprise resource planning (ERP) applications with ADP’s outsourced payroll services. For those companies that choose to process payroll in-house, ADP delivers stand-alone services such as payroll tax filing, check printing and distribution, year-end tax statements (*i.e.* , Form W-2), wage garnishment services, health and welfare administration and flexible spending account (FSA) administration.

In order to address the growing business process outsourcing (BPO) market for clients seeking human resource information systems and benefit outsourcing solutions, ADP offers its integrated comprehensive outsourcing services (COS) solution that allows larger clients to outsource to ADP HR, payroll, payroll administration, employee service center, benefits administration, and time and labor management functions. For mid-sized clients, ADP Workforce Now™ Comprehensive Services provides integrated tools and technology to support payroll, a full-featured benefits administration solution, HR guidance and HR administration needs from recruitment to retirement. ADP also offers ADP Resource®, an integrated, flexible HR and payroll service offering for smaller clients that provides a menu of optional services, such as 401(k), FSA and a comprehensive Pay-by-Pay® workers’ compensation payment program.

ADP's Added Value Services division includes the following businesses: Tax and Financial Services, Insurance Services and Tax Credit Services. These businesses primarily support SBS, Major Account Services and/or National Account Services, and their services are sold through those businesses, as well as by dedicated sales teams and via marketing arrangements with alliance partners.

- Tax and Financial Services processes and collects federal, state and local payroll taxes on behalf of, and from, ADP clients and remits these taxes to the appropriate taxing authorities. This business provides an electronic interface between ADP clients and over 7,600 federal, state and local tax agencies in the United States, from the Internal Revenue Service to local governments. In fiscal 2010, Tax and Financial Services in the United States processed and delivered approximately 47 million employee year-end tax statements and over 38 million employer payroll tax returns and deposits, and moved \$1.1 trillion in client funds to taxing authorities and its clients' employees via electronic transfer, direct deposit and ADPCheck™. Tax and Financial Services is also responsible for the efficient movement of information and funds from clients to third parties through service offerings such as new hire reporting, TotalPay® payroll check (ADPCheck™), full service direct deposit (FSDD), stored value payroll card (TotalPay® Card), wage verification services, unemployment claims processing, wage garnishment processing, sales and use tax services and its new ADP Procure-to-Pay SolutionsSM, which automates the P2P supply chain and streamlines order, receipt, invoice and payment processes.
- Insurance Services provides a comprehensive Pay-by-Pay workers' compensation payment program and, through Automatic Data Processing Insurance Agency, Inc., offers workers compensation and group health insurance to small and mid-sized clients.
- Tax Credit Services provides job tax credit services that assist employers in the identification of, and filing for, federal, state and local tax credits and other incentives based on geography, demographics and other criteria, and includes negotiation of incentive packages with applicable governmental agencies.

Employer Services also provides the following solutions and services:

- Retirement Services provides recordkeeping and/or related administrative services with respect to various types of retirement (primarily 401(k) and SIMPLE IRA) plans, deferred compensation plans and "premium only" cafeteria plans.
- Pre-Employment Services includes Screening and Selection Services and Applicant Management Services. Screening and Selection Services provides background checks, reference verifications and an HR help desk. Applicant Management Services provides employers with a web-based solution to manage their talent throughout their lifecycle.
- ADP's Benefit Services provides benefits administration across all market segments, including management of open enrollment and ongoing enrollment of benefits, and leave of absence, COBRA and FSA administration.
- ADP's Time and Labor Management Services provides solutions for employers to capture, calculate and report employee time and attendance.
- ADP's Talent Management solutions include Performance Management, Compensation Management and Learning Management.

In fiscal 2010, ADP made several acquisitions to help expand its client base and reach into adjacent markets, including: DO2 Technologies Inc., a leading provider of electronic-invoicing solutions; OneClick HR plc, a UK provider of human resources solutions offering HR software, training services and outsourced HR solutions; and HRinterax, Inc., an HR content and support services company focused on the small business market. In August 2010, ADP acquired Workscape, Inc., a leading provider of integrated benefits and compensation solutions and services.

International

Employer Services has a growing presence outside of the United States, where it offers solutions on the basis of both geographic and specific client business needs. ADP offers in-country “best of breed” payroll and human resource outsourcing solutions to both small and large clients in over a dozen foreign countries. In each of Canada and Europe, ADP is the leading provider of payroll processing (including full departmental outsourcing) and human resource administration services. Within Europe, Employer Services has business operations supporting its in-country solutions in eight countries: France, Germany, Italy, the Netherlands, Poland, Spain, Switzerland and the United Kingdom. It also offers services in Ireland (from the United Kingdom) and in Portugal (from Spain). In South America (primarily Brazil), Australia and Asia (primarily China), ADP provides traditional service bureau payroll and also offers full departmental outsourcing of payroll services. ADP also offers wage and tax collection and remittance services in Canada, the United Kingdom and the Netherlands.

In fiscal 2010, ADP continued to expand its GlobalView[®] offering, making it available in 41 countries. GlobalView is built on the SAP[®] ERP Human Capital Management and the SAP NetWeaver[®] platform and offers multinational and global companies an end-to-end outsourcing solution enabling standardized payroll processing and human resource administration. As of the end of fiscal 2010, 96 clients had contracted for GlobalView services, with approximately 714,000 employees being processed. Upon completing the implementation for all these clients, ADP expects to be providing GlobalView services to nearly 1.3 million employees in 41 countries. Further, through its ADP Streamline[®] offering, ADP also provides a single point of contact for payroll processing and human resource administration services for multinational companies with small and mid-sized operations in 63 countries. At the end of fiscal 2010, ADP Streamline was used by 330 multinational companies with approximately 52,000 employees being processed.

Professional Employer Organization Services

In the United States, ADP’s TotalSource[®], the Company’s professional employer organization (PEO) business, provides approximately 5,600 clients with comprehensive employment administration outsourcing solutions through a co-employment relationship, including payroll, payroll tax filing, HR guidance, 401(k) plan administration, benefits administration, compliance services, health and workers’ compensation coverage and other supplemental benefits for employees. ADP’s TotalSource is the largest PEO in the United States based on the number of paid worksite employees. ADP’s TotalSource has 47 offices located in 22 states and serves approximately 211,000 worksite employees in all 50 states.

Dealer Services

Dealer Services provides integrated dealer management systems (such a system is also known in the industry as a “DMS”) and other business management solutions to automotive, truck, motorcycle, marine, recreational vehicle (RV) and heavy machinery retailers in North America, Europe, Africa and the Asia Pacific region. Approximately 25,000 automotive, truck, motorcycle, marine, RV and heavy machinery retailers in over 90 countries use ADP’s DMS products, other software applications, networking solutions, data integration, consulting and/or digital marketing services.

Clients use ADP’s DMS solutions to manage core business activities such as accounting, inventory management, factory communications, appointment scheduling, vehicle financing and insurance, sales and service. In addition to its DMS solutions, Dealer Services offers its clients a full suite of additional integrated applications to address each department and functional area of the dealership, including Customer Relationship Management (CRM) applications, front-end sales and marketing/advertising solutions, and an IP Telephony phone system fully-integrated into the DMS to help dealerships drive sales processes and business development initiatives. Dealer Services also provides its dealership clients computer hardware, hardware maintenance services, software support, system design and network consulting services.

Dealer Services also designs, establishes and maintains communications networks for its dealership clients that allow interactive communications among multiple site locations as well as links between franchised dealers and their vehicle manufacturer franchisors. These networks are used for activities such as new vehicle ordering and status inquiry, warranty submission and validation, parts and vehicle locating, dealership customer credit application submission and decision-making, vehicle repair estimation and acquisition of vehicle registration and lien holder information.

All of Dealer Services’ solutions are supported by comprehensive training offerings and business process consulting services. ADP’s DMS and other software solutions are available as “on-site” applications installed at the dealership or as application service provider (ASP) managed services solutions (in which clients outsource their information technology management activities to Dealer Services).

In August 2010, ADP acquired Cobalt, a leading provider of digital marketing solutions for the automotive industry, for approximately \$400 million.

Markets and Marketing Methods

Employer Services offers services in the United States, Canada, Europe, South America (primarily Brazil), Australia and Asia. PEO Services are offered exclusively in the United States. Dealer Services has offerings in North America, Europe, Africa and the Asia Pacific region. In select emerging markets, Dealer Services uses distributors to sell, implement and support ADP’s solutions.

None of ADP’s major business groups has a single homogenous client base or market. Employer Services and PEO Services have clients from a large variety of industries and markets. Within this client base are concentrations of clients in specific industries. Dealer Services primarily serves automobile dealers, which in turn may be dependent on a relatively small number of automobile manufacturers, but also serves truck, powersports (*i.e.* , motorcycle, marine and recreational) and heavy machinery dealers, auto repair shops, used car lots, state departments of motor vehicles and manufacturers of automobiles and trucks. Employer Services also sells to automobile dealers. While concentrations of clients exist, no one client or industry group is material to ADP’s overall revenues.

Historically ADP's businesses have not been overly sensitive to price changes, although in the current economic conditions we have observed, among some clients and groups of clients, an impact on sensitivity to pricing and demand for ADP's services. Employer Services' revenues were flat in fiscal 2010. In the United States, revenues from our traditional payroll and payroll tax filing business declined 4% for the full year and beyond payroll revenues grew 6% for the full year. Dealer Services' revenues decreased 3% in fiscal 2010 due to dealership consolidations and closings, lower transactional revenue and dealerships reducing services in order to cut their discretionary expenses. PEO Services' revenues grew 11% in fiscal 2010 due to a 5% increase in the average number of worksite employees, as well as an increase in benefits costs and state uninsurance rates.

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 industries in which ADP operates are 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 business outsourcing solutions in the world. Employer Services and PEO Services compete with other independent business outsourcing companies, companies providing enterprise resource planning services, software companies and financial institutions. Captive in-house functions, whereby a company installs and operates its own business processing systems, are another competitive factor in the industries in which Employer Services and PEO Services operate. Dealer Services' competitors include full service DMS providers such as The Reynolds & Reynolds Company, Dealer Services' largest DMS competitor in the United States and Canada, and companies providing applications and services that compete with Dealer Services' non-DMS applications and services.

Competition in ADP's industries 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.

Clients and Client Contracts

ADP provides its services to about 550,000 clients. In fiscal 2010, no single client or group of affiliated clients accounted for revenues in excess of 2% of annual consolidated revenues.

Our business is typically characterized by long-term client relationships that result in recurring revenue. ADP is continuously in the process of performing implementation services for new clients. Depending on the service agreement and/or the size of the client, the installation or conversion period for new clients could vary from a short period of time (as little as 24 hours) for an SBS client to a longer period (generally six to twelve months) for a National Account Services or Dealer Services client with multiple deliverables, and in some cases may exceed two years for a large GlobalView client or other large, complicated implementation. Although we monitor sales that have not yet been billed or installed, we do not view this metric as material in light of the recurring nature of our business. This is not a reported number, but it is used by management as a planning tool relating to resources needed to install services, and a means of assessing our performance against the installation timing expectations of our clients.

ADP's average client retention is estimated at just under 10 years in Employer Services, approximately 5 years in PEO Services and 10 or more years in Dealer Services, and has not varied 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.

Systems Development and Programming

During the fiscal years ended June 30, 2010, 2009 and 2008, ADP invested \$614 million, \$588 million and \$611 million, respectively, from continuing operations, in systems development and programming, migration to new computing technologies and the development of new products and maintenance of our existing technologies, including purchases of new software and software licenses.

Product Development

ADP continually upgrades, enhances and expands its existing solutions and services. Generally, no new solution or service has a significant effect on ADP's revenues or negatively impacts its existing solutions and services, and ADP's solutions and services have significant remaining life cycles.

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 47,000 persons as of June 30, 2010.

Item 1A. Risk Factors

Our businesses routinely encounter and address risks, some of which may cause our future results to be different than we currently anticipate. Risk factors described below represent our current view of some of the most important risks facing our businesses and are important to understanding our business. The following information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, Quantitative and Qualitative Disclosures About Market Risk and the consolidated financial statements and related notes included in this Annual Report on Form 10-K. This discussion includes a number of forward-looking statements. You should refer to the description of the qualifications and limitations on forward-looking statements in the first paragraph under Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Annual Report on Form 10-K. Unless otherwise indicated or the context otherwise requires, reference in this section to "we," "ours," "us" or similar terms means ADP, together with its subsidiaries. The level of importance of each of the following risks may vary from time to time, and any of these risks may have a material effect on our business.

Changes in laws and regulations may decrease our revenues and earnings

Portions of ADP's business are subject to governmental regulations. Changes in governmental regulations may decrease our revenues and earnings and may require us to change the manner in which we conduct some aspects of our business. For example, a change in regulations either decreasing the amount of taxes to be withheld or allowing less time to remit taxes to government authorities would adversely impact interest income from investing client funds before such funds are remitted to the applicable taxing authorities or client employees. In addition, changes in taxation requirements in the United States or in other countries could adversely affect our effective tax rate and our net income.

Security and privacy breaches may hurt our business

We store electronically personal information about our clients and employees of our clients. In addition, our retirement services systems maintain investor account information for retirement plans. There is no guarantee that the systems and procedures that we maintain to protect against unauthorized access to such information are adequate to protect against all security breaches. Any significant violations of data privacy could result in the loss of business, litigation and regulatory investigations and penalties that could damage our reputation, and the growth of our business could be adversely affected.

Our systems may be subject to disruptions that could adversely affect our business and reputation

Many of our businesses are highly dependent on our ability to process, on a daily basis, a large number of complicated transactions. We rely heavily on our payroll, financial, accounting and other data processing systems. If any of these systems fail to operate properly or become disabled even for a brief period of time, we could suffer financial loss, a disruption of our businesses, liability to clients, regulatory intervention or damage to our reputation. We have disaster recovery plans in place to protect our businesses against natural disasters, security breaches, military or terrorist actions, power or communication failures or similar events. Despite our preparations, our disaster recovery plans may not be successful in preventing the loss of client data, service interruptions, disruptions to our operations, or damage to our important facilities.

If we fail to adapt our technology to meet client needs and preferences, the demand for our services may diminish

Our businesses operate in industries that are subject to rapid technological advances and changing client needs and preferences. In order to remain competitive and responsive to client demands, we continually upgrade, enhance and expand our existing solutions and services. If we fail to respond successfully to technology challenges, the demand for our services may diminish.

Political and economic factors may adversely affect our business and financial results

Trade, monetary and fiscal policies, and political and economic conditions may substantially change, and credit markets may experience periods of constriction and volatility. When there is a slowdown in the economy, employment levels and interest rates may decrease with a corresponding impact on our businesses. Clients may react to worsening conditions by reducing their spending on payroll and other outsourcing services or renegotiating their contracts with us. In addition, the availability of financing, even to borrowers with the highest credit ratings, may limit our access to short-term debt markets to meet liquidity needs required by our Employer Services business.

We invest our client funds in liquid, investment-grade marketable securities, money market securities and other cash equivalents. Nevertheless, our client fund assets are subject to general market, interest rate, credit and liquidity risks, which individually or in unison may be exacerbated during periods of unusual financial market volatility.

We are dependent upon various large banks to execute Automated Clearing House and wire transfers as part of our client payroll and tax services. While we have contingency plans in place for bank failures, a systemic shut-down of the banking industry would impede our ability to process funds on behalf of our payroll and tax services clients and could have an adverse impact on our financial results and liquidity.

We derive a significant portion of our revenues and operating income from affiliates operating in non-U.S. dollar currency environments and, as a result, we are exposed to market risk from changes in foreign currency exchange rates that could impact our consolidated results of operations, financial position or cash flows.

Change in our credit ratings could adversely impact our operations and lower our profitability

The major credit rating agencies periodically evaluate our creditworthiness and have consistently given us their highest long-term debt and commercial paper ratings. Failure to maintain high credit ratings on long-term and short-term debt could increase our cost of borrowing, reduce our ability to obtain intra-day borrowing required by our Employer Services business, and ultimately reduce our client interest revenue.

We may be unable to attract and retain qualified personnel

Our ability to grow and provide our clients with competitive services is partially dependent on our ability to attract and retain highly motivated people with the skills to serve our clients. Competition for skilled employees in the outsourcing and other markets in which we operate is intense and if we are unable to attract and retain highly skilled and motivated personnel, results from our operations may suffer.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

ADP owns 41 of its processing/print centers, other operational offices, sales offices and its corporate headquarters complex in Roseland, New Jersey, which aggregate approximately 3,913,066 square feet. None of ADP's owned facilities is subject to any material encumbrances. ADP leases space for some of its processing centers, other operational offices and sales offices. All of these leases, which aggregate approximately 5,657,832 square feet in North America, Europe, South America (primarily Brazil), Asia, Australia and South Africa, expire at various times up to the year 2036. ADP believes its facilities are currently adequate for their intended purposes and are adequately maintained.

Item 3. Legal Proceedings

In the normal course of business, the Company is subject to various claims and litigation. While the outcome of any litigation is inherently unpredictable, the Company believes it has valid defenses with respect to the legal matters pending against it and the Company believes that the ultimate resolution of these matters will not have a material adverse impact on its financial condition, results of operations or cash flows.

Part II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for the Registrant's Common Equity

The principal market for the Company's common stock (symbol: ADP) is the NASDAQ Global Select Market. The following table sets forth the reported high and low sales prices of the Company's common stock reported on the NASDAQ Global Select Market and the cash dividends per share of common stock declared, during the past two fiscal years. As of June 30, 2010, there were 43,305 holders of record of the Company's common stock. As of such date, 365,199 additional holders held their common stock in "street name."

	Price Per Share		Dividends Per Share
	High	Low	
Fiscal 2010 quarter ended:			
June 30	\$ 45.74	\$ 39.27*	\$ 0.340
March 31	\$ 45.22	\$ 39.72	\$ 0.340
December 31	\$ 44.50	\$ 38.51	\$ 0.340
September 30	\$ 40.44	\$ 33.26	\$ 0.330
Fiscal 2009 quarter ended:			
June 30	\$ 39.08	\$ 34.08	\$ 0.330
March 31	\$ 40.99	\$ 32.03	\$ 0.330
December 31	\$ 42.93	\$ 30.83	\$ 0.330
September 30	\$ 45.97	\$ 40.26	\$ 0.290

* Excludes trading on May 6, 2010, during which a low sales price of \$26.46 was reported.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of the Publicly Announced Common Stock Repurchase Plan (2)	(d) Maximum Number of Shares that may yet be Purchased under the Common Stock Repurchase Plan (2)
April 1, 2010 to April 30, 2010	500,190	\$44.00	500,000	39,981,759
May 1, 2010 to May 31, 2010	7,681,344	\$41.70	7,681,344	32,300,415
June 1, 2010 to June 30, 2010	3,516,364	\$41.20	3,516,364	28,784,051
Total	11,697,898		11,697,708	

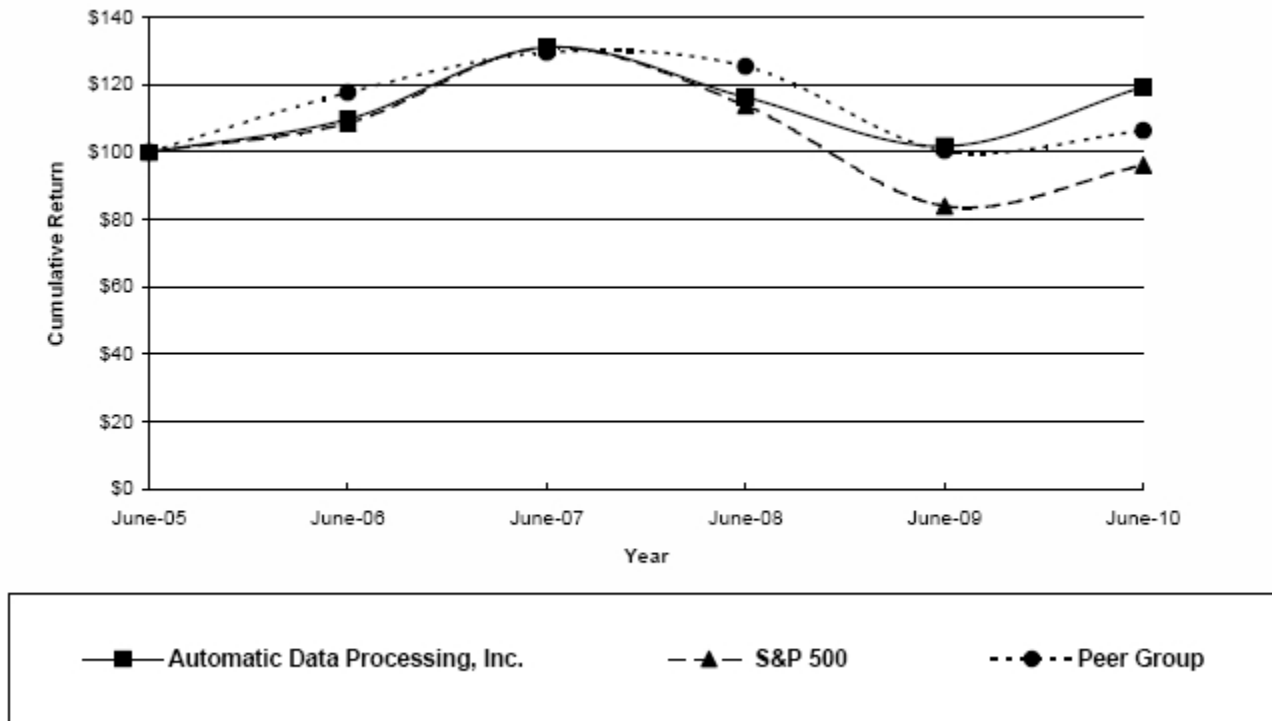
- (1) Pursuant to the terms of the Company's restricted stock program, the Company purchased 190 shares during April 2010 at the then market value of the shares in connection with the exercise by employees of their option under such program to satisfy certain tax withholding requirements through the delivery of shares to the Company instead of cash.
- (2) The Company received the Board of Directors' approval to repurchase shares of the Company's common stock as follows:

<u>Date of Approval</u>	<u>Shares</u>
March 2001	50 million
November 2002	35 million
November 2005	50 million
August 2006	50 million
August 2008	50 million

There is no expiration date for the common stock repurchase plan.

Performance Graph

The following graph compares the cumulative return on the Company's common stock ^(a) for the most recent five years with the cumulative return on the S&P 500 Index and a Peer Group Index ^(b), assuming an initial investment of \$100 on June 30, 2005, with all dividends reinvested.



(a) On March 30, 2007, the Company completed the spin-off of its former Brokerage Services Group business, comprised of Brokerage Services and Securities Clearing and Outsourcing Services, into an independent publicly traded company called Broadridge Financial Solutions, Inc. The cumulative returns of the Company's common stock have been adjusted to reflect the spin-off.

(b) The Peer Group Index is comprised of the following companies:

Administaff, Inc.
 Computer Sciences Corporation
 Global Payments Inc.
 Hewitt Associates, Inc.
 Intuit Inc.

Paychex, Inc.
 The Ultimate Software Group, Inc.
 Total System Services, Inc.
 The Western Union Company

Item 6. Selected Financial Data

The following selected financial data is derived from our consolidated financial statements and should be read in conjunction with the consolidated financial statements and related notes, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Quantitative and Qualitative Disclosures About Market Risk included in this Annual Report on Form 10-K.

(Dollars and shares in millions, except per share amounts)

Years ended June 30,	2010	2009	2008	2007	2006
Total revenues	\$ 8,927.7	\$ 8,838.4	\$ 8,733.7	\$ 7,769.8	\$ 6,821.3
Total costs of revenues	\$ 5,029.7	\$ 4,822.7	\$ 4,657.2	\$ 4,067.6	\$ 3,594.1
Gross profit	\$ 3,898.0	\$ 4,015.7	\$ 4,076.5	\$ 3,702.2	\$ 3,227.2
Earnings from continuing operations before income taxes	\$ 1,863.2	\$ 1,900.1	\$ 1,803.4	\$ 1,622.7	\$ 1,361.6
Net earnings from continuing operations	\$ 1,207.3	\$ 1,325.1	\$ 1,155.7	\$ 1,020.7	\$ 842.2
Basic earnings per share from continuing operations	\$ 2.41	\$ 2.63	\$ 2.22	\$ 1.86	\$ 1.47
Diluted earnings per share from continuing operations	\$ 2.40	\$ 2.62	\$ 2.19	\$ 1.83	\$ 1.45
Basic weighted average shares outstanding	500.5	503.2	521.5	549.7	574.8
Diluted weighted average shares outstanding	503.7	505.8	527.2	557.9	580.3
Cash dividends declared per share	\$ 1.3500	\$ 1.2800	\$ 1.1000	\$ 0.8750	\$ 0.7100
Return on equity from continuing operations (Note 1)	22.4%	25.5%	22.6%	18.3%	14.3%
At year end:					
Cash, cash equivalents and marketable securities	\$ 1,775.5	\$ 2,388.5	\$ 1,660.3	\$ 1,884.6	\$ 2,461.3
Total assets	\$ 26,862.2	\$ 25,351.7	\$ 23,734.4	\$ 26,648.9	\$ 27,490.1
Obligation under commercial paper borrowing	\$ -	\$ 730.0	\$ -	\$ -	\$ -
Long-term debt	\$ 39.8	\$ 42.7	\$ 52.1	\$ 43.5	\$ 74.3
Stockholders' equity	\$ 5,478.9	\$ 5,322.6	\$ 5,087.2	\$ 5,147.9	\$ 6,011.6

Note 1. Return on equity from continuing operations has been calculated as net earnings from continuing operations divided by average total stockholders' equity.

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

FORWARD-LOOKING STATEMENTS

This report and other written or oral statements made from time to time by ADP may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not historical in nature, and which may be identified by the use of words like "expects," "assumes," "projects," "anticipates," "estimates," "we believe," "could be" and other words of similar meaning, are forward-looking statements. These statements are based on management's expectations and assumptions and are subject to risks and uncertainties that may cause actual results to differ materially from those expressed. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include: ADP's success in obtaining, retaining and selling additional services to clients; the pricing of services and products; changes in laws regulating payroll taxes, professional employer organizations and employee benefits; overall market and economic conditions, including interest rate and foreign currency trends; competitive conditions; auto sales and related industry changes; employment and wage levels; changes in technology; availability of skilled technical associates and the impact of new acquisitions and divestitures. ADP disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. These risks and uncertainties, along with the risk factors discussed above under "Item 1A. Risk Factors," should be considered in evaluating any forward-looking statements contained herein.

DESCRIPTION OF THE COMPANY AND BUSINESS SEGMENTS

ADP is one of the world's largest providers of business outsourcing solutions. Leveraging over 60 years of experience, ADP offers a wide range of human resource ("HR"), payroll, tax and benefits administration solutions from a single source. ADP is also a leading provider of integrated computing solutions to automotive, truck, motorcycle, marine, recreational vehicle ("RV") and heavy machinery dealers in North America, Europe, South Africa and the Asia Pacific region. The Company's reportable segments are: Employer Services, PEO Services and Dealer Services. A brief description of each segment's operations is provided below.

Employer Services

Employer Services offers a comprehensive range of HR information, payroll processing, tax and benefits administration solutions and services, including traditional and Web-based outsourcing solutions, that assist employers in the United States, Canada, Europe, South America (primarily Brazil), Australia and Asia to staff, manage, pay and retain their employees. As of June 30, 2010, Employer Services assisted approximately 520,000 employers with approximately 614,000 payrolls. From time to time, we reevaluate our employer count based upon updated information that helps us associate individual employer accounts with one another. As such, on a comparable basis, as of June 30, 2009, Employer Services assisted approximately 520,000 employers with approximately 619,000 payrolls. Employer Services categorizes its services as payroll and payroll tax, and "beyond payroll." The payroll and payroll tax business represents the Company's core payroll processing and payroll tax filing business. The "beyond payroll" business represents services such as time and labor management, benefits administration, retirement recordkeeping and administration, and HR administration services. Within Employer Services, the Company collects client funds and remits such funds to tax authorities for payroll tax filing and payment services, and to employees of payroll services clients.

PEO Services

PEO Services provides approximately 5,600 small and medium sized businesses with comprehensive employment administration outsourcing solutions through a co-employment relationship, including payroll, payroll tax filing, HR guidance, 401(k) plan administration, benefits administration, compliance services, health and workers' compensation coverage and other supplemental benefits for employees.

Dealer Services

Dealer Services provides integrated dealer management systems (such a system is also known in the industry as a "DMS") and other business management solutions to automotive, truck, motorcycle, marine, RV and heavy machinery retailers in North America, Europe, South Africa and the Asia Pacific region. Approximately 25,000 automotive, truck, motorcycle, marine, RV and heavy machinery retailers in over 90 countries use our DMS products, other software applications, networking solutions, data integration, consulting and/or digital marketing services. From time to time, we reevaluate our client count based upon updated information that helps us associate individual client accounts with one another. As such, on a comparable basis, as of June 30, 2009, Dealer Services provided DMS products to 26,000 retailers in over 90 countries.

EXECUTIVE OVERVIEW

During the fiscal year ended June 30, 2010 (“fiscal 2010”), we maintained focus on the execution of our five-point strategic growth program, which consists of:

- Strengthening the core business;
- Growing our differentiated HR Business Process Outsourcing (“BPO”) offerings;
- Focusing on international expansion;
- Entering adjacent markets that leverage the core; and
- Expanding pretax margins.

ADP’s fiscal 2010 was a challenging year and our results continued to be impacted by the economic downturn, including high unemployment levels, record-low interest rates and volatile financial markets. However, as we look back over fiscal 2010, we were pleased that ADP’s financial results were better than we initially anticipated. The economy showed signs of stabilization early on in the fiscal year. Demand for ADP’s solutions increased and key business metrics, including Employer Services’ sales, retention and pays per control, began to improve during the second half of the year.

Consolidated revenues grew 1%, to \$8,927.7 million in fiscal 2010, from \$8,838.4 million in fiscal 2009, aided by fluctuations in foreign currency rates, which increased revenues \$68.2 million. In fiscal 2010, pretax earnings from continuing operations declined 2%, to \$1,863.2 million, net earnings from continuing operations declined 9%, to \$1,207.3 million, and diluted earnings per share from continuing operations decreased 8%, to \$2.40, from \$2.62 in fiscal 2009. Fiscal 2010 and fiscal 2009 included favorable tax items that reduced the provision for income taxes by \$12.2 million and \$120.0 million, respectively. Excluding the favorable tax items from both years, net earnings from continuing operations declined 1% and diluted earnings per share from continuing operations declined slightly from \$2.38 to \$2.37.

Employer Services’ revenues were flat in fiscal 2010. In the United States, revenues from our traditional payroll and payroll tax filing business declined 4% for the full year and beyond payroll revenues grew 6% for the full year. “Pays per control,” which represents the number of employees on our clients’ payrolls as measured on a same-store-sales basis utilizing a subset of approximately 130,000 payrolls of small to large businesses that are reflective of a broad range of U.S. geographic regions, decreased 3.4% in fiscal 2010, but were slightly positive in the fourth quarter of fiscal 2010 compared to the fourth quarter of fiscal 2009. Worldwide client retention increased 0.4 percentage points as compared to the prior year. PEO Services’ revenues grew 11% in fiscal 2010 due to a 5% increase in the average number of worksite employees, as well as an increase in benefits costs and state unemployment insurance rates. Employer Services’ and PEO Services’ worldwide new business sales, which represent annualized recurring revenues anticipated from sales orders to new and existing clients, increased 4%, to just over \$1 billion in fiscal 2010. Dealer Services’ revenues decreased 3% in fiscal 2010 due to continued dealership consolidations and closings, lower transactional revenue and dealerships reducing services in order to cut their discretionary expenses. Consolidated interest on funds held for clients declined 11%, or \$67.0 million, to \$542.8 million. The decrease in the consolidated interest on funds held for clients resulted from the decrease in the average interest rate earned to 3.6% in fiscal 2010 as compared to 4.0% in fiscal 2009. Average client funds balances increased slightly as a result of wage growth and an increase in state unemployment insurance withholdings offset by the decline in pays per control.

We have a strong business model, which has approximately 90% recurring revenues, excellent margins from the ability to generate consistent, healthy cash flows, strong client retention and low capital expenditure requirements. Additionally, ADP has continued to return excess cash to our shareholders. In the last five fiscal years, we have reduced the Company’s common stock outstanding by approximately 15% through share buybacks, partially offset by common stock issued under employee stock-based compensation programs. We have also raised the dividend payout per share for 35 consecutive years.

We are especially pleased with the performance of our investment portfolio and the investment choices we made. Our investment portfolio does not contain any asset-backed securities with underlying collateral of sub-prime mortgages, alternative-A mortgages, sub-prime auto loans or home equity loans, collateralized debt obligations, collateralized loan obligations, credit default swaps, asset-backed commercial paper, derivatives, auction rate securities, structured investment vehicles or non-investment-grade fixed-income securities. We own senior tranches of fixed rate credit card, rate reduction, and auto loan asset-backed securities, secured predominately by prime collateral. All collateral on asset-backed securities is performing as expected. In addition, we own senior debt directly issued by Federal Home Loan Banks, Federal National Mortgage Association (“Fannie Mae”) and Federal Home Loan Mortgage Corporation (“Freddie Mac”). We do not own subordinated debt, preferred stock or common stock of any of these agencies. We do own AAA rated mortgage-backed securities, which represent an undivided beneficial ownership interest in a group or pool of one or more residential mortgages. These securities are collateralized by the cash flows of 15-year and 30-year residential mortgages and are guaranteed by Fannie Mae and Freddie Mac as to the timely payment of principal and interest. Our client funds investment strategy is structured to allow us to average our way through an interest rate cycle by laddering investments out to five years (in the case of the extended portfolio) and out to ten years (in the case of the long portfolio). This investment strategy is supported by our short-term financing arrangements necessary to satisfy short-term funding requirements relating to client funds obligations. In addition, our AAA credit rating has helped us maintain uninterrupted access to the commercial paper market.

Our financial condition and balance sheet remain solid at June 30, 2010, with cash and cash equivalents and marketable securities of \$1,775.5 million. Our net cash flows provided by operating activities were \$1,682.1 million in fiscal 2010, as compared to \$1,562.6 million in fiscal 2009. This increase in cash flows from fiscal 2009 to fiscal 2010 was due to tax refunds received and a reduction in cash bonuses paid, partially offset by an increase in pension plan contributions as compared to the prior year.

In August 2010, we completed the acquisition of two businesses, Cobalt and Workscape, Inc. Cobalt is a leading provider of digital marketing solutions for the automotive industry. It aligns with ADP Dealer Services’ global layered applications strategy and strongly supports Dealer Services’ long-term growth strategy. Workscape, Inc. is a leading provider of integrated benefits and compensation solutions and services.

**RESULTS OF OPERATIONS
ANALYSIS OF CONSOLIDATED OPERATIONS**

Fiscal 2010 Compared to Fiscal 2009

(Dollars in millions, except per share amounts)

	Years ended June 30,		\$ Change	% Change
	2010	2009		
Total revenues	\$ 8,927.7	\$ 8,838.4	\$ 89.3	1%
Costs of revenues:				
Operating expenses	4,277.2	4,087.0	190.2	5%
Systems development and programming costs	513.9	498.3	15.6	3%
Depreciation and amortization	238.6	237.4	1.2	1%
Total costs of revenues	5,029.7	4,822.7	207.0	4%
Selling, general and administrative expenses	2,127.4	2,190.3	(62.9)	(3)%
Interest expense	8.6	33.3	(24.7)	(74)%
Total expenses	7,165.7	7,046.3	119.4	2%
Other income, net	(101.2)	(108.0)	(6.8)	(6)%
Earnings from continuing operations before income taxes	\$ 1,863.2	\$ 1,900.1	\$ (36.9)	(2)%
Margin	20.9%	21.5%		
Provision for income taxes	\$ 655.9	\$ 575.0	\$ 80.9	14%
Effective tax rate	35.2%	30.3%		
Net earnings from continuing operations	\$ 1,207.3	\$ 1,325.1	\$ (117.8)	(9)%
Diluted earnings per share from continuing operations	\$ 2.40	\$ 2.62	\$ (0.22)	(8)%

Total Revenues

Our consolidated revenues grew 1% to \$8,927.7 million in fiscal 2010, from \$8,838.4 million in fiscal 2009, due to an increase in revenues in PEO Services of 11%, or \$131.0 million, to \$1,316.8 million, and fluctuations in foreign currency rates, which increased revenues \$68.2 million. Such increases were partially offset by a decrease in Dealer Services revenues of 3%, or \$38.5 million, to \$1,229.4 million, and a decrease in the consolidated interest on funds held for clients of \$67.0 million. The decrease in the consolidated interest on funds held for clients resulted from the decrease in the average interest rate earned to 3.6% in fiscal 2010 as compared to 4.0% in fiscal 2009. Employer Services' revenues were flat in fiscal 2010 as compared to fiscal 2009.

Total Expenses

Our total expenses in fiscal 2010 increased \$119.4 million, to \$7,165.7 million, from \$7,046.3 million in fiscal 2009. The increase in our consolidated expenses for fiscal 2010 was due to our increase in revenues, higher pass-through costs associated with our PEO Services business of \$113.7 million, an increase of \$48.6 million related to fluctuations in foreign currency exchange rates, an increase of \$14.7 million related to additional domestic service personnel and incremental investments in our products. These increases were partially offset by a decrease in severance expenses of \$76.8 million, a decrease in stock-based compensation expense of \$28.4 million and our costs savings initiatives, which included lower compensation from reduced headcount and a reduction in travel and entertainment expenses.

Our total costs of revenues increased \$207.0 million to \$5,029.7 million in fiscal 2010, as compared to fiscal 2009 due to the increase in operating expenses discussed below.

Operating expenses increased \$190.2 million, or 5%, in fiscal 2010 as compared to fiscal 2009, due to an increase in PEO Services pass-through costs that are re-billable, including costs for benefits coverage, workers' compensation coverage and state unemployment taxes for worksite employees. These pass-through costs were \$988.5 million in fiscal 2010, which included costs for benefits coverage of \$811.5 million and costs for workers' compensation and payment of state unemployment taxes of \$176.9 million. These costs were \$874.8 million in fiscal 2009, which included costs for benefits coverage of \$724.3 million and costs for workers compensation and payment of state unemployment taxes of \$150.5 million. In addition, operating expenses increased \$30.1 million due to changes in foreign currency exchange rates and \$14.7 million due to additional service personnel. These increases were partially offset by a decrease of \$8.9 million in stock-based compensation expense and our costs savings initiatives, which included lower compensation from reduced headcount and a reduction in travel and entertainment expenses.

Systems development and programming expenses increased \$15.6 million, or 3%, in fiscal 2010 as compared to fiscal 2009, due to incremental investments in our products during fiscal 2010. Additionally, systems development and programming expenses increased by \$2.1 million due to expenses of acquired businesses and by \$3.6 million due to the impact from changes in foreign currency exchange rates. These increases were partially offset by a \$5.0 million decline in stock-based compensation expense.

Selling, general and administrative expenses decreased \$62.9 million, or 3%, in fiscal 2010 as compared to fiscal 2009. The decrease in expenses was due to a decrease in severance expenses of \$76.8 million, a reduction in expenses of \$31.1 million related to cost saving initiatives, which included lower compensation from reduced headcount and a reduction in travel and entertainment expenses and a decline of \$14.5 million in stock-based compensation expense. In addition, selling, general and administrative expenses decreased due to the \$15.5 million charge we recorded during fiscal 2009 to increase our allowance for doubtful accounts as a result of an increase in estimated credit losses related to our notes receivable from automotive, truck and powersports dealers. These decreases in expenses were partially offset by an asset impairment charge of \$6.8 million, recorded during fiscal 2010 as a result of the announcement by General Motors Corporation ("GM") that it will shut down its Saturn division. In addition, there was an increase of \$13.7 million due to the impact of changes in foreign currency exchange rates and an increase of \$9.5 million in expenses of acquired businesses.

Interest expense decreased \$24.7 million in fiscal 2010 as compared to fiscal 2009. In fiscal 2010 and 2009, the Company's average borrowings under the commercial paper program were \$1.6 billion and \$1.9 billion, respectively, at weighted average interest rates of 0.2% and 1.0%, respectively, which resulted in a decrease of \$15.8 million in interest expense. In fiscal 2010 and 2009, the Company's average borrowings under the reverse repurchase program were approximately \$425.0 million and \$425.9 million, respectively, at weighted average interest rates of 0.2% and 1.3%, respectively, which resulted in a decrease of \$4.6 million in interest expense.

Other Income, net

Years ended June 30,	2010	2009	\$ Change
(Dollars in millions)			
Interest income on corporate funds	\$ (98.8)	\$ (134.2)	\$ (35.4)
Realized gains on available-for-sale securities	(15.0)	(11.4)	3.6
Realized losses on available-for-sale securities	13.4	23.8	10.4
Realized (gain) loss on investment in Reserve Fund	(15.2)	18.3	33.5
Impairment losses on available-for-sale securities	14.4	-	(14.4)
Net loss (gain) on sales of buildings	2.3	(2.2)	(4.5)
Other, net	(2.3)	(2.3)	-
Other income, net	\$ (101.2)	\$ (108.0)	\$ (6.8)

Other income, net, decreased \$6.8 million in fiscal 2010 as compared to fiscal 2009 due to a \$35.4 million decrease in interest income on corporate funds, a \$14.4 million impairment loss on available-for-sale securities recorded during fiscal 2010 and a \$2.3 million net loss on sales of buildings in fiscal 2010 as compared to a \$2.2 million net gain on sales of buildings in fiscal 2009. Interest income on corporate funds decreased as a result of lower average interest rates, partially offset by higher average daily balances. Average interest rates decreased from 3.6% in fiscal 2009 to 2.6% in fiscal 2010. Average daily balances increased from \$3.7 billion in fiscal 2009 to \$3.8 billion in fiscal 2010. These decreases in other income were partially offset by a gain on the investment in Reserve Fund of \$15.2 million in fiscal 2010 as compared to a loss on the investment in the Reserve Fund of \$18.3 million in fiscal 2009, as well as a \$14.0 million increase in net realized gains on available-for-sale securities.

Earnings from Continuing Operations before Income Taxes

Earnings from continuing operations before income taxes decreased \$36.9 million, or 2%, from \$1,900.1 million in fiscal 2009 to \$1,863.2 million in fiscal 2010 because the increase in revenues was more than offset by the increase in expenses and decrease in other income, net discussed above. Overall margin decreased 60 basis points in fiscal 2010.

Provision for Income Taxes

The effective tax rate in fiscal 2010 and 2009 was 35.2% and 30.3%, respectively. For fiscal 2010, the effective tax rate includes a reduction in the provision for income taxes of \$12.2 million related to the resolution of certain tax matters, which decreased the effective tax rate by 0.7 percentage points. For fiscal 2009, the effective tax rate includes a reduction in the provision for income taxes of \$120.0 million related to an Internal Revenue Service (“IRS”) audit settlement and the settlement of a state tax matter, which decreased the effective tax rate by 6.3 percentage points.

Net Earnings from Continuing Operations and Diluted Earnings per Share from Continuing Operations

Net earnings from continuing operations decreased \$117.8 million to \$1,207.3 million in fiscal 2010, from \$1,325.1 million in fiscal 2009, and diluted earnings per share from continuing operations decreased 8%, to \$2.40. The decrease in net earnings from continuing operations in fiscal 2010 reflects the decrease in earnings from continuing operations before income taxes and the impact of the tax matters discussed above. The decrease in diluted earnings per share from continuing operations in fiscal 2010 reflects the decrease in earnings from continuing operations and the impact of the tax matters discussed above partially offset by the impact of fewer shares outstanding due to the repurchase of 18.2 million shares in fiscal 2010 and 13.8 million shares in fiscal 2009.

The following table reconciles the Company’s results for fiscal 2010 and fiscal 2009 to adjusted results that exclude the impact of favorable tax items. The Company uses certain adjusted results, among other measures, to evaluate the Company’s operating performance in the absence of certain items and for planning and forecasting of future periods. The Company believes that the adjusted results provide relevant and useful information for investors because it allows investors to view performance in a manner similar to the method used by the Company’s management and improves their ability to understand the Company’s operating performance. Since adjusted earnings from continuing operations and adjusted diluted EPS are not measures of performance calculated in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), they should not be considered in isolation from, or as a substitute for, earnings from continuing operations and diluted EPS from continuing operations, respectively, and they may not be comparable to similarly titled measures employed by other companies.

Year ended June 30, 2010

	Earnings from continuing operations before income taxes	Provision for income taxes	Net earnings from continuing operations	Diluted EPS from continuing operations
As Reported	\$ 1,863.2	\$ 655.9	\$ 1,207.3	\$ 2.40
Adjustments:				
Favorable tax items	-	12.2	12.2	0.02
As Adjusted	<u>\$ 1,863.2</u>	<u>\$ 668.1</u>	<u>\$ 1,195.1</u>	<u>\$ 2.37</u>

Year ended June 30, 2009

	Earnings from continuing operations before income taxes	Provision for income taxes	Net earnings from continuing operations	Diluted EPS from continuing operations
As Reported	\$ 1,900.1	\$ 575.0	\$ 1,325.1	\$ 2.62
Adjustments:				
Favorable tax items	-	120.0	120.0	0.24
As Adjusted	<u>\$ 1,900.1</u>	<u>\$ 695.0</u>	<u>\$ 1,205.1</u>	<u>\$ 2.38</u>

Net earnings from continuing operations, as adjusted, decreased \$10.0 million to \$1,195.1 million for fiscal 2010, from \$1,205.1 million for fiscal 2009, and the related diluted earnings per share from continuing operations, as adjusted, decreased \$0.01, to \$2.37. The decrease in net earnings from continuing operations, as adjusted, for fiscal 2010 reflects the decrease in earnings from continuing operations before income taxes. The decrease in diluted earnings per share from continuing operations, as adjusted, for fiscal 2010 reflects the decrease in net earnings from continuing operations, partially offset by the impact of fewer shares outstanding due to the repurchase of approximately 18.2 million shares during fiscal 2010 and the repurchase of 13.8 million shares in fiscal 2009.

Fiscal 2009 Compared to Fiscal 2008

(Dollars in millions, except per share amounts)

	Years ended June 30,		\$ Change	% Change
	2009	2008		
Total revenues	\$ 8,838.4	\$ 8,733.7	\$ 104.7	1%
Costs of revenues:				
Operating expenses	4,087.0	3,898.4	188.6	5%
Systems development and programming costs	498.3	521.1	(22.8)	(4)%
Depreciation and amortization	237.4	237.7	(0.3)	0%
Total costs of revenues	4,822.7	4,657.2	165.5	4%
Selling, general and administrative expenses	2,190.3	2,359.1	(168.8)	(7)%
Interest expense	33.3	80.5	(47.2)	(59)%
Total expenses	7,046.3	7,096.8	(50.5)	(1)%
Other income, net	(108.0)	(166.5)	(58.5)	(35)%
Earnings from continuing operations before income taxes	\$ 1,900.1	\$ 1,803.4	\$ 96.7	5%
Margin	21.5%	20.6%		
Provision for income taxes	\$ 575.0	\$ 647.7	\$ (72.7)	(11)%
Effective tax rate	30.3%	35.9%		
Net earnings from continuing operations	\$ 1,325.1	\$ 1,155.7	\$ 169.4	15%
Diluted earnings per share from continuing operations	\$ 2.62	\$ 2.19	\$ 0.43	20%

Total Revenues

Our consolidated revenues grew 1%, to \$8,838.4 million in fiscal 2009, from \$8,733.7 in the year ended June 30, 2008 (“fiscal 2008”), due to increases in revenues in Employer Services of 3%, or \$211.1 million, to \$6,438.9 million, and PEO Services of 12%, or \$125.3 million, to \$1,185.8 million. Such increases were partially offset by changes in foreign currency exchange rates, which reduced our revenue by \$187.4 million, or 2%, a decrease in the consolidated interest on funds held for clients of \$74.7 million and a decrease in Dealer Services revenues of 3%, or \$33.9 million. The decrease in the consolidated interest earned on funds held for clients resulted from the decrease in the average interest rate earned to 4.0% in fiscal 2009 as compared to 4.4% in fiscal 2008, and a decrease in our average client funds balances for fiscal 2009 of 3.1%, to \$15.2 billion.

Total Expenses

Our consolidated expenses decreased 1%, to \$7,046.3 million in fiscal 2009, from \$7,096.8 million in fiscal 2008. The decrease in our consolidated expenses was due to a decrease of \$160.7 million, or 2%, related to changes in foreign currency exchange rates and a decrease in selling, general and administrative expenses of \$168.8 million, which was attributable to lower selling expenses and cost saving initiatives that commenced in fiscal 2008 and continued in fiscal 2009. These decreases were partially offset by an increase in operating expenses of \$188.6 million attributable to the increase in our revenues discussed above. In addition, there was an increase in pass-through costs in our PEO business including costs associated with providing benefits coverage for worksite employees of \$102.7 million and costs associated with workers’ compensation and payment of state unemployment taxes for worksite employees of \$16.8 million.

Our total costs of revenues increased \$165.5 million, to \$4,822.7 million in fiscal 2009, from \$4,657.2 million in fiscal 2008, due to an increase in our operating expenses of \$188.6 million, partially offset by a decrease in our systems development and programming costs of \$22.8 million.

Operating expenses increased \$188.6 million, or 5%, in fiscal 2009 compared to fiscal 2008 due to the increase in revenues described above, including the increases in PEO Services, which have pass-through costs that are re-billable including costs for benefits coverage, workers' compensation coverage and state unemployment taxes for worksite employees. These pass-through costs were \$874.8 million in fiscal 2009, which included costs for benefits coverage of \$724.3 million and costs for workers compensation and payment of state unemployment taxes of \$150.5 million. These costs were \$755.3 million in fiscal 2008, which included costs for benefits coverage of \$621.6 million and costs for workers compensation and payment of state unemployment taxes of \$133.7 million. The increase in operating expenses is also due to higher expenses in Employer Services of \$64.5 million related to increased service costs for investment in client-facing associates. Such increases were partially offset by a decrease in operating expenses of approximately \$83.7 million due to changes in foreign currency exchange rates.

Systems development and programming expenses decreased \$22.8 million, or 4%, in fiscal 2009 compared to fiscal 2008 due to decreases related to the impact of changes in foreign currency exchange rates of \$15.8 million, a decrease in stock-based compensation expenses of \$6.5 million and a decrease in programming expenses related to our systems of \$3.9 million. The decrease in programming expenses was a result of a decrease in the average cost per associate as a larger percentage of our associates are located in off-shore and smart-shore locations. In addition, depreciation and amortization expenses decreased \$0.3 million in fiscal 2009 compared to fiscal 2008 due to decreases related to the impact of changes in foreign currency exchange rates of \$5.4 million, which were partially offset by increased amortization expenses of \$4.7 million resulting from the intangible assets acquired with new businesses and the purchases of software and software licenses.

Selling, general and administrative expenses decreased \$168.8 million, or 7%, in fiscal 2009 compared to fiscal 2008, which was attributable to decreases related to the impact of changes in foreign currency exchange rates of \$55.5 million, a decrease in selling expenses related to a decline in our new client sales of \$45.6 million and a reversal of \$23.3 million in expenses due to a favorable ruling related to an international business capital tax. In addition, the decrease is attributable to our cost saving initiatives that commenced in fiscal 2008 and continued in fiscal 2009, which included a reduction in payroll and payroll related expenses of \$32.3 million and a decrease in stock-based compensation expenses of \$16.3 million. Such decreases were partially offset by an increase in severance charges of \$67.6 million and an increase in the provision for our allowance for doubtful accounts of \$15.5 million due to losses related to our notes receivable from automotive, truck and powersports dealers.

Interest expense decreased \$47.2 million in fiscal 2009 as a result of a decrease of \$40.6 million related to our short-term commercial paper program and a decrease of \$6.6 million related to our reverse repurchase program. In the aggregate, interest expense decreased by approximately \$68.4 million related to decreases in interest rates and increased approximately \$21.2 million related to increases in borrowings. In fiscal 2009 and 2008, the Company's average borrowings under the commercial paper program were \$1.9 billion and \$1.4 billion, respectively, at weighted average interest rates of 1.0% and 4.2%, respectively. In fiscal 2009 and 2008, the Company's average borrowings under the reverse repurchase program were approximately \$425.9 million and \$360.4 million, respectively, at weighted average interest rates of 1.3% and 3.4%, respectively.

Other Income, net

Years ended June 30,	2009	2008	\$ Change
(Dollars in millions)			
Interest income on corporate funds	\$ (134.2)	\$ (149.5)	\$ (15.3)
Realized gains on available-for-sale securities	(11.4)	(10.1)	1.3
Realized losses on available-for-sale securities	23.8	11.4	(12.4)
Realized loss on investment in Reserve Fund	18.3	-	(18.3)
Gains on sales of building	(2.2)	(16.0)	(13.8)
Other, net	(2.3)	(2.3)	-
	<u>(108.0)</u>	<u>(166.5)</u>	<u>(58.5)</u>
Other income, net	\$ (108.0)	\$ (166.5)	\$ (58.5)

Other income, net, decreased \$58.5 million in fiscal 2009 as compared to fiscal 2008 due to a loss of \$18.3 million related to investment in the Reserve Fund, a decrease in interest income on corporate funds of \$15.3 million, a reduction in income of \$13.8 million from the sale of buildings and an increase in net realized losses on available-for-sale securities of \$11.1 million. In the aggregate, interest income on corporate funds decreased by approximately \$30.9 million related to decreases in interest rates and increased approximately \$15.6 million related to increases in average daily balances. Average interest rates decreased from 4.4% in fiscal 2008 to 3.6% in fiscal 2009. Average daily balances increased from \$3.4 billion in fiscal 2008 to \$3.7 billion in fiscal 2009.

Earnings from Continuing Operations before Income Taxes

Earnings from continuing operations before income taxes increased 5%, to \$1,900.1 million in fiscal 2009, from \$1,803.4 million in fiscal 2008, due to the increase in revenues and the decrease in expenses discussed above. Overall margin increased 80 basis points in fiscal 2009.

Provision for Income Taxes

The effective tax rate in fiscal 2009 was 30.3%, as compared to 35.9% in fiscal 2008. The decrease in the effective tax rate is due to a reduction in the provision for income taxes of \$120.0 million related to favorable tax settlements, including an IRS audit settlement and the settlement of a state tax matter. These settlements decreased the effective tax rate by approximately 6.3 percentage points in fiscal 2009. Lastly, during fiscal 2008, there was a reduction in the provision for income taxes of \$12.4 million related to the settlement of a state tax matter. This decreased the effective tax rate by approximately 0.7 percentage points in fiscal 2008.

Net Earnings from Continuing Operations and Diluted Earnings per Share from Continuing Operations

Net earnings from continuing operations increased 15%, to \$1,325.1 million, in fiscal 2009, from \$1,155.7 million in fiscal 2008, and the related diluted earnings per share from continuing operations increased 20%, to \$2.62 in fiscal 2009. The increase in net earnings from continuing operations in fiscal 2009 reflects the increased revenues, lower expenses and lower effective tax rate as described above. The increase in diluted earnings per share from continuing operations in fiscal 2009 reflects the increase in net earnings from continuing operations and the impact of fewer weighted average diluted shares outstanding due to the repurchase of 13.8 million shares in fiscal 2009 and 32.9 million shares in fiscal 2008.

ANALYSIS OF REPORTABLE SEGMENTS

Revenues

(Dollars in millions)

	Years ended June 30,			\$ Change		% Change	
	2010	2009	2008	2010	2009	2010	2009
Employer Services	\$ 6,442.6	\$ 6,438.9	\$ 6,227.8	\$ 3.7	\$ 211.1	0%	3%
PEO Services	1,316.8	1,185.8	1,060.5	131.0	125.3	11%	12%
Dealer Services	1,229.4	1,267.9	1,301.8	(38.5)	(33.9)	(3)%	(3)%
Other	16.4	19.4	4.9	(3.0)	14.5	(15)%	100+%
Reconciling items:							
Foreign exchange	59.2	(7.3)	153.8				
Client funds interest	(136.7)	(66.3)	(15.1)				
Total revenues	\$ 8,927.7	\$ 8,838.4	\$ 8,733.7	\$ 89.3	\$ 104.7	1%	1%

Earnings from Continuing Operations before Income Taxes

(Dollars in millions)

	Years ended June 30,			\$ Change		% Change	
	2010	2009	2008	2010	2009	2010	2009
Employer Services	\$ 1,722.4	\$ 1,758.7	\$ 1,606.7	\$ (36.3)	\$ 152.0	(2)%	9%
PEO Services	126.6	117.6	102.0	9.0	15.6	8%	15%
Dealer Services	201.0	214.3	220.1	(13.3)	(5.8)	(6)%	(3)%
Other	(167.8)	(233.5)	(245.4)	65.7	11.9	28%	5%
Reconciling items:							
Foreign exchange	10.3	2.5	25.7				
Client funds interest	(136.7)	(66.3)	(15.1)				
Cost of capital charge	107.4	106.8	109.4				
Total earnings from continuing operations before income taxes	\$ 1,863.2	\$ 1,900.1	\$ 1,803.4	\$ (36.9)	\$ 96.7	(2)%	5%

The fiscal 2009 and 2008 reportable segments' revenues and earnings from continuing operations before income taxes have been adjusted to reflect updated fiscal 2010 budgeted foreign exchange rates. This adjustment is made for management purposes so that the reportable segments' revenues are presented on a consistent basis without the impact of changes in foreign currency exchange rates. This adjustment is a reconciling item to revenues and earnings from continuing operations before income taxes and results in the elimination of this adjustment in consolidation.

Certain revenues and expenses are charged to the reportable segments at a standard rate for management reasons. Other costs are charged to the reportable segments based on management's responsibility for the applicable costs. The primary components of the "Other" segment are miscellaneous processing services, such as customer financing transactions, non-recurring gains and losses and certain expenses that have not been charged to the reportable segments, such as stock-based compensation expense.

In addition, the reconciling items include an adjustment for the difference between actual interest income earned on invested funds held for clients and interest credited to Employer Services and PEO Services at a standard rate of 4.5%. This allocation is made for management reasons so that the reportable segments' results are presented on a consistent basis without the impact of fluctuations in interest rates. This allocation is a reconciling item to our reportable segments' revenues and earnings from continuing operations before income taxes and results in the elimination of this adjustment in consolidation.

Finally, the reportable segments' results include a cost of capital charge related to the funding of acquisitions and other investments. This charge is a reconciling item to earnings from continuing operations before income taxes and results in the elimination of this charge in consolidation.

Employer Services

Fiscal 2010 Compared to Fiscal 2009

Revenues

Employer Services' revenues increased \$3.7 million to \$6,442.6 million in fiscal 2010 as compared to fiscal 2009. Revenues from our payroll and tax filing business declined 4% in fiscal 2010, due to a decline in pays per control and a decline in the number of payrolls processed, partially offset by pricing increases. Revenues from our "beyond payroll" services increased 6% in fiscal 2010, due to an increase in the number of clients utilizing our COBRA and HR Benefits solutions, as well as an increase in revenues related to our Retirement Services business due to an increase in the market value of the assets under management. Pays per control, which represents the number of employees on our clients' payrolls as measured on a same-store-sales basis utilizing a subset of approximately 130,000 payrolls of small to large businesses that are reflective of a broad range of U.S. geographic regions, decreased 3.4% in fiscal 2010. Worldwide client retention improved 40 basis points, to 89.9%, and pricing increases contributed approximately 1% to our revenue growth for fiscal 2010. In addition, interest on client funds recorded within the Employer Services segment increased \$2.7 million in fiscal 2010 due to a slight increase in average client fund balances. We credit Employer Services with interest on client funds at a standard rate of 4.5%; therefore, Employer Services' results are not influenced by changes in interest rates.

Earnings from Continuing Operations before Income Taxes

Employer Services' earnings from continuing operations before income taxes decreased \$36.3 million to \$1,722.4 million in fiscal 2010 as compared to fiscal 2009. The decrease was due to an increase in expenses of \$40.0 million, which was partially offset by the \$3.7 million increase in revenues discussed above. The increase in expenses can be attributed to \$16.9 million of incremental investments in our products and an increase of \$14.7 million related to increased service costs for investment in client-facing associates. These increases in expense were partially offset by lower expenses resulting from our cost savings initiatives, which included headcount reductions at the end of fiscal 2009 and a reduction in travel and entertainment expenses.

Fiscal 2009 Compared to Fiscal 2008

Revenues

Employer Services' revenues increased \$211.1 million, or 3%, to \$6,438.9 million in fiscal 2009. Revenues from our payroll and payroll tax filing business were flat for fiscal 2009. Our payroll and payroll tax filing revenues were adversely impacted in fiscal 2009 due to the reduced number of payrolls processed, a decline in pays per control and a reduction in the average daily balances held, but these declines were offset by pricing increases. Our worldwide client retention decreased by 1.2 percentage points during fiscal 2009. Lost business due to clients' pricing sensitivity and clients going out of business increased during fiscal 2009 as a result of economic pressures. "Pays per control," which represents the number of employees on our clients' payrolls as measured on a same-store-sales basis utilizing a subset of approximately 137,000 payrolls of small to large businesses that are reflective of a broad range of U.S. geographic regions, decreased 2.5% in fiscal 2009. We credit Employer Services with interest on client funds at a standard rate of 4.5%; therefore, Employer Services' results are not influenced by changes in interest rates. Interest on client funds recorded within the Employer Services segment decreased \$25.0 million, or 3.4% in fiscal 2009, as a result of a decrease in average daily balances from \$15.5 billion for fiscal 2008 to \$15.0 billion for fiscal 2009, related to lower bonuses, lower wage growth, and a decline in pays per control. The impact of pricing increases was an increase of approximately 2% to our revenue for fiscal 2009. Revenues from our "beyond payroll" services increased 8% in fiscal 2009 due to an increase in our Time and Labor Management and HR Benefits services revenues, due to an increase in the number of clients utilizing these services, partially offset by a decline in our Retirement Services revenues due to a decrease in the market value of the assets under management.

Earnings from Continuing Operations before Income Taxes

Employer Services' earnings from continuing operations before income taxes increased \$152.0 million, or 9%, to \$1,758.7 million in fiscal 2009. Earnings from continuing operations before income taxes for fiscal 2009 grew at a faster rate than revenues due to a decrease of \$57.7 million related to management incentive compensation expenses, slower growth in selling expenses of \$36.2 million as compared to revenues due to a decline in our new client sales and our cost saving initiatives that commenced in fiscal 2008 and continued in fiscal 2009, including headcount reductions and curtailment of non-essential travel and entertainment expenses. These decreases in expenses were offset, in part, by higher expenses of \$64.5 million related to increased service costs for investment in client-facing associates.

PEO Services

Fiscal 2010 Compared to Fiscal 2009

Revenues

PEO Services' revenues increased \$131.0 million, or 11%, to \$1,316.8 million in fiscal 2010, as compared to fiscal 2009, due to a 5% increase in the average number of worksite employees. The increase in the average number of worksite employees as compared to fiscal 2009 was due to an increase in the number of clients. Revenues associated with benefits coverage, workers' compensation coverage and state unemployment taxes for worksite employees that were billed to our clients increased \$113.7 million due to the increase in the average number of worksite employees, as well as increases in health care costs. Administrative revenues, which represent the fees for our services and are billed based upon a percentage of wages related to worksite employees, increased \$11.8 million, or 5%, in fiscal 2010, due to the increase in the number of average worksite employees.

We credit PEO Services with interest on client funds at a standard rate of 4.5%; therefore, PEO Services' results are not influenced by changes in interest rates. Interest on client funds recorded within the PEO Services segment increased \$0.7 million in fiscal 2010 due to the increase in average client funds balances as a result of increased PEO Services new business and growth in our existing client base. Average client funds balances were \$0.2 billion in both fiscal 2010 and fiscal 2009.

Earnings from Continuing Operations before Income Taxes

PEO Services' earnings from continuing operations before income taxes increased \$9.0 million, or 8%, to \$126.6 million in fiscal 2010 as compared to fiscal 2009. Earnings from continuing operations before income taxes grew due to the increase in revenues described above, net of the related cost of providing benefits coverage, workers' compensation coverage and payment of state unemployment taxes for worksite employees that are included in costs of revenues. In fiscal 2010, there was an increase in costs associated with providing benefits coverage for worksite employees of \$87.2 million and costs associated with workers' compensation and payment of state unemployment taxes for worksite employees of \$26.5 million. In addition, earnings before income taxes increased \$9.2 million due to the settlement of a state unemployment tax matter. Such increases in earnings before income taxes were offset by price concessions and higher pass-through costs related to state unemployment taxes.

Fiscal 2009 Compared to Fiscal 2008

Revenues

PEO Services' revenues increased \$125.3 million, or 12%, to \$1,185.8 million in fiscal 2009 due to a 10% increase in the average number of worksite employees. The increase in the average number of worksite employees was due to new client sales. Revenues associated with benefits coverage, workers' compensation coverage and state unemployment taxes for worksite employees that were billed to our clients increased \$119.5 million due to the increase in the average number of worksite employees, as well as increases in health care costs. Administrative revenues, which represent the fees for our services and are billed based upon a percentage of wages related to worksite employees, increased \$15.3 million, or 7%, due to the increase in the number of average worksite employees. We credit PEO Services with interest on client funds at a standard rate of 4.5%; therefore, PEO Services' results are not influenced by changes in interest rates. Interest on client funds recorded within the PEO Services segment increased \$1.5 million in fiscal 2009 due to the increase in the average client funds balances as a result of increased PEO Services' new business and growth in our existing client base. The average client funds balances were \$0.2 billion in both fiscal 2009 and fiscal 2008.

Earnings from Continuing Operations before Income Taxes

PEO Services' earnings from continuing operations before income taxes increased \$15.6 million, or 15%, to \$117.6 million in fiscal 2009. This increase was primarily attributable to the increase in revenues described above, net of the related cost of providing benefits coverage, workers' compensation coverage and payment of state unemployment taxes for worksite employees, which are included in costs of revenues. In fiscal 2009, there was an increase in costs associated with our PEO business related to costs associated with providing benefits coverage for worksite employees of \$102.7 million and costs associated with workers' compensation and payment of state unemployment taxes for worksite employees of \$16.8 million. In addition, there was an increase in expenses related to new business sales of \$2.0 million in fiscal 2009.

Dealer Services

Fiscal 2010 Compared to Fiscal 2009

Revenues

Dealer Services' revenues decreased \$38.5 million, or 3%, to \$1,229.4 million in fiscal 2010. Revenues for our Dealer Services business would have declined approximately 4% for fiscal 2010 without the impact of acquisitions. Revenues declined \$112.9 million due to client losses as a result of dealership closings, cancellation of services and continued pressure on dealerships to reduce costs. In addition, revenues decreased \$25.1 million due to lower international software license fees and \$5.3 million due to lower Credit Check and Computerized Vehicle Registration ("CVR") transaction volume. These decreases in revenues were offset by a \$90.0 million increase in revenues from new clients and growth in our key products during fiscal 2010. The growth in our key products was driven by increased users for Application Service Provider ("ASP") managed services, growth in our Customer Relationship Management ("CRM") applications and new network and hosted IP telephony installations.

Earnings from Continuing Operations before Income Taxes

Dealer Services' earnings from continuing operations before income taxes decreased \$13.3 million, or 6%, to \$201.0 million in fiscal 2010. The decrease was due to the decline in revenues of \$38.5 million discussed above, which was partially offset by a decrease in expenses of \$25.2 million. The decrease in expenses was due to certain cost saving initiatives, including headcount reductions at the end of fiscal 2009 and a reduction in travel and entertainment expenses, offset by an asset impairment charge of \$6.8 million as a result of the announcement by GM that it will shut down its Saturn division.

Fiscal 2009 Compared to Fiscal 2008

Revenues

Dealer Services' revenues decreased \$33.9 million, or 3%, to \$1,267.9 million in fiscal 2009. Revenues for our Dealer Services business would have declined approximately 4% for fiscal 2009 without the impact of acquisitions. The decrease in revenues was due to client losses and cancellation of services resulting from the consolidation and closing of dealerships and continued pressure on dealerships to reduce costs, all of which resulted in a decrease to revenues of \$72.9 million for fiscal 2009. In addition, revenues decreased \$23.9 million due to lower Credit Check, Laser Printing, and CVR transaction volume and \$9.5 million due to a decrease in revenues from consulting services and forms and supplies. These decreases in revenues were offset by a \$67.8 million increase in revenues from new clients and growth in our key products during fiscal 2009. The growth in our key products was driven by increased users for ASP managed services, growth in our CRM applications and new network and hosted IP telephony installations.

Earnings from Continuing Operations before Income Taxes

Dealer Services' earnings from continuing operations before income taxes decreased \$5.8 million, or 3%, to \$214.3 million in fiscal 2009 due to the decrease of \$33.9 million in revenues discussed above, which was partially offset by a decrease in expenses of \$28.1 million. The decrease in expenses was due to lower selling expenses of \$11.4 million related to a decline in new client sales and a decrease of \$13.2 million in expenses due to certain cost saving initiatives, including headcount reductions and curtailment of non-essential travel and entertainment expenses, and a decrease of \$7.1 million related to management incentive compensation expenses.

Other

The primary components of the "Other" segment are miscellaneous processing services, such as customer financing transactions, non-recurring gains and losses and certain expenses that have not been charged to the reportable segments, such as stock-based compensation expense. Stock-based compensation expense was \$67.6 million, \$96.0 million and \$123.6 million in fiscal 2010, 2009 and 2008, respectively.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2010, cash and marketable securities were \$1,775.5 million, stockholders' equity was \$5,478.9 million and the ratio of long-term debt-to-equity was 0.7%. Working capital before funds held for clients and client funds obligations was \$1,568.6 million, as compared to \$1,515.5 million at June 30, 2009. This increase is due to cash generated from operations, partially offset by the use of cash to repurchase common stock, the use of cash for dividend payments and the use of cash for acquisitions.

Our principal sources of liquidity for operations are derived from cash generated through operations and through corporate cash and marketable securities on hand. We continued to generate positive cash flows from operations during fiscal 2010, and we held approximately \$1.8 billion of cash and marketable securities at June 30, 2010. We also have the ability to generate cash through our financing arrangements under our U.S. short-term commercial paper program and our U.S. and Canadian short-term repurchase agreements to meet short-term funding requirements related to client funds obligations.

Net cash flows provided by operating activities were \$1,682.1 million in fiscal 2010, as compared to \$1,562.6 million in fiscal 2009. The increase in net cash flows provided by operating activities was due to a \$158.7 million tax refund received by a Canadian subsidiary of the Company in fiscal 2010, an increase in cash flows due to lower cash bonuses paid to our employees and an increase in cash flows related to collections from our clients. Such increases in net cash flows provided by operating activities were partially offset by an increase in pension plan contributions as compared to fiscal 2009, which decreased cash flows by \$106.0 million. Lastly, there was a \$77.1 million decrease due to income taxes paid in fiscal 2010 as a result of the agreement reached during fiscal 2009 with the IRS regarding all outstanding audit issues with the IRS for the tax years 1998 through 2006.

Net cash flows used in investing activities were \$2,379.5 million in fiscal 2010, as compared to \$644.1 million in fiscal 2009. The increase in net cash flows used in investing activities was due to the timing of purchases of and proceeds from the sales or maturities of marketable securities, which resulted in a net decrease to cash flows of \$1,023.7 million and the timing of receipts and payments of cash and cash equivalents held to satisfy client funds obligations that resulted in a decrease to cash flows of \$907.7 million. Such decreases to cash flows were partially offset by a reclassification, in fiscal 2009, from cash and cash equivalents to short-term marketable securities of \$211.1 million related to the Reserve Fund discussed below. The proceeds received related to the Reserve Fund have been included in proceeds from the sales and maturities of corporate and client funds marketable securities.

Net cash flows provided by financing activities were \$89.0 million in fiscal 2010 as compared to \$468.4 million in fiscal 2009. The decrease was due to a \$1,460.0 million change in cash due to the repayment in fiscal 2010 of a \$730.0 million commercial paper borrowing that was outstanding at June 30, 2009. In addition, there was a \$186.0 million decrease in cash flows provided by financing activities due to an increase in cash used for repurchases of common stock. We purchased approximately 18.2 million shares of our common stock at an average price per share of \$42.02 during fiscal 2010 as compared to purchases of 13.8 million shares of our common stock at an average price per share of \$39.72 during fiscal 2009. Such decreases in cash flows of financing activities were partially offset by the net change in the client funds obligations of \$1,135.2 million as a result of timing of cash received and payments made related to client funds obligations and an increase of \$158.4 million in the proceeds from stock purchase plan purchases and exercises of stock options.

Our U.S. short-term funding requirements related to client funds are sometimes obtained through a short-term commercial paper program, which provides for the issuance of up to \$6.0 billion in aggregate maturity value of commercial paper. In August 2010, the Company increased the U.S. short-term commercial paper program to provide for the issuance of up to \$6.25 billion in aggregate maturity value. Our commercial paper program is rated A-1+ by Standard and Poor's and Prime-1 by Moody's. These ratings denote the highest quality commercial paper securities. Maturities of commercial paper can range from overnight to up to 364 days. At June 30, 2010, there was no commercial paper outstanding. At June 30, 2009, we had \$730.0 million in commercial paper outstanding. Such amount was repaid on July 1, 2009. In fiscal 2010 and 2009, our average borrowings were \$1.6 billion and \$1.9 billion, respectively, at a weighted average interest rate of 0.2% and 1.0%, respectively. The weighted average maturity of our commercial paper was less than two days in both fiscal 2010 and fiscal 2009. Throughout fiscal 2010, we had full access to our U.S. short-term funding requirements related to client funds obligations.

Our U.S. and Canadian short-term funding requirements related to client funds obligations are sometimes obtained on a secured basis through the use of reverse repurchase agreements. These agreements are collateralized principally by government and government agency securities. These agreements generally have terms ranging from overnight to up to five business days. We have \$2 billion available to us on a committed basis under these reverse repurchase agreements. At June 30, 2010 and 2009, respectively, there were no outstanding obligations under reverse repurchase agreements. In fiscal 2010 and 2009, we had average outstanding balances under reverse repurchase agreements of \$425.0 million and \$425.9 million, respectively, at a weighted average interest rate of 0.2% and 1.3%, respectively. We have successfully borrowed through the use of reverse repurchase agreements on an as needed basis to meet short-term funding requirements related to client funds obligations.

In June 2010, we entered into a \$2.5 billion, 364-day credit agreement with a group of lenders. The 364-day facility replaced our prior \$2.25 billion 364-day facility. In addition, we entered into a three-year \$1.5 billion credit facility maturing in June 2013 that contains an accordion feature under which the aggregate commitment can be increased by \$500.0 million, subject to the availability of additional commitments. The three-year facility replaced our prior \$1.5 billion five-year facility, which expired in June 2010. We also have an existing \$2.25 billion five-year credit facility that matures in June 2011 that also contains an accordion feature under which the aggregate commitment can be increased by \$500.0 million, subject to the availability of additional commitments. The interest rate applicable to committed borrowings is tied to LIBOR, the federal funds effective rate or the prime rate depending on the notification provided by us to the syndicated financial institutions prior to borrowing. We are also required to pay facility fees on the credit agreements. The primary uses of the credit facilities are to provide liquidity to the commercial paper program and funding for general corporate purposes, if necessary. We had no borrowings through June 30, 2010 under the credit agreements. We believe that we currently meet all conditions set forth in the credit agreements to borrow thereunder and we are not aware of any conditions that would prevent us from borrowing part or all of the \$6.25 billion available to us under the credit agreements.

Our investment portfolio does not contain any asset-backed securities with underlying collateral of sub-prime mortgages, alternative-A mortgages, sub-prime auto loans or home equity loans, collateralized debt obligations, collateralized loan obligations, credit default swaps, asset-backed commercial paper, derivatives, auction rate securities, structured investment vehicles or non-investment-grade fixed-income securities. We own senior tranches of fixed rate credit card, rate reduction, auto loan and other asset-backed securities, secured predominately by prime collateral. All collateral on asset-backed securities is performing as expected. In addition, we own senior debt directly issued by Federal Home Loan Banks, Federal National Mortgage Association (“Fannie Mae”) and Federal Home Loan Mortgage Corporation (“Freddie Mac”). We do not own subordinated debt, preferred stock or common stock of any of these agencies. We do own AAA rated mortgage-backed securities, which represent an undivided beneficial ownership interest in a group or pool of one or more residential mortgages. These securities are collateralized by the cash flows of 15-year and 30-year residential mortgages and are guaranteed by Fannie Mae and Freddie Mac as to the timely payment of principal and interest. Our client funds investment strategy is structured to allow us to average our way through an interest rate cycle by laddering investments out to five years (in the case of the extended portfolio) and out to ten years (in the case of the long portfolio). This investment strategy is supported by our short-term financing arrangements necessary to satisfy short-term funding requirements relating to client funds obligations.

Capital expenditures for continuing operations in fiscal 2010 were \$90.2 million, as compared to \$167.6 million in fiscal 2009 and \$186.3 million in fiscal 2008. The capital expenditures in fiscal 2010 related to our data center and other facility improvements to support our operations. We expect capital expenditures in the year ending June 30, 2011 (“fiscal 2011”) to be between \$150 million and \$170 million.

The following table provides a summary of our contractual obligations as of June 30, 2010:

(In millions)

Contractual Obligations	Payments due by period					Total
	Less than 1 year	1-3 years	3-5 years	More than 5 years	Unknown	
Debt Obligations (1)	\$ 2.8	\$ 18.8	\$ 3.6	\$ 17.4	\$ -	\$ 42.6
Operating Lease and Software License Obligations (2)	143.9	169.9	79.0	30.5	-	423.3
Purchase Obligations (3)	262.6	282.6	164.8	-	-	710.0
Obligations related to Unrecognized Tax Benefits (4)	-	-	-	-	107.2	107.2
Other long-term liabilities reflected on our Consolidated Balance Sheets:						
Compensation and Benefits (5)	53.3	122.7	82.7	166.4	27.3	452.4
Acquisition-related obligations (6)	7.1	-	-	-	-	7.1
Total	\$ 469.7	\$ 594.0	\$ 330.1	\$ 214.3	\$ 134.5	\$ 1,742.6

- (1) These amounts represent the principal repayments of our debt and are included on our Consolidated Balance Sheets. See Note 12 to the consolidated financial statements for additional information about our debt and related matters. The estimated interest payments due by corresponding period above are \$1.1 million, \$2.2 million, \$2.1 million, and \$2.6 million, respectively, which have been excluded.
- (2) Included in these amounts are various facilities and equipment leases and software license agreements. We enter into operating leases in the normal course of business relating to facilities and equipment, as well as the licensing of software. The majority of our lease agreements have fixed payment terms based on the passage of time. Certain facility and equipment leases require payment of maintenance and real estate taxes and contain escalation provisions based on future adjustments in price indices. Our future operating lease obligations could change if we exit certain contracts or if we enter into additional operating lease agreements.
- (3) Purchase obligations primarily relate to purchase and maintenance agreements on our software, equipment and other assets.
- (4) We made the determination that net cash payments expected to be paid within the next 12 months, related to unrecognized tax benefits of \$107.2 million at June 30, 2010, are expected to be zero. We are unable to make reasonably reliable estimates as to the period beyond the next 12 months in which cash payments related to unrecognized tax benefits are expected to be paid.
- (5) Compensation and benefits primarily relates to amounts associated with our employee benefit plans and other compensation arrangements.
- (6) Acquisition-related obligations relate to contingent consideration for business acquisitions for which the amount of contingent consideration was determinable at the date of acquisition and therefore included on the Consolidated Balance Sheet as a liability.

In addition to the obligations quantified in the table above, we had obligations for the remittance of funds relating to our payroll and payroll tax filing services. As of June 30, 2010, the obligations relating to these matters, which are expected to be paid in fiscal 2011, total \$18,136.7 million and were recorded in client funds obligations on our Consolidated Balance Sheets. We had \$18,832.6 million of cash and marketable securities that have been impounded from our clients to satisfy such obligations recorded in funds held for clients on our Consolidated Balance Sheets as of June 30, 2010.

The Company's wholly owned subsidiary, ADP Indemnity, Inc., provides workers' compensation and employer liability insurance coverage for our PEO worksite employees. We have secured specific per occurrence and aggregate stop loss reinsurance from third-party carriers that cap losses that reach a certain level in each policy year. We utilize historical loss experience and actuarial judgment to determine the estimated claim liability for the PEO business. In fiscal 2010 and 2009, the net premium was \$67.8 million and \$60.8 million, respectively. In fiscal 2010 and 2009, we paid claims of \$53.8 million and \$43.6 million, respectively. At June 30, 2010, our cash and marketable securities included balances totaling approximately \$208.6 million to cover the actuarially estimated cost of workers' compensation claims for the policy years that the PEO worksite employees were covered by ADP Indemnity, Inc.

In the normal course of business, we also enter into contracts in which we make representations and warranties that relate to the performance of our services and products. We do not expect any material losses related to such representations and warranties.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our overall investment portfolio is comprised of corporate investments (cash and cash equivalents, short-term marketable securities, and long-term marketable securities) and client funds assets (funds that have been collected from clients but not yet remitted to the applicable tax authorities or client employees).

Our corporate investments are invested in cash and cash equivalents and highly liquid, investment-grade marketable securities. These assets are available for repurchases of common stock for treasury and/or acquisitions, as well as other corporate operating purposes. All of our short-term and long-term fixed-income securities are classified as available-for-sale securities.

Our client funds assets are invested with safety of principal, liquidity, and diversification as the primary goals. Consistent with those goals, we also seek to maximize interest income and to minimize the volatility of interest income. Client funds assets are invested in liquid, investment-grade marketable securities with a maximum maturity of 10 years at time of purchase and money market securities and other cash equivalents. At June 30, 2010, approximately 79% of the available-for-sale securities categorized as U.S. Treasury and direct obligations of U.S. government agencies were invested in senior, unsecured, non-callable debt directly issued by the Federal Home Loan Banks, Fannie Mae and Freddie Mac.

We utilize a strategy by which we extend the maturities of our investment portfolio for funds held for clients and employ short-term financing arrangements to satisfy our short-term funding requirements related to client funds obligations. Our client funds investment strategy is structured to allow us to average our way through an interest rate cycle by laddering the maturities of our investments out to five years (in the case of the extended portfolio) and out to ten years (in the case of the long portfolio). As part of our client funds investment strategy, we use the daily collection of funds from our clients to satisfy other unrelated client fund obligations, rather than liquidating previously-collected client funds that have already been invested in available-for-sale securities. We minimize the risk of not having funds collected from a client available at the time such client's obligation becomes due by impounding, in virtually all instances, the client's funds in advance of the timing of payment of such client's obligation. As a result of this practice, we have consistently maintained the required level of client fund assets to satisfy all of our client funds obligations.

There are inherent risks and uncertainties involving our investment strategy relating to our client fund assets. Such risks include liquidity risk, including the risk associated with our ability to liquidate, if necessary, our available-for-sale securities in a timely manner in order to satisfy our client funds obligations. However, our investments are made with the safety of principal, liquidity and diversification as the primary goals to minimize the risk of not having sufficient funds to satisfy all of our client funds obligations. We also believe we have significantly reduced the risk of not having sufficient funds to satisfy our client funds obligations by consistently maintaining access to other sources of liquidity, including our corporate cash balances, available borrowings under our \$6 billion commercial paper program (rated A-1+ by Standard and Poor's and Prime-1 by Moody's, the highest possible credit rating), our ability to execute reverse repurchase transactions and available borrowings under our \$6 billion committed revolving credit facilities. However, the availability of financing during periods of economic turmoil, even to borrowers with the highest credit ratings, may limit our ability to access short-term debt markets to meet the liquidity needs of our business. In addition to liquidity risk, our investments are subject to interest rate risk and credit risk, as discussed below.

We have established credit quality, maturity, and exposure limits for our investments. The minimum allowed credit rating at time of purchase for corporate bonds is BBB and for asset-backed and commercial mortgage-backed securities is AAA. The maximum maturity at time of purchase for BBB rated securities is 5 years, for single A rated securities is 7 years, and for AA rated and AAA rated securities is 10 years. Commercial paper must be rated A1/P1 and, for time deposits, banks must have a Financial Strength Rating of C or better.

Details regarding our overall investment portfolio are as follows:

(Dollars in millions)

Years ended June 30,	2010	2009	2008
Average investment balances at cost:			
Corporate investments	\$ 3,839.2	\$ 3,744.7	\$ 3,387.0
Funds held for clients	15,194.5	15,162.4	15,654.3
Total	\$ 19,033.7	\$ 18,907.1	\$ 19,041.3
Average interest rates earned exclusive of realized gains/ (losses) on:			
Corporate investments	2.6%	3.6%	4.4%
Funds held for clients	3.6%	4.0%	4.4%
Total	3.4%	3.9%	4.4%
Realized gains on available-for-sale securities	\$ 15.0	\$ 11.4	\$ 10.1
Realized losses on available-for-sale securities	(13.4)	(23.8)	(11.4)
Net realized gains/(losses) on available-for-sale securities	\$ 1.6	\$ (12.4)	\$ (1.3)
As of June 30:			
Net unrealized pre-tax gains on available-for-sale securities	\$ 710.9	\$ 436.6	\$ 142.1
Total available-for-sale securities at fair value	\$ 15,517.0	\$ 14,730.2	\$ 15,066.4

Our laddering strategy exposes us to interest rate risk in relation to securities that mature, as the proceeds from maturing securities are reinvested. Factors that influence the earnings impact of the interest rate changes include, among others, the amount of invested funds and the overall portfolio mix between short-term and long-term investments. This mix varies during the fiscal year and is impacted by daily interest rate changes. The annualized interest rates earned on our entire portfolio decreased by 50 basis points, from 3.9% for fiscal 2009 to 3.4% for fiscal 2010. A hypothetical change in both short-term interest rates (e.g., overnight interest rates or the federal funds rate) and intermediate-term interest rates of 25 basis points applied to the estimated average investment balances and any related short-term borrowings would result in approximately a \$9 million impact to earnings before income taxes over the ensuing twelve-month period ending June 30, 2011. A hypothetical change in only short-term interest rates of 25 basis points applied to the estimated average short-term investment balances and any related short-term borrowings would result in approximately a \$5 million impact to earnings before income taxes over the ensuing twelve-month period ending June 30, 2011.

We are exposed to credit risk in connection with our available-for-sale securities through the possible inability of the borrowers to meet the terms of the securities. We limit credit risk by investing in investment-grade securities, primarily AAA and AA rated securities, as rated by Moody's, Standard & Poor's, and for Canadian securities, Dominion Bond Rating Service. At June 30, 2010, approximately 85% of our available-for-sale securities held an AAA or AA rating. In addition, we limit amounts that can be invested in any security other than US and Canadian government or government agency securities.

We are exposed to market risk from changes in foreign currency exchange rates that could impact our consolidated results of operations, financial position or cash flows. We manage our exposure to these market risks through our regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. We use derivative financial instruments as risk management tools and not for trading purposes.

During fiscal 2010, we were exposed to foreign exchange fluctuations on U.S. Dollar denominated short-term intercompany amounts payable by a Canadian subsidiary to a U.S. subsidiary of the Company in the amount of \$178.6 million U.S. Dollars. In order to manage the exposure related to the foreign exchange fluctuations between the Canadian Dollar and the U.S. Dollar, the Canadian subsidiary entered into a foreign exchange forward contract, which obligated the Canadian subsidiary to buy \$178.6 million U.S. dollars at a rate of 1.15 Canadian Dollars to each U.S. Dollar on December 1, 2009. Upon settlement of such contract on December 1, 2009, an additional foreign exchange forward contract was entered into that obligated the Canadian subsidiary to buy \$29.4 million U.S. Dollars at a rate of 1.06 Canadian dollars to each U.S. Dollar on February 26, 2010. The net loss on the foreign exchange forward contracts of \$15.8 million for the twelve months ended June 30, 2010 was recognized in earnings in fiscal 2010 and substantially offset the foreign currency mark-to-market gains on the related short-term intercompany amounts payable. The short-term intercompany amounts payable were fully paid by the Canadian subsidiary to the U.S. subsidiary by February 2010.

There were no derivative financial instruments outstanding at June 30, 2010, 2009 or 2008.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In October 2009, the Financial Accounting Standards Board ("FASB") issued ASU 2009-13, "Multiple Deliverable Revenue Arrangements." ASU 2009-13 modifies the guidance related to accounting for arrangements with multiple deliverables by providing an alternative when vendor specific objective evidence ("VSOE") or third-party evidence ("TPE") does not exist to determine the selling price of a deliverable. The alternative when VSOE or TPE does not exist is the best estimate of the selling price of the deliverable. Consideration for multiple deliverables is then allocated based upon the relative selling price of the deliverables and revenue is recognized as earned for each deliverable. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, unless the election is made to adopt ASU 2009-13 retrospectively. In either case, early adoption is permitted. The adoption of ASU 2009-13 will not have a material impact on our consolidated results of operations, financial condition or cash flows.

In October 2009, the FASB issued ASU No. 2009-14, "Certain Revenue Arrangements that Include Software Elements" ("ASU 2009-14"). ASU 2009-14 modifies the scope of the software revenue recognition guidance to exclude (a) non-software components of tangible products and (b) software components of tangible products that are sold, licensed, or leased with tangible products when the software components and non-software components of the tangible product function together to deliver the tangible product's functionality. ASU 2009-14 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, unless the election is made to adopt ASU 2009-14 retrospectively. In either case, early adoption is permitted. The adoption of ASU 2009-14 will not have a material impact on our consolidated results of operations, financial condition or cash flows.

CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates, judgments and assumptions that affect reported amounts of assets, liabilities, revenues and expenses. We continually evaluate the accounting policies and estimates used to prepare the consolidated financial statements. The estimates are based on historical experience and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results could differ from these estimates made by management. Certain accounting policies that require significant management estimates and are deemed critical to our results of operations or financial position are discussed below.

Revenue Recognition . Our revenues are primarily attributable to fees for providing services (e.g. , Employer Services' payroll processing fees) as well as investment income on payroll funds, payroll tax filing funds and other Employer Services' client-related funds. We enter into agreements for a fixed fee per transaction (e.g. , number of payees or number of payrolls processed). Fees associated with services are recognized in the period services are rendered and earned under service arrangements with clients where service fees are fixed or determinable and collectability is reasonably assured. Our service fees are determined based on written price quotations or service agreements having stipulated terms and conditions that do not require management to make any significant judgments or assumptions regarding any potential uncertainties. Interest income on collected but not yet remitted funds held for clients is recognized in revenues as earned, as the collection, holding and remittance of these funds are critical components of providing these services.

We also recognize revenues associated with the sale of software systems and associated software licenses (e.g., Dealer Services' dealer management systems). For a majority of our software sales arrangements, which provide hardware, software licenses, installation and post-contract customer support, revenues are recognized ratably over the software license term, as vendor-specific objective evidence of the fair values of the individual elements in the sales arrangement does not exist. Changes to the elements in an arrangement and the ability to establish vendor-specific objective evidence for those elements could affect the timing of the revenue recognition.

We assess collectability of our revenues based primarily on the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer's payment history. We do not believe that a change in our assumptions utilized in the collectability determination would result in a material change to revenues as no single customer accounts for a significant portion of our revenues.

Goodwill . We account for goodwill and other intangible assets with indefinite useful lives in accordance with ASC 350-10, which states that goodwill and intangible assets with indefinite useful lives should not be amortized, but instead tested for impairment at least annually at the reporting unit level. We perform this impairment test by first comparing the fair value of our reporting units to their carrying amount. If an indicator of impairment exists based upon comparing the fair value of our reporting units to their carrying amount, we would then compare the implied fair value of our goodwill to the carrying amount in order to determine the amount of the impairment, if any. We determine the fair value of our reporting units using the income approach, which utilizes a discounted cash flow model. In addition, we use comparative market multiples to corroborate our discounted cash flow results. We had \$2,383.3 million of goodwill as of June 30, 2010. Given the significance of our goodwill, an adverse change to the fair value could result in an impairment charge, which could be material to our consolidated earnings.

Income Taxes. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. Judgment is required in addressing the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns (*e.g.* , realization of deferred tax assets, changes in tax laws or interpretations thereof). In addition, we are subject to the continuous examination of our income tax returns by the IRS and other tax authorities. A change in the assessment of the outcomes of such matters could materially impact our consolidated financial statements.

There is a financial statement recognition threshold and measurement attribute for tax positions taken or expected to be taken in a tax return. Specifically, an entity's tax benefits must be "more likely than not" of being sustained assuming that those positions will be examined by taxing authorities with full knowledge of all relevant information prior to recording the related tax benefit in the financial statements. If a tax position drops below the "more likely than not" standard, the benefit can no longer be recognized. Assumptions, judgment and the use of estimates are required in determining if the "more likely than not" standard has been met when developing the provision for income taxes. A change in the assessment of the "more likely than not" standard could materially impact our consolidated financial statements. As of June 30, 2010 and 2009, the Company's liabilities for unrecognized tax benefits, which include interest and penalties, were \$107.2 million and \$92.8 million, respectively.

If certain pending tax matters settle within the next twelve months, the total amount of unrecognized tax benefits may increase or decrease for all open tax years and jurisdictions. Based on current estimates, settlements related to various jurisdictions and tax periods could increase earnings up to \$10.0 million in the next twelve months. We do not expect any cash payments related to unrecognized tax benefits in the next twelve months. Audit outcomes and the timing of audit settlements are subject to significant uncertainty. We continually assess the likelihood and amount of potential adjustments and adjust the income tax provision, the current tax liability and deferred taxes in the period in which the facts that give rise to a revision become known.

Stock-Based Compensation. We measure stock-based compensation expense based on the fair value of the award on the date of grant. We determine the fair value of stock options issued by using a binomial option-pricing model. The binomial option-pricing model considers a range of assumptions related to volatility, dividend yield, risk-free interest rate and employee exercise behavior. Expected volatilities utilized in the binomial option-pricing model are based on a combination of implied market volatilities, historical volatility of our stock price and other factors. Similarly, the dividend yield is based on historical experience and expected future changes. The risk-free rate is derived from the U.S. Treasury yield curve in effect at the time of grant. The binomial option-pricing model also incorporates exercise and forfeiture assumptions based on an analysis of historical data. The expected life of the stock option grants is derived from the output of the binomial model and represents the period of time that options granted are expected to be outstanding. Determining these assumptions is subjective and complex, and therefore, a change in the assumptions utilized could impact the calculation of the fair value of our stock options.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The information called for by this item is provided under the caption "Quantitative and Qualitative Disclosures About Market Risk" under "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Automatic Data Processing, Inc. and subsidiaries (the "Company") as of June 30, 2010 and 2009, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2010. Our audits also included the consolidated financial statement schedule listed in the Index at Item 15(a) 2. These consolidated financial statements and consolidated financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and consolidated financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Automatic Data Processing, Inc. and subsidiaries as of June 30, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the consolidated 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.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of June 30, 2010, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 25, 2010 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Parsippany, New Jersey

August 25, 2010

Statements of Consolidated Earnings

(In millions, except per share amounts)

Years ended June 30,	2010	2009	2008
REVENUES:			
Revenues, other than interest on funds held for clients and PEO revenues	\$ 7,077.7	\$ 7,051.7	\$ 6,996.1
Interest on funds held for clients	542.8	609.8	684.5
PEO revenues (A)	1,307.2	1,176.9	1,053.1
TOTAL REVENUES	8,927.7	8,838.4	8,733.7
EXPENSES:			
Costs of revenues			
Operating expenses	4,277.2	4,087.0	3,898.4
Systems development and programming costs	513.9	498.3	521.1
Depreciation and amortization	238.6	237.4	237.7
TOTAL COSTS OF REVENUES	5,029.7	4,822.7	4,657.2
Selling, general and administrative expenses	2,127.4	2,190.3	2,359.1
Interest expense	8.6	33.3	80.5
TOTAL EXPENSES	7,165.7	7,046.3	7,096.8
Other income, net	(101.2)	(108.0)	(166.5)
EARNINGS FROM CONTINUING OPERATIONS			
BEFORE INCOME TAXES	1,863.2	1,900.1	1,803.4
Provision for income taxes	655.9	575.0	647.7
NET EARNINGS FROM CONTINUING OPERATIONS	1,207.3	1,325.1	1,155.7
Earnings from discontinued operations, net of provision for income taxes of \$7.0, \$0.7 and \$25.8 for the fiscal years ended June 30, 2010, 2009 and 2008, respectively			
	4.1	7.5	80.0
NET EARNINGS	\$ 1,211.4	\$ 1,332.6	\$ 1,235.7
Basic earnings per share from continuing operations	\$ 2.41	\$ 2.63	\$ 2.22
Basic earnings per share from discontinued operations	0.01	0.01	0.15
BASIC EARNINGS PER SHARE	\$ 2.42	\$ 2.65	\$ 2.37
Diluted earnings per share from continuing operations	\$ 2.40	\$ 2.62	\$ 2.19
Diluted earnings per share from discontinued operations	0.01	0.01	0.15
DILUTED EARNINGS PER SHARE	\$ 2.40	\$ 2.63	\$ 2.34
Basic weighted average shares outstanding	500.5	503.2	521.5
Diluted weighted average shares outstanding	503.7	505.8	527.2

(A) Professional Employer Organization ("PEO") revenues are net of direct pass-through costs, primarily consisting of payroll wages and payroll taxes, of \$13,318.7, \$12,310.4 and \$11,247.4, respectively.

See notes to consolidated financial statements.

Consolidated Balance Sheets

(In millions, except per share amounts)

June 30,	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,643.3	\$ 2,265.3
Short-term marketable securities	27.9	30.8
Accounts receivable, net	1,127.7	1,050.7
Other current assets	673.4	918.9
Assets held for sale	11.8	12.1
Assets of discontinued operations	-	8.5
Total current assets before funds held for clients	3,484.1	4,286.3
Funds held for clients	18,832.6	16,419.2
Total current assets	22,316.7	20,705.5
Long-term marketable securities	104.3	92.4
Long-term receivables, net	129.4	162.6
Property, plant and equipment, net	673.8	734.3
Other assets	712.3	702.7
Goodwill	2,383.3	2,375.5
Intangible assets, net	542.4	578.7
Total assets	<u>\$ 26,862.2</u>	<u>\$ 25,351.7</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 150.0	\$ 130.3
Accrued expenses and other current liabilities	771.0	777.9
Accrued payroll and payroll related expenses	448.5	402.3
Dividends payable	164.5	162.1
Short-term deferred revenues	321.5	329.8
Obligation under commercial paper borrowing	-	730.0
Income taxes payable	60.0	230.7
Liabilities of discontinued operations	-	7.7
Total current liabilities before client funds obligations	1,915.5	2,770.8
Client funds obligations	18,136.7	15,992.6
Total current liabilities	20,052.2	18,763.4
Long-term debt	39.8	42.7
Other liabilities	528.0	477.1
Deferred income taxes	306.4	254.1
Long-term deferred revenues	456.9	491.8
Total liabilities	<u>21,383.3</u>	<u>20,029.1</u>
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Preferred stock, \$1.00 par value: Authorized, 0.3 shares; issued, none	-	-
Common stock, \$0.10 par value: Authorized, 1,000.0 shares; issued, 638.7 shares at June 30, 2010 and 2009; outstanding, 492.0 and 501.7 shares at June 30, 2010 and 2009, respectively	63.9	63.9
Capital in excess of par value	493.0	520.0
Retained earnings	11,252.0	10,716.6
Treasury stock - at cost: 146.7 and 137.0 shares at June 30, 2010 and 2009, respectively	(6,539.5)	(6,133.9)
Accumulated other comprehensive income	209.5	156.0

Total stockholders' equity	5,478.9	5,322.6
Total liabilities and stockholders' equity	\$ 26,862.2	\$ 25,351.7

See notes to consolidated financial statements.

Statements of Consolidated Stockholders' Equity

(In millions, except per share amounts)

	Common Stock		Capital in	Retained	Treasury	Comprehensive	Accumulated
	Shares	Amount	Excess of	Earnings	Stock	Income	Other
			Par Value				Comprehensive
							Income (Loss)
Balance at June 30, 2007	638.7	\$ 63.9	\$ 351.8	\$ 9,378.5	\$ (4,612.9)		\$ (33.4)
Net earnings	-	-	-	1,235.7	-	\$ 1,235.7	-
Foreign currency translation adjustments						127.9	127.9
Unrealized net gain on securities, net of tax						209.7	209.7
Pension liability adjustment, net of tax						(28.0)	(28.0)
Comprehensive income						\$ 1,545.3	
Stock-based compensation expense	-	-	123.6	-	-		-
Issuances relating to stock compensation plans	-	-	(29.5)	-	271.7		-
Tax benefits from stock compensation plans	-	-	34.0	-	-		-
Treasury stock acquired (32.9 shares)	-	-	-	-	(1,463.5)		-
Adoption of ASC 740-10	-	-	-	(11.7)	-		-
Tax basis adjustment related to pooling of interest (see Note 15)	-	-	42.1	-	-		-
Dividends (\$1.1000 per share)	-	-	-	(572.7)	-		-
Balance at June 30, 2008	638.7	\$ 63.9	\$ 522.0	\$ 10,029.8	\$ (5,804.7)		\$ 276.2
Net earnings	-	-	-	1,332.6	-	\$ 1,332.6	-
Foreign currency translation adjustments						(192.1)	(192.1)
Unrealized net gain on securities, net of tax						191.1	191.1
Pension liability adjustment, net of tax						(119.2)	(119.2)
Comprehensive income						\$ 1,212.4	
Stock-based compensation expense	-	-	96.0	-	-		-
Issuances relating to stock compensation plans	-	-	(105.8)	-	219.7		-
Tax benefits from stock compensation plans	-	-	7.8	-	-		-
Treasury stock acquired (13.8 shares)	-	-	-	-	(548.9)		-
Dividends (\$1.2800 per share)	-	-	-	(645.8)	-		-
Balance at June 30, 2009	638.7	\$ 63.9	\$ 520.0	\$ 10,716.6	\$ (6,133.9)		\$ 156.0
Net earnings	-	-	-	1,211.4	-	\$ 1,211.4	-
Foreign currency translation adjustments						(76.1)	(76.1)
Unrealized net gain on securities, net of tax						175.4	175.4
Pension liability adjustment, net of tax						(45.8)	(45.8)
Comprehensive income						\$ 1,264.9	
Stock-based compensation expense	-	-	67.6	-	-		-
Issuances relating to stock compensation plans	-	-	(85.4)	-	360.7		-
Tax benefits from stock compensation plans	-	-	(9.2)	-	-		-
Treasury stock acquired (18.2 shares)	-	-	-	-	(766.3)		-
Dividends (\$1.3500 per share)	-	-	-	(676.0)	-		-
Balance at June 30, 2010	638.7	63.9	493.0	11,252.0	(6,539.5)		209.5

See notes to consolidated financial statements.



Statements of Consolidated Cash Flows

(In millions)

Years ended June 30,	2010	2009	2008
Cash Flows From Operating Activities			
Net earnings	\$ 1,211.4	\$ 1,332.6	\$ 1,235.7
Adjustments to reconcile net earnings to cash flows provided by operating activities:			
Depreciation and amortization	309.2	307.7	318.3
Deferred income taxes	96.1	(47.9)	(92.7)
Stock-based compensation expense	67.6	96.0	123.6
Excess tax benefit related to exercises of stock options	(0.2)	(1.5)	(0.7)
Net pension expense	34.7	33.8	40.0
Net realized loss (gain) from the sales of marketable securities	(1.6)	12.4	1.3
Net amortization of premiums and accretion of discounts on available-for-sale securities	57.3	58.3	42.7
Impairment losses on available-for-sale securities	14.4	-	-
Loss (gain) on sale of building	2.3	(2.2)	(16.0)
Gain on sale of discontinued businesses, net of tax	(0.5)	(4.4)	(74.0)
Other	8.9	35.8	100.1
Changes in operating assets and liabilities, net of effects from acquisitions and divestitures of businesses:			
(Increase) decrease in accounts receivable	(108.8)	(152.6)	36.6
Decrease (increase) in other assets	30.0	(85.6)	(40.6)
Increase (decrease) in accounts payable	34.7	(9.7)	9.7
(Decrease) increase in accrued expenses and other liabilities	(73.3)	(12.6)	88.4
Operating activities of discontinued operations	(0.1)	2.5	(0.2)
Net cash flows provided by operating activities	1,682.1	1,562.6	1,772.2
Cash Flows From Investing Activities			
Purchases of corporate and client funds marketable securities	(3,846.7)	(2,736.5)	(6,407.2)
Proceeds from the sales and maturities of corporate and client funds marketable securities	3,406.9	3,320.4	5,140.6
Net (increase) decrease in restricted cash and cash equivalents and other restricted assets held to satisfy			
client funds obligations	(1,639.4)	(731.7)	4,119.6
Capital expenditures	(102.9)	(157.8)	(180.3)
Additions to intangibles	(123.8)	(96.0)	(96.6)
Acquisitions of businesses, net of cash acquired	(100.0)	(67.0)	(97.3)
Reclassification from cash and cash equivalents to short-term marketable securities	-	(211.1)	-
Proceeds from the sale of property, plant and equipment	3.1	25.7	-
Other	1.8	10.0	23.4
Investing activities of discontinued operations	(0.1)	-	(0.7)
Proceeds from the sale of businesses included in discontinued operations	21.6	(0.1)	112.4
Net cash flows (used in) provided by investing activities	(2,379.5)	(644.1)	2,613.9
Cash Flows From Financing Activities			
Net increase (decrease) in client funds obligations	2,020.4	885.2	(3,480.3)
Proceeds from issuance of debt	-	12.5	21.2
Payments of debt	(2.9)	(21.9)	(10.1)
Net (purchases of) proceeds from reverse repurchase agreements	-	(11.8)	11.8
Net (repayment) proceeds of commercial paper borrowing	(730.0)	730.0	-
Repurchases of common stock	(766.4)	(580.4)	(1,504.8)
Proceeds from stock purchase plan and exercises of stock options	241.1	82.7	239.7
Excess tax benefit related to exercises of stock options	0.2	1.5	0.7
Dividends paid	(673.4)	(629.4)	(548.9)
Net cash flows provided by (used in) financing activities	89.0	468.4	(5,270.7)
Effect of exchange rate changes on cash and cash equivalents	(13.6)	(39.1)	41.3
Net change in cash and cash equivalents	(622.0)	1,347.8	(843.3)

Cash and cash equivalents of continuing operations, beginning of year	2,265.3	917.5	1,746.1
Cash and cash equivalents of discontinued operations, beginning of year	-	-	14.7
Cash and cash equivalents, end of year	1,643.3	2,265.3	917.5
Less cash and cash equivalents of discontinued operations, end of year	-	-	-
Cash and cash equivalents of continuing operations, end of year	<u>\$ 1,643.3</u>	<u>\$ 2,265.3</u>	<u>\$ 917.5</u>

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Tabular dollars in millions, except per share amounts)

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 (the “Company” or “ADP”). Intercompany balances and transactions have been eliminated in consolidation.

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

B. Description of Business. The Company is a provider of technology-based outsourcing solutions to employers and vehicle retailers and manufacturers. The Company classifies its operations into the following reportable segments: Employer Services, Professional Employer Organization (“PEO”) Services, and Dealer Services. The primary components of the “Other” segment are miscellaneous processing services, such as customer financing transactions, non-recurring gains and losses and certain expenses that have not been charged to the reportable segments, such as stock-based compensation expense.

C. Revenue Recognition. Revenues are primarily attributable to fees for providing services (e.g., Employer Services’ payroll processing fees) as well as investment income on payroll funds, payroll tax filing funds and other Employer Services’ client-related funds. The Company enters into agreements for a fixed fee per transaction (e.g., number of payees or number of payrolls processed). Fees associated with services are recognized in the period services are rendered and earned under service arrangements with clients where service fees are fixed or determinable and collectability is reasonably assured. Service fees are determined based on written price quotations or service agreements having stipulated terms and conditions that do not require management to make any significant judgments or assumptions regarding any potential uncertainties.

Interest income on collected but not yet remitted funds held for clients is recognized in revenues as earned, as the collection, holding and remittance of these funds are critical components of providing these services.

The Company also recognizes revenues associated with the sale of software systems and associated software licenses (e.g., Dealer Services’ dealer management systems). For a majority of our software sales arrangements, which provide hardware, software licenses, installation and post-contract customer support, revenues are recognized ratably over the software license term, as vendor-specific objective evidence of the fair values of the individual elements in the sales arrangement does not exist.

The Company assesses collectability of our revenues based primarily on the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer’s payment history.

PEO revenues are reported on the Statements of Consolidated Earnings and are reported net of direct pass-through costs, which are costs billed and incurred for PEO worksite employees, primarily consisting of payroll wages and payroll taxes. Benefits, workers’ compensation and state unemployment tax fees for PEO worksite employees are included in PEO revenues and the associated costs are included in operating expenses.

D. Cash and Cash Equivalents. Investment securities with a maturity of ninety days or less at the time of purchase are considered cash equivalents. The fair value of our cash and cash equivalents approximates carrying value.

E. Corporate Investments and Funds Held for Clients. All of the Company’s marketable securities are considered to be “available-for-sale” and, accordingly, are carried on the Consolidated Balance Sheets at fair value. Unrealized gains and losses, net of the related tax effect, are excluded from earnings and are reported as a separate component of accumulated other comprehensive income on the Consolidated Balance Sheets until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific-identification basis and are included in other income, net on the Statements of Consolidated Earnings.

If the fair value of an available-for-sale debt security is below its amortized cost, the Company assesses whether it intends to sell the security or if it is more likely than not the Company will be required to sell the security before recovery. If either of those two conditions were met, the Company would recognize a charge in earnings equal to the entire difference between the security’s amortized cost basis and its fair value. If the Company does not intend to sell a security or it is not more likely than not that it will be required to sell the security before recovery, the unrealized loss is separated into an amount representing the credit loss, which is recognized in earnings, and the amount related to all other factors, which is recognized in accumulated other comprehensive income.

Premiums and discounts are amortized or accreted over the life of the related available-for-sale security as an adjustment to yield using the effective-interest method. Dividend and interest income are recognized when earned.

F. Long-term Receivables. Long-term receivables relate to notes receivable from the sale of computer systems, primarily to automotive, truck and powersports and truck dealers. 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 effective-interest method to maintain a constant rate of return over the term of each contract.

The allowance for doubtful accounts on long-term receivables is the Company's best estimate of the amount of probable credit losses related to the Company's existing note receivables.

G. Property, Plant and Equipment. Property, plant and equipment is stated at cost and depreciated over the estimated useful lives of the assets using 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 5 years
Buildings	20 to 40 years
Furniture and fixtures	3 to 7 years

H. Goodwill and Other Intangible Assets. Goodwill and intangible assets with indefinite useful lives are not amortized, but are instead tested for impairment at least annually at the reporting unit level. The Company performs this impairment test by first comparing the fair value of our reporting units to their carrying amount. If an indicator of impairment exists based upon comparing the fair value of our reporting units to their carrying amount, the Company would then compare the implied fair value of our goodwill to the carrying amount in order to determine the amount of the impairment, if any. The Company determines the fair value of its reporting units using the income approach, which utilizes a discounted cash flow model. In addition, the Company uses comparative market multiples to corroborate its discounted cash flow results.

I. Impairment of Long-Lived Assets. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

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

K. Derivative Financial Instruments. Derivative financial instruments are measured at fair value and are recognized as assets or liabilities on the Consolidated Balance Sheets with changes in the fair value of the derivatives recognized in either net earnings from continuing operations or accumulated other comprehensive income, depending on the timing and designated purpose of the derivative.

There were no derivative financial instruments outstanding at June 30, 2010 or June 30, 2009.

L. Earnings per Share (“EPS”). The calculations of basic and diluted EPS are as follows:

Years ended June 30,	Basic	Effect of	Effect of	Effect of	Diluted
		Employee Stock Option Shares	Employee Stock Purchase Plan Shares	Employee Restricted Stock Shares	
2010					
Net earnings from continuing operations	\$ 1,207.3	\$ -	\$ -	\$ -	\$ 1,207.3
Weighted average shares (in millions)	500.5	2.2	-	1.0	503.7
EPS from continuing operations	\$ 2.41				\$ 2.40
2009					
Net earnings from continuing operations	\$ 1,325.1	\$ -	\$ -	\$ -	\$ 1,325.1
Weighted average shares (in millions)	503.2	1.2	-	1.4	505.8
EPS from continuing operations	\$ 2.63				\$ 2.62
2008					
Net earnings from continuing operations	\$ 1,155.7	\$ -	\$ -	\$ -	\$ 1,155.7
Weighted average shares (in millions)	521.5	4.3	0.3	1.1	527.2
EPS from continuing operations	\$ 2.22				\$ 2.19

Options to purchase 14.0 million, 32.9 million, and 12.6 million shares of common stock for the year ended June 30, 2010 (“fiscal 2010”), the year ended June 30, 2009 (“fiscal 2009”) and the year ended June 30, 2008 (“fiscal 2008”), respectively, were excluded from the calculation of diluted earnings per share because their exercise prices exceeded the average market price of outstanding common shares for the respective fiscal year.

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

N. Internal Use Software. Expenditures for major software purchases and software developed or obtained for internal use are capitalized and amortized over a three- to five-year period on a straight-line basis. For software developed or obtained for internal use, the Company capitalizes costs. The Company’s policy provides for the capitalization of external direct costs of materials and services associated with developing or obtaining internal use computer software. In addition, the Company also capitalizes certain payroll and payroll-related costs for employees who are directly associated with internal use computer software projects. The amount of capitalizable payroll costs with respect to these employees is limited to the time directly spent on such projects. Costs associated with preliminary project stage activities, training, maintenance and all other post-implementation stage activities are expensed as incurred. The Company also expenses internal costs related to minor upgrades and enhancements, as it is impractical to separate these costs from normal maintenance activities.

O. Computer Software to be Sold, Leased or Otherwise Marketed. The Company capitalizes certain costs of computer software to be sold, leased or otherwise marketed. The Company’s policy provides for the capitalization of all software production costs upon reaching technological feasibility for a specific product. Technological feasibility is attained when software products have a completed working model whose consistency with the overall product design has been confirmed by testing. Costs incurred prior to the establishment of technological feasibility are expensed as incurred. The establishment of technological feasibility requires judgment by management and in many instances is only attained a short time prior to the general release of the software. Upon the general release of the software product to customers, capitalization ceases and such costs are amortized over a three-year period on a straight-line basis. Maintenance-related costs are expensed as incurred.

P. Income Taxes. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity’s financial statements or tax returns. The Company is subject to the continuous examination of our income tax returns by the Internal Revenue Service (“IRS”) and other tax authorities.

There is a financial statement recognition threshold and measurement attribute for tax positions taken or expected to be taken in a tax return. Specifically, it clarifies that an entity's tax benefits must be "more likely than not" of being sustained, assuming that these positions will be examined by taxing authorities with full knowledge of all relevant information prior to recording the related tax benefit in the financial statements. If a tax position drops below the "more likely than not" standard, the benefit can no longer be recognized. Assumptions, judgment and the use of estimates are required in determining if the "more likely than not" standard has been met when developing the provision for income taxes. As of June 30, 2010 and 2009, the Company's liabilities for unrecognized tax benefits, which include interest and penalties, were \$107.2 million and \$92.8 million, respectively.

If certain pending tax matters settle within the next twelve months, the total amount of unrecognized tax benefits may increase or decrease for all open tax years and jurisdictions. Based on current estimates, settlements related to various jurisdictions and tax periods could increase earnings up to \$10.0 million. Audit outcomes and the timing of audit settlements are subject to significant uncertainty. We continually assess the likelihood and amount of potential adjustments and adjust the income tax provision, the current tax liability and deferred taxes in the period in which the facts that give rise to a revision become known.

Q. Recently Issued Accounting Pronouncements. In October 2009, the Financial Accounting Standards Board ("FASB") issued ASU 2009-13, "Multiple Deliverable Revenue Arrangements." ASU 2009-13 modifies the guidance related to accounting for arrangements with multiple deliverables by providing an alternative when vendor specific objective evidence ("VSOE") or third-party evidence ("TPE") does not exist to determine the selling price of a deliverable. The alternative when VSOE or TPE does not exist is the best estimate of the selling price of the deliverable. Consideration for multiple deliverables is then allocated based upon the relative selling price of the deliverables and revenue is recognized as earned for each deliverable. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, unless the election is made to adopt ASU 2009-13 retrospectively. In either case, early adoption is permitted. The adoption of ASU 2009-13 will not have a material impact on the Company's consolidated results of operations, financial condition or cash flows.

In October 2009, the FASB issued ASU No. 2009-14, "Certain Revenue Arrangements that Include Software Elements" ("ASU 2009-14"). ASU 2009-14 modifies the scope of the software revenue recognition guidance to exclude (a) non-software components of tangible products and (b) software components of tangible products that are sold, licensed, or leased with tangible products when the software components and non-software components of the tangible product function together to deliver the tangible product's functionality. ASU 2009-14 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, unless the election is made to adopt ASU 2009-14 retrospectively. In either case, early adoption is permitted. The adoption of ASU 2009-14 will not have a material impact on the Company's consolidated results of operations, financial condition or cash flows.

NOTE 2. OTHER INCOME, NET

Other income, net consists of the following:

Years ended June 30,	2010	2009	2008
Interest income on corporate funds	\$ (98.8)	\$ (134.2)	\$ (149.5)
Realized gains on available-for-sale securities	(15.0)	(11.4)	(10.1)
Realized losses on available-for-sale securities	13.4	23.8	11.4
Realized (gain) loss on investment in Reserve Fund	(15.2)	18.3	-
Impairment losses on available-for-sale securities	14.4	-	-
Net loss (gain) on sales of buildings	2.3	(2.2)	(16.0)
Other, net	(2.3)	(2.3)	(2.3)
Other income, net	\$ (101.2)	\$ (108.0)	\$ (166.5)

Proceeds from sales and maturities of available-for-sale securities were \$3,406.9 million, \$3,320.4 million and \$5,140.6 million for fiscal 2010, 2009 and 2008, respectively.

In fiscal 2010, the Company recorded a \$15.2 million gain to other income, net on the Statements of Consolidated Earnings related to the Primary Fund of the Reserve Fund (the "Reserve Fund"). In fiscal 2009, the Company recorded an \$18.3 million loss to other income, net on the Statements of Consolidated Earnings related to the Reserve Fund. Refer to Note 5 for additional information related to the Reserve Fund.

At September 30, 2009 and June 30, 2010, the Company concluded it had the intent to sell certain securities for which unrealized losses of \$5.3 million and \$9.1 million, respectively, were previously recorded in accumulated other comprehensive income on the Consolidated Balance Sheets. As such, the Company realized impairment losses of \$14.4 million in other income, net on the Statements of Consolidated Earnings during fiscal 2010.

During fiscal years 2010, 2009 and 2008, the Company sold buildings and, as a result, recorded gains of \$1.5 million, \$2.2 million and \$16.0 million, respectively, in other income, net, on the Statements of Consolidated Earnings. Additionally, during fiscal 2010, the Company reclassified assets related to one other building to Assets Held for Sale on the Consolidated Balance Sheets and recorded a loss of \$3.8 million on the Statements of Consolidated Earnings. Refer to Note 9 for more information related to Assets Held for Sale.

The Company has an outsourcing agreement with Broadridge Financial Solutions, Inc. (“Broadridge”) pursuant to which the Company provides data center outsourcing services, which principally consist of information technology services and service delivery network services. As a result of the outsourcing agreement, the Company recognized income of \$104.8 million and \$103.5 million in fiscal 2010 and fiscal 2009, respectively, which is offset by expenses associated with providing such services of \$102.6 million and \$101.3 million, respectively, both of which were recorded in other income, net on the Statements of Consolidated Earnings. The Company had a receivable on the Consolidated Balance Sheets from Broadridge for the services under this agreement of \$8.9 million and \$8.7 million on June 30, 2010 and 2009, respectively. In fiscal 2010, Broadridge notified the Company that it would not extend the outsourcing agreement beyond its current expiration date of June 30, 2012. The Company is currently evaluating the impact on results of operations, if any, that this will have and does not currently anticipate this will have a material impact.

NOTE 3. ACQUISITIONS

Assets acquired and liabilities assumed in business combinations were recorded on the Company’s Consolidated Balance Sheets as of the respective acquisition dates based upon their estimated fair values at such dates. The results of operations of businesses acquired by the Company have been included in the Statements of Consolidated Earnings since their respective dates of acquisition. The excess of the purchase price over the estimated fair values of the underlying assets acquired and liabilities assumed was allocated to goodwill. In certain circumstances, the allocations of the excess purchase price are based upon preliminary estimates and assumptions. Accordingly, the allocations are subject to revision when the Company receives final information, including appraisals and other analyses, which typically occurs within one year from the date of acquisition.

The Company acquired five businesses in fiscal 2010 for approximately \$101.0 million, net of cash acquired. The purchase price for these acquisitions includes \$3.7 million in accrued contingent payments expected to be paid in future periods. These acquisitions resulted in approximately \$80.8 million of goodwill. Intangible assets acquired, which totaled approximately \$33.5 million, consist of software, customer contracts and lists and trademarks that are being amortized over a weighted average life of 7 years. In addition, the Company made \$2.6 million of contingent payments in fiscal 2010 relating to previously consummated acquisitions. As of June 30, 2010, the Company had contingent consideration remaining for all transactions of approximately \$7.1 million.

The Company acquired four businesses in fiscal 2009 for approximately \$62.7 million, which includes \$6.4 million in accrued contingent payments expected to be paid in future periods and which is net of cash acquired. These acquisitions resulted in approximately \$60.3 million of goodwill. Intangible assets acquired, which totaled approximately \$20.8 million, consist of software, customer contracts and lists and trademarks that are being amortized over a weighted average life of 9 years. In addition, the Company made \$10.7 million of contingent payments in fiscal 2009 relating to previously consummated acquisitions.

The Company acquired four businesses in fiscal 2008 for approximately \$45.9 million, net of cash acquired. These acquisitions resulted in approximately \$37.7 million of goodwill. Intangible assets acquired, which totaled approximately \$11.6 million, consist primarily of software and customer contracts and lists that are being amortized over a weighted average life of 9 years. In addition, the Company made \$51.4 million of contingent payments in fiscal 2008 relating to previously consummated acquisitions.

The acquisitions discussed above for fiscal 2010, 2009 and 2008 were not material, either individually or in the aggregate, to the Company's operations, financial position or cash flows.

NOTE 4. DIVESTITURES

On March 24, 2010, the Company completed its sale of the non-core Commercial Systems business (the "Commercial business") for approximately \$21.6 million in cash. The Commercial business was previously reported in the Dealer Services segment. In connection with the disposal of this business, the Company has classified the results of this business as discontinued operations for all periods presented. Additionally, in fiscal 2010, the Company reported a gain of \$5.6 million, or \$1.0 million after taxes, within earnings from discontinued operations on the Statements of Consolidated Earnings.

During fiscal 2010, the Company recorded net charges of \$0.5 million within earnings from discontinued operations related to a change in estimated taxes on the divestitures of businesses of \$0.8 million, partially offset by a change in professional fees incurred in connection with the divestitures of businesses of \$0.3 million. During fiscal 2009, the Company recorded a net gain of \$2.8 million, net of taxes, within earnings from discontinued operations related to a change in estimated taxes on the divestitures of business of \$2.6 million and a change in professional fees incurred in connection with the divestitures of businesses of \$0.2 million. During fiscal 2008, the Company recorded a net gain of \$10.2 million, net of taxes, within earnings from discontinued operations related to a change in estimated taxes on the divestitures of businesses of \$11.3 million, partially offset by professional fees incurred in connection with the divestitures of businesses of \$1.1 million.

On June 30, 2007, the Company entered into a definitive agreement to sell its Travel Clearing business for approximately \$116.0 million in cash. The Company completed the sale of its Travel Clearing business on July 6, 2007. The Travel Clearing business was previously reported in the "Other" segment. In connection with the disposal of this business, the Company classified the results of this business as discontinued operations for all periods presented. During fiscal 2008, the Company reported a gain of \$95.8 million, or \$62.2 million after taxes, within earnings from discontinued operations on the Statements of Consolidated Earnings.

On January 23, 2007, the Company completed the sale of Sandy Corporation, a business within the Dealer Services segment, which specializes in sales and marketing training, for approximately \$4.0 million in cash and the assumption of certain liabilities by the buyer, plus additional earn-out payments if certain revenue targets are achieved. The Company classified the results of operations of this business as discontinued operations for all periods presented. Additionally, during fiscal 2007, the Company reported a gain of \$11.2 million, or \$6.9 million after tax, within earnings from discontinued operations on the Statements of Consolidated Earnings. In March 2008 and April 2009, the Company received two additional payments of \$2.5 million during each period, which represented purchase price adjustments for the sale of Sandy Corporation. The Company recorded additional gains of \$2.5 million, or \$1.6 million net of tax, within earnings from discontinued operations during both fiscal 2008 and fiscal 2009 for the payments received.

Operating results for all discontinued operations were as follows:

Years ended June 30,	2010	2009	2008
Revenues	\$ 17.2	\$ 28.7	\$ 42.8
Earnings from discontinued operations before income taxes	5.2	4.6	8.6
Provision for income taxes	1.6	1.5	2.6
Net earnings from discontinued operations before gain on disposal of discontinued operations	3.6	3.1	6.0
Gain on disposal of discontinued operations, net of provision (benefit) for income taxes of \$5.4, \$(0.8) and \$23.2 for fiscal 2010, 2009 and 2008, respectively	0.5	4.4	74.0
Net earnings from discontinued operations	\$ 4.1	\$ 7.5	\$ 80.0

There were no assets or liabilities of discontinued operations as of June 30, 2010. The following are the major classes of assets and liabilities related to discontinued operations as of June 30, 2009:

	June 30, 2009
Assets:	
Accounts receivable, net	\$ 4.7
Other current assets	2.2
Property, plant and equipment, net	0.2
Intangible assets, net	1.4
Total	\$ 8.5
Liabilities:	
Accrued expenses and other liabilities	\$ 0.9
Deferred revenues	6.8
Total	\$ 7.7

NOTE 5. CORPORATE INVESTMENTS AND FUNDS HELD FOR CLIENTS

Corporate investments and funds held for clients at June 30, 2010 and 2009 are as follows:

Type of issue:	June 30, 2010			
	Amortized	Gross	Gross	Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Money market securities and other cash				
equivalents	\$ 5,091.1	\$ -	\$ -	\$ 5,091.1
Available-for-sale securities:				
U.S. Treasury and direct obligations of U.S. government agencies	5,631.0	280.7	(0.2)	5,911.5
Corporate bonds	5,080.7	261.2	(9.0)	5,332.9
Asset-backed securities	923.5	45.3	-	968.8
Canadian government obligations and Canadian government agency obligations	998.6	33.9	-	1,032.5
Other securities	2,172.3	100.0	(1.0)	2,271.3
Total available-for-sale securities	14,806.1	721.1	(10.2)	15,517.0
Total corporate investments and funds				
held for clients	\$ 19,897.2	\$ 721.1	\$ (10.2)	\$ 20,608.1
Type of issue:	June 30, 2009			
	Amortized	Gross	Gross	Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Money market securities and other cash				
equivalents	\$ 4,077.5	\$ -	\$ -	\$ 4,077.5
Available-for-sale securities:				
U.S. Treasury and direct obligations of U.S. government agencies	5,273.0	268.3	(1.4)	5,539.9
Corporate bonds	4,647.6	135.9	(35.3)	4,748.2
Asset-backed securities	1,482.2	44.2	(4.7)	1,521.7
Canadian government obligations and Canadian government agency obligations	929.2	41.4	(0.1)	970.5
Other securities	1,961.6	48.2	(59.9)	1,949.9
Total available-for-sale securities	14,293.6	538.0	(101.4)	14,730.2
Total corporate investments and funds				
held for clients	\$ 18,371.1	\$ 538.0	\$ (101.4)	\$ 18,807.7

At June 30, 2010, U.S. Treasury and direct obligations of U.S. government agencies primarily include debt directly issued by Federal Home Loan Banks, Federal Home Loan Mortgage Corporation (“Freddie Mac”) and Federal National Mortgage Association (“Fannie Mae”) with fair values of \$2,615.5 million, \$1,136.1 million and \$933.6 million, respectively. At June 30, 2009, U.S. Treasury and direct obligations of U.S. government agencies primarily include debt directly issued by Federal Home Loan Banks, Freddie Mac and Fannie Mae with fair values of \$1,906.4 million, \$1,463.6 million and \$1,352.5 million, respectively. U.S. Treasury and direct obligations of U.S. government agencies represent senior, unsecured, non-callable debt that primarily carries a credit rating of AAA, as rated by Moody’s and Standard and Poor’s and has maturities ranging from July 2010 through May 2020.

At June 30, 2010, asset-backed securities include AAA rated senior tranches of securities with predominately prime collateral of fixed rate credit card, rate reduction and auto loan receivables with fair values of \$548.6 million, \$307.8 million and \$112.4 million, respectively. At June 30, 2009, asset-backed securities include senior tranches of securities with predominately prime collateral of fixed rate credit card, rate reduction, auto loan, student loan and equipment lease receivables with fair values of \$808.4 million, \$384.2 million, \$244.9 million, \$49.8 million and \$34.4 million, respectively. These securities are collateralized by the cash flows of the underlying pools of receivables. The primary risk associated with these securities is the collection risk of the underlying receivables. All collateral on such asset-backed securities has performed as expected through June 30, 2010.

At June 30, 2010, other securities and their fair value primarily represent AAA rated commercial mortgage-backed securities of \$707.4 million, municipal bonds of \$469.5 million, supranational bonds of \$322.7 million, Canadian provincial bonds of \$308.5 million, sovereign bonds of \$181.8 million, corporate bonds backed by the Federal Deposit Insurance Corporation's Temporary Liquidity Guarantee Program of \$131.3 million and AAA rated mortgage-backed securities of \$131.0 million that are guaranteed by Fannie Mae and Freddie Mac. At June 30, 2009, other securities and their fair value primarily represent AAA rated commercial mortgage-backed securities of \$759.3 million, municipal bonds of \$462.0 million, supranational bonds of \$160.0 million, Canadian provincial bonds of \$170.2 million, sovereign bonds of \$51.8 million, corporate bonds backed by the Federal Deposit Insurance Corporation's Temporary Liquidity Guarantee Program of \$137.6 million and AAA rated mortgage-backed securities of \$186.8 million that are guaranteed by Fannie Mae and Freddie Mac. The Company's AAA rated mortgage-backed securities represent an undivided beneficial ownership interest in a group or pool of one or more residential mortgages. These securities are collateralized by the cash flows of 15-year and 30-year residential mortgages and are guaranteed by Fannie Mae and Freddie Mac as to the timely payment of principal and interest.

Classification of corporate investments on the Consolidated Balance Sheets is as follows:

June 30,	2010	2009
Corporate investments:		
Cash and cash equivalents	\$ 1,643.3	\$ 2,265.3
Short-term marketable securities	27.9	30.8
Long-term marketable securities	104.3	92.4
Total corporate investments	<u>\$ 1,775.5</u>	<u>\$ 2,388.5</u>

Funds held for clients represent assets that, based upon the Company's intent, are restricted for use solely for the purposes of satisfying the obligations to remit funds relating to our payroll and payroll tax filing services, which are classified as client funds obligations on our Consolidated Balance Sheets. Funds held for clients have been invested in the following categories:

June 30,	2010	2009
Funds held for clients:		
Restricted cash and cash equivalents held to satisfy client funds obligations	\$ 3,447.8	\$ 1,812.2
Restricted short-term marketable securities held to satisfy client funds obligations	2,768.7	2,564.6
Restricted long-term marketable securities held to satisfy client funds obligations	12,616.1	12,042.4
Total funds held for clients	<u>\$ 18,832.6</u>	<u>\$ 16,419.2</u>

Client funds obligations represent the Company's contractual obligations to remit funds to satisfy clients' payroll and tax payment obligations and are recorded on the Consolidated Balance Sheets at the time that the Company impounds funds from clients. The client funds obligations represent liabilities that will be repaid within one year of the balance sheet date. The Company has reported client funds obligations as a current liability on the Consolidated Balance Sheets totaling \$18,136.7 million and \$15,992.6 million as of June 30, 2010 and 2009, respectively. The Company has classified funds held for clients as a current asset since these funds are held solely for the purposes of satisfying the client funds obligations. The Company has reported the cash flows related to the purchases of corporate and client funds marketable securities and related to the proceeds from the sales and maturities of corporate and client funds marketable securities on a gross basis in the investing section of the Statements of Consolidated Cash Flows. The Company has reported the cash inflows and outflows related to client funds investments with original maturities of 90 days or less on a net basis within net increase in restricted cash and cash equivalents and other restricted assets held to satisfy client funds obligations in the investing section of the Statements of Consolidated Cash Flows. The Company has reported the cash flows related to the cash received from and paid on behalf of clients on a net basis within net increase in client funds obligations in the financing section of the Statements of Consolidated Cash Flows.

Approximately 85% of the available-for-sale securities held an AAA or AA rating at June 30, 2010, as rated by Moody's, Standard & Poor's and, for Canadian securities, Dominion Bond Rating Service. All available-for-sale securities were rated as investment grade at June 30, 2010.

The amount of collected but not yet remitted funds for the Company's payroll and payroll tax filing and other services varies significantly during the fiscal year, and averaged approximately \$15,194.5 million, \$15,162.4 million and \$15,654.3 million in fiscal 2010, 2009 and 2008, respectively.

The unrealized losses and fair values of available-for-sale securities that have been in an unrealized loss position for a period of less than and greater than 12 months as of June 30, 2010 are as follows:

	Unrealized losses less than 12 months	Fair market value less than 12 months	Unrealized losses greater than 12 months	Fair market value greater than 12 months	Total gross unrealized losses	Total fair market value
U.S. Treasury and direct obligations of						
U.S. government agencies	\$ -	\$ 28.0	\$ (0.2)	\$ 6.5	\$ (0.2)	\$ 34.5
Corporate bonds	(9.0)	210.5	-	-	(9.0)	210.5
Asset backed securities	-	2.4	-	-	-	2.4
Other securities	(1.0)	22.7	-	-	(1.0)	22.7
	<u>\$ (10.0)</u>	<u>\$ 263.6</u>	<u>\$ (0.2)</u>	<u>\$ 6.5</u>	<u>\$ (10.2)</u>	<u>\$ 270.1</u>

Expected maturities of available-for-sale securities at June 30, 2010 are as follows:

Maturity Dates:

Due in one year or less	\$ 2,796.6
Due after one year up to two years	3,268.0
Due after two years up to three years	3,346.7
Due after three years up to four years	1,795.9
Due after four years	4,309.8
Total available-for-sale securities	<u>\$ 15,517.0</u>

The Company had an investment in a money market fund called the Reserve Fund. During the quarter ended September 30, 2008, the net asset value of the Reserve Fund decreased below \$1 per share as a result of the full write-off of the Reserve Fund's holdings in debt securities issued by Lehman Brothers Holdings, Inc., which filed for bankruptcy protection on September 15, 2008. In fiscal 2009, the Company reclassified \$211.1 million of its investment from cash and cash equivalents to short-term marketable securities on the Consolidated Balance Sheet due to the fact that these assets no longer met the definition of a cash equivalent. Additionally, the Company reflected the impact of such reclassification on the Statements of Consolidated Cash Flows for fiscal 2009 as reclassification from cash equivalents to short-term marketable securities. During fiscal 2009, the Company recorded an \$18.3 million loss to other income, net, on the Statement of Consolidated Earnings to recognize its pro-rata share of the estimated losses of the Reserve Fund. During fiscal 2010, the Company had received distributions in excess of what was previously recognized in short-term marketable securities, net of previously recognized losses, in the amount of \$15.2 million. As such, in fiscal 2010, the Company recorded a gain of \$15.2 million to other income, net on the Statements of Consolidated Earnings.

At September 30, 2009 and June 30, 2010, the Company concluded that it had the intent to sell certain securities for which unrealized losses of \$5.3 million and \$9.1 million, respectively, were previously recorded in accumulated other comprehensive income on the Consolidated Balance Sheets. As such, the Company realized impairment losses of \$14.4 million in other income, net on the Statements of Consolidated Earnings in fiscal 2010.

For the securities in an unrealized loss position of \$10.2 million at June 30, 2010, the Company concluded that it did not have the intent to sell such securities and that it was not more likely than not that the Company would be required to sell such securities before recovery. At June 30, 2010, the Company evaluated the unrealized losses of \$10.2 million related to the debt securities in an unrealized loss position, for which the Company did not have the intent to sell such securities and that it was not more likely than not that the Company would be required to sell such securities before recovery, in order to determine whether such losses were due to credit losses. The securities with unrealized losses of \$10.2 million were primarily comprised of corporate bonds. The Company evaluated such securities utilizing a variety of quantitative and qualitative factors including whether the Company expects to collect all amounts due under the contractual terms of the security, information about current and past events of the issuer, and the length of time and the extent to which the fair value has been less than the cost basis. At June 30, 2010, the Company concluded that unrealized losses on available-for-sale securities held at June 30, 2010 were not credit losses and were attributable to other factors, including changes in interest rates. As a result, the Company concluded that the \$10.2 million in unrealized losses on such securities should be recorded in accumulated other comprehensive income on the Consolidated Balance Sheets at June 30, 2010.

NOTE 6. FAIR VALUE MEASUREMENTS

On July 1, 2008, the Company adopted ASC 820-10, "Fair Value Measurements and Disclosures" for assets and liabilities recognized or disclosed at fair value on a recurring basis. On July 1, 2009, the Company adopted ASC 820-10 for non-financial assets that are recognized or disclosed on a non-recurring basis. The guidance in ASC 820-10 clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures on fair value measurements. ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. ASC 820-10 establishes market or observable inputs as the preferred source of fair value, followed by assumptions based on hypothetical transactions in the absence of market inputs.

In January 2010, the Company adopted ASU 2010-6. The guidance in ASU 2010-6 amends the disclosure requirements in ASC 820.10 and requires new disclosures regarding transfers in and out of Level 1 and 2 asset categories as well as more detailed information for the Level 3 reconciliation of activity, if required. Since we adopted ASC 820.10, we have not had any transfers in or out of Level 1 or Level 2, nor have we had any Level 3 assets or liabilities. ASU 2010-6 also clarifies existing disclosure requirements regarding the level of disaggregation expected, valuation techniques and inputs to fair value measurements.

The valuation techniques required by ASC 820-10 are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. These two types of inputs create the following three-level hierarchy to prioritize the inputs used in measuring fair value. The levels within the hierarchy are described below with Level 1 having the highest priority and Level 3 having the lowest priority.

- Level 1 Fair value is determined based upon closing prices for identical instruments that are traded on active exchanges.
- Level 2 Fair value is determined based upon quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; or model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3 Fair value is determined based upon significant inputs to the valuation model that are unobservable.

Available-for-sale securities included in Level 1 are valued using closing prices for identical instruments that are traded on active exchanges. Available-for-sale securities included in Level 2 are valued utilizing inputs obtained from an independent pricing service. To determine the fair value of our Level 2 investments, a variety of inputs are utilized, including benchmark yields, reported trades, non-binding broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, new issue data, and monthly payment information. Over 99% of our Level 2 investments are valued utilizing inputs obtained from a pricing service. The Company reviews the values generated by the independent pricing service for reasonableness by comparing the valuations received from the independent pricing service to valuations from at least one other observable source. The Company has not adjusted the prices obtained from the independent pricing service. The Company has no available-for-sale securities included in Level 3.

The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the classification of assets and liabilities within the fair value hierarchy. In certain instances, the inputs used to measure fair value may meet the definition of more than one level of the fair value hierarchy. The significant input with the lowest level priority is used to determine the applicable level in the fair value hierarchy.

The following table presents the Company's assets measured at fair value on a recurring basis at June 30, 2010. Included in the table are available-for-sale securities within corporate investments of \$132.2 million and funds held for clients of \$15,384.8 million. Refer to Note 5 for additional disclosure in relation to corporate investments and funds held for clients.

	Level 1	Level 2	Level 3	Total
U.S Treasury and direct obligations of U.S. government agencies	\$ -	\$ 5,911.4	\$ -	\$ 5,911.4
Corporate bonds	-	5,332.9	-	5,332.9
Asset-backed securities	-	968.9	-	968.9
Canadian government obligations and Canadian government agency obligations	-	1,032.5	-	1,032.5
Other securities	8.0	2,263.3	-	2,271.3
Total available-for-sale securities	<u>\$ 8.0</u>	<u>\$ 15,509.0</u>	<u>\$ -</u>	<u>\$ 15,517.0</u>

NOTE 7. RECEIVABLES

The Company's receivables include notes receivable for the financing of the sale of computer systems, most of which are due from automotive, truck and powersports dealers. These notes receivable are reflected on the Consolidated Balance Sheets as follows:

June 30,	2010		2009	
	Current	Long-term	Current	Long-term
Receivables	\$ 110.3	\$ 155.0	\$ 136.8	\$ 193.4
Less:				
Allowance for doubtful accounts	(9.4)	(16.1)	(9.9)	(18.0)
Unearned income	(9.9)	(9.5)	(13.3)	(12.8)
	<u>\$ 91.0</u>	<u>\$ 129.4</u>	<u>\$ 113.6</u>	<u>\$ 162.6</u>

Long-term receivables at June 30, 2010 mature as follows:

2012	\$ 70.0
2013	48.7
2014	27.5
2015	8.5
2016	0.3
	<u>\$ 155.0</u>

Accounts receivable, net is recorded based upon the gross amount the Company expects to receive from its clients, which is net of an allowance for doubtful accounts of \$49.0 million and \$47.8 million at June 30, 2010 and 2009, respectively. Long-term receivables, net represent our notes receivable that are recorded based upon the gross amount the Company expects to receive from its clients, which is net of an allowance for doubtful accounts of \$16.1 million and \$18.0 million at June 30, 2010 and 2009, respectively, and unearned income of \$9.5 million and \$12.8 million at June 30, 2010 and 2009, respectively, and represents the excess of the gross receivables over the sales price of the computer systems financed. The unearned income is amortized using the effective interest method. The carrying value of notes receivable approximates fair value.

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at cost and accumulated depreciation at June 30, 2010 and 2009 are as follows:

June 30,	2010	2009
Property, plant and equipment:		
Land and buildings	\$ 700.1	\$ 721.1
Data processing equipment	731.3	770.2
Furniture, leaseholds and other	397.4	417.6
	<u>1,828.8</u>	<u>1,908.9</u>
Less: accumulated depreciation	<u>(1,155.0)</u>	<u>(1,174.6)</u>
Property, plant and equipment, net	<u>\$ 673.8</u>	<u>\$ 734.3</u>

Depreciation of property, plant and equipment was \$152.6 million, \$155.8 million and \$166.3 million for fiscal 2010, 2009 and 2008, respectively.

NOTE 9. ASSETS HELD FOR SALE

During fiscal 2009, the Company reclassified assets related to three buildings as assets held for sale on the Consolidated Balance Sheets. Such assets were previously reported in property, plant and equipment, net on the Consolidated Balance Sheets. The Company sold two of the buildings as of June 30, 2010. Additionally, during fiscal 2010, the Company reclassified assets related to one other building as assets held for sale on the Consolidated Balance Sheets. At June 30, 2010, the Company had \$11.8 million classified as assets held for sale on the Consolidated Balance Sheets. During July 2010, the Company completed the sale of the two buildings previously classified as assets held for sale at June 30, 2010.

NOTE 10. GOODWILL AND INTANGIBLE ASSETS, NET

Changes in goodwill for the fiscal year ended June 30, 2010 and 2009 are as follows :

	Employer Services	PEO Services	Dealer Services	Total
Balance as of June 30, 2008	\$ 1,615.7	\$ 4.8	\$ 806.2	\$ 2,426.7
Additions and other adjustments, net	4.5	-	67.0	71.5
Currency translation adjustments	(53.2)	-	(69.5)	(122.7)
Balance as of June 30, 2009	\$ 1,567.0	\$ 4.8	\$ 803.7	\$ 2,375.5
Additions and other adjustments, net	80.6	-	1.4	82.0
Adjustments for discontinued operations	-	-	(15.0)	(15.0)
Currency translation adjustments	(36.3)	-	(22.9)	(59.2)
Balance as of June 30, 2010	<u>\$ 1,611.3</u>	<u>\$ 4.8</u>	<u>\$ 767.2</u>	<u>\$ 2,383.3</u>

In fiscal 2010, 2009 and 2008, the Company performed the required annual impairment tests of goodwill and determined that there was no impairment.

Components of intangible assets are as follows:

June 30,	2010	2009
Intangibles:		
Software and software licenses	\$ 1,160.0	\$ 1,085.0
Customer contracts and lists	640.3	621.9
Other intangibles	209.5	197.3
	<u>2,009.8</u>	<u>1,904.2</u>
Less accumulated amortization:		
Software and software licenses	(946.0)	(858.5)
Customer contracts and lists	(375.6)	(328.6)
Other intangibles	(145.8)	(138.4)
	<u>(1,467.4)</u>	<u>(1,325.5)</u>
Intangible assets, net	<u>\$ 542.4</u>	<u>\$ 578.7</u>

Other intangibles consist primarily of purchased rights, covenants, patents and trademarks (acquired directly or through acquisitions). All of the intangible assets have finite lives and, as such, are subject to amortization. The weighted average remaining useful life of the intangible assets is 6 years (3 years for software and software licenses, 8 years for customer contracts and lists, and 7 years for other intangibles). Amortization of intangible assets was \$156.6 million, \$151.9 million and \$152.0 million for fiscal 2010, 2009 and 2008, respectively.

Estimated amortization expenses of the Company's existing intangible assets for the next five fiscal years are as follows:

Twelve months ending June 30, 2011	\$ 157.2
Twelve months ending June 30, 2012	\$ 126.5
Twelve months ending June 30, 2013	\$ 65.5
Twelve months ending June 30, 2014	\$ 50.6
Twelve months ending June 30, 2015	\$ 39.2

The Company has not incurred significant costs to renew or extend the term of acquired intangible assets during fiscal 2010.

NOTE 11. SHORT-TERM FINANCING

In June 2010, the Company entered into a \$2.5 billion, 364-day credit agreement with a group of lenders. The 364-day facility replaced the Company's prior \$2.25 billion 364-day facility. In addition, the Company entered into a three-year \$1.5 billion credit facility maturing in June 2013 that contains an accordion feature under which the aggregate commitment can be increased by \$500.0 million, subject to the availability of additional commitments. The three-year facility replaced our prior \$1.5 billion five-year facility, which expired in June 2010. The Company also has an existing \$2.25 billion five-year credit facility that matures in June 2011 that also contains an accordion feature under which the aggregate commitment can be increased by \$500.0 million, subject to the availability of additional commitments. The interest rate applicable to the committed borrowings is tied to LIBOR, the federal funds effective rate or the prime rate depending on the notification provided by the Company to the syndicated financial institutions prior to borrowing. The Company is also required to pay facility fees on the credit agreements. The primary uses of the credit facilities are to provide liquidity to the commercial paper program and to provide funding for general corporate purposes, if necessary. The Company had no borrowings through June 30, 2010 under the credit agreements.

The Company's U.S. short-term funding requirements related to client funds are sometimes obtained through a short-term commercial paper program, which provides for the issuance of up to \$6.0 billion in aggregate maturity value of commercial paper. In August 2010, the Company increased the U.S. short-term commercial paper program to provide for the issuance of up to \$6.25 billion in aggregate maturity value. The Company's commercial paper program is rated A-1+ by Standard and Poor's and Prime-1 by Moody's. These ratings denote the highest quality commercial paper securities. Maturities of commercial paper can range from overnight to up to 364 days. At June 30, 2010, the Company had no commercial paper outstanding. At June 30, 2009, the Company had \$0.7 billion in commercial paper outstanding. Such amount was repaid on July 1, 2009. In fiscal 2010 and 2009, the Company's average borrowings were \$1.6 billion and \$1.9 billion, respectively, at a weighted average interest rate of 0.2% and 1.0%, respectively. The weighted average maturity of the Company's commercial paper in fiscal 2010 and 2009 was less than two days for both fiscal years.

The Company's U.S. and Canadian short-term funding requirements related to client funds obligations are sometimes obtained on a secured basis through the use of reverse repurchase agreements. These agreements are collateralized principally by government and government agency securities. These agreements generally have terms ranging from overnight to up to five business days. The Company has \$2 billion available to it on a committed basis under these reverse repurchase agreements. At June 30, 2010 and 2009, there were no outstanding obligations under reverse repurchase agreements. In fiscal 2010 and 2009, the Company had average outstanding balances under reverse repurchase agreements of \$425.0 million and \$425.9 million, respectively, at weighted average interest rates of 0.2% and 1.3%, respectively.

NOTE 12. DEBT

Components of long-term debt are as follows:

June 30,	2010	2009
Industrial revenue bonds		
(with variable interest rates from 0.4% to 1.1%)	\$ 25.4	\$ 26.5
Secured financing	17.2	19.0
Other	-	-
	<u>42.6</u>	<u>45.5</u>
Less: current portion	<u>(2.8)</u>	<u>(2.8)</u>
	<u>\$ 39.8</u>	<u>\$ 42.7</u>

During fiscal 2008, the Company entered into a secured financing agreement, whereby the Company borrowed \$21.1 million from a third party in exchange for a security interest in a single client's unbilled accounts receivable, which is billable over a ten-year period. The Company will continue to collect amounts due from the client as they are billed. The security interest in the receivables retained by the third party is without recourse against the Company in the event that the client does not make the appropriate payments to the Company. As of June 30, 2010, the Company has recorded approximately \$2.8 million within accrued expenses and other current liabilities and approximately \$14.4 million within long-term debt on the Company's Consolidated Balance Sheets related to the secured financing arrangement.

The fair value of the industrial revenue bonds and other debt, included above, approximates carrying value.

Long-term debt repayments at June 30, 2010 are due as follows:

2012	\$ 1.7
2013	17.1
2014	1.8
2015	1.8
2016	1.8
Thereafter	<u>15.6</u>
	<u>\$ 39.8</u>

Cash payments relating to interest on long-term debt and the short-term financing arrangements described in Note 11 were approximately \$8.9 million, \$40.1 million, and \$82.1 million in fiscal 2010, 2009 and 2008, respectively.

NOTE 13. FOREIGN CURRENCY RISK MANAGEMENT PROGRAMS

The Company is exposed to market risk from changes in foreign currency exchange rates that could impact its consolidated results of operations, financial position or cash flows. The Company manages its exposure to these market risks through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. The Company uses derivative financial instruments as risk management tools and not for trading purposes.

During fiscal 2010, the Company was exposed to foreign exchange fluctuations on U.S. Dollar denominated short-term intercompany amounts payable by a Canadian subsidiary to a U.S. subsidiary of the Company in the amount of \$178.6 million U.S. Dollars. In order to manage the exposure related to the foreign exchange fluctuations between the Canadian Dollar and the U.S. Dollar, the Canadian subsidiary entered into a foreign exchange forward contract, which obligated the Canadian subsidiary to buy \$178.6 million U.S. dollars at a rate of 1.15 Canadian Dollars to each U.S. Dollar on December 1, 2009. Upon settlement of such contract on December 1, 2009, an additional foreign exchange forward contract was entered into that obligated the Canadian subsidiary to buy \$29.4 million U.S. Dollars at a rate of 1.06 Canadian dollars to each U.S. Dollar on February 26, 2010. The net loss on the foreign exchange forward contracts of \$15.8 million for the twelve months ended June 30, 2010 was recognized in earnings in fiscal 2010 and substantially offset the foreign currency mark-to-market gains and losses on the related short-term intercompany amounts payable. The short-term intercompany amounts payable were fully paid by the Canadian subsidiary to the U.S. subsidiary by February 2010.

There were no derivative financial instruments outstanding at June 30, 2010, 2009 or 2008.

NOTE 14. EMPLOYEE BENEFIT PLANS

A. Stock Plans. The Company recognizes stock-based compensation expense in net earnings based on the fair value of the award on the date of grant. Stock-based compensation consists of the following:

- **Stock Options.** Stock options are granted to employees at exercise prices equal to the fair market value of the Company's common stock on the dates of grant. Stock options are issued under a grade vesting schedule. Options granted prior to July 1, 2008 generally vest ratably over five years and have a term of 10 years. Options granted after July 1, 2008 generally vest ratably over four years and have a term of 10 years. Compensation expense for stock options is recognized over the requisite service period for each separately vesting portion of the stock option award.
- **Employee Stock Purchase Plan.**
 - Prior to January 1, 2009, the Company offered an employee stock purchase plan that allowed eligible employees to purchase shares of common stock at a price equal to 85% of the market value for the common stock at the date the purchase price for the offering was determined. No further compensation expense related to this stock purchase plan was recorded after completion of the vesting period of the final offering under such plan on December 31, 2009.
 - Subsequent to June 30, 2009, the Company offers an employee stock purchase plan that allows eligible employees to purchase shares of common stock at a price equal to 95% of the market value for the Company's common stock on the last day of the offering period. This plan has been deemed non-compensatory and therefore, no compensation expense has been recorded.
- **Restricted Stock.**
 - **Time-Based Restricted Stock.** The Company has issued time-based restricted stock to certain key employees. These shares are restricted as to transfer and in certain circumstances must be returned to the Company at the original purchase price. The Company records stock compensation expense relating to the issuance of restricted stock based on market prices on the date of grant on a straight-line basis over the period in which the transfer restrictions exist, which is up to five years from the date of grant.
 - **Performance-Based Restricted Stock.** The performance-based restricted stock programs have either a one-year or two-year performance period, and a subsequent six-month service period. Under these programs, the Company communicates "target awards" to employees at the beginning of a performance period and, as such, dividends are not paid in respect of the "target awards" during the performance period. After the performance period, if the performance targets are achieved, associates are eligible to receive dividends on any shares awarded under the program. The performance target is based on EPS growth over the performance period, with possible payouts ranging from 0% to 125% of the "target awards". Stock-based compensation expense is measured based upon the fair value of the award on the grant date. Compensation expense is recognized on a straight-line basis over the vesting terms of approximately 18 months and 30 months, for the one-year and two-year plans, respectively, based upon the probability the performance target will be met.

The Company currently utilizes treasury stock to satisfy stock option exercises, issuances under the Company's employee stock purchase plan and restricted stock awards. Stock-based compensation expense of \$67.6 million, \$96.0 million and \$123.6 million was recognized in earnings from continuing operations in fiscal 2010, 2009 and 2008, respectively, as well as related tax benefits of \$22.3 million, \$27.6 million and \$37.0 million, respectively.

Years ended June 30,	2010	2009	2008
Operating expenses	\$ 11.7	\$ 20.6	\$ 25.4
Selling, general and administrative expenses	45.9	60.4	76.7
System development and programming costs	10.0	15.0	21.5
Total pretax stock-based compensation expense	\$ 67.6	\$ 96.0	\$ 123.6

As of June 30, 2010, the total remaining unrecognized compensation cost related to non-vested stock options and restricted stock awards amounted to \$14.4 million and \$37.6 million, respectively, which will both be amortized over the weighted average remaining requisite service periods of 1.6 years.

In fiscal 2010, the following activity occurred under our existing plans:

Stock Options:

Years ended June 30,	Number of Options (in thousands)			Weighted Average Price (in dollars)		
	2010	2009	2008	2010	2009	2008
Options outstanding, beginning of year	45,320	49,127	53,786	\$ 41	\$ 41	\$ 40
Options granted	1,265	1,390	2,047	\$ 40	\$ 39	\$ 41
Options exercised	(6,154)	(2,502)	(5,068)	\$ 37	\$ 36	\$ 34
Options canceled	(5,431)	(2,695)	(1,638)	\$ 44	\$ 41	\$ 43
Options outstanding, end of year	35,000	45,320	49,127	\$ 41	\$ 41	\$ 41
Options exercisable, end of year	29,781	37,318	36,653	\$ 41	\$ 41	\$ 41
Shares available for future grants, end of year	28,270	24,104	22,799			
Shares reserved for issuance under stock option plans, end of year	63,270	69,424	71,926			

Performance-Based Restricted Stock:

Years ended June 30,	Number of Shares (in thousands)		
	2010	2009	2008
Restricted shares outstanding, beginning of year	2,632	2,928	1,711
Restricted shares granted	1,129	1,850	1,487
Restricted shares vested	(1,327)	(1,988)	(122)
Restricted shares forfeited (a)	(1,322)	(158)	(148)
Restricted shares outstanding, end of year	1,112	2,632	2,928

(a) Shares forfeited for the year ended June 30, 2010 includes 1.1 million shares that were forfeited in fiscal 2010 due to performance targets not being met.

The aggregate intrinsic value of stock options outstanding and exercisable as of June 30, 2010 was \$52.9 million and \$50.2 million, respectively, and the aggregate intrinsic value for stock options exercised in fiscal 2010 was \$29.1 million.

Summarized information about stock options outstanding as of June 30, 2010 is as follows:

Exercise Price Range	Outstanding			Exercisable		
	Number of Options (in thousands)	Remaining Life (in years)	Weighted Average Price (in dollars)	Number of Options (in thousands)	Remaining Life (in years)	Weighted Average Price (in dollars)
Under \$25	-	-	\$ -	-	-	\$ -
\$25 to \$35	2,370	2.6	\$ 31	2,370	2.6	\$ 31
\$35 to \$45	26,130	4.6	\$ 40	21,232	3.9	\$ 40
\$45 to \$55	6,500	1.4	\$ 50	6,179	1.1	\$ 50
	<u>35,000</u>	<u>3.9</u>	<u>\$ 41</u>	<u>29,781</u>	<u>3.3</u>	<u>\$ 41</u>

In fiscal 2010, the Company issued 1.4 million shares in connection with the final compensatory employee stock purchase plan offering that vested on December 31, 2009.

The fair value of each stock option issued prior to January 1, 2005 was estimated on the date of grant using a Black-Scholes option pricing model. For stock options issued on or after January 1, 2005, the fair value of each stock option was estimated on the date of grant using a binomial option pricing model. The binomial model considers a range of assumptions related to volatility, risk-free interest rate and employee exercise behavior. Expected volatilities utilized in the binomial model are based on a combination of implied market volatilities, historical volatility of the Company's stock price and other factors. Similarly, the dividend yield is based on historical experience and expected future changes. The risk-free rate is derived from the U.S. Treasury yield curve in effect at the time of grant. The binomial model also incorporates exercise and forfeiture assumptions based on an analysis of historical data. The expected life of the stock option grant is derived from the output of the binomial model and represents the period of time that options granted are expected to be outstanding.

The fair value for stock options granted was estimated at the date of grant with the following assumptions:

Years ended June 30,	2010	2009	2008
Risk-free interest rate	2.3% - 2.6%	1.8% - 3.1%	2.8% - 4.6%
Dividend yield	3.2% - 3.4%	2.6% - 3.5%	1.7% - 2.7%
Weighted average volatility factor	25.9% - 30.4%	25.3% - 31.3%	22.8% - 25.6%
Weighted average expected life (in years)	5.0 - 5.1	5.0	5.0

The weighted average fair values of stock plan issuances were as follows (in dollars):

Years ended June 30,	2010	2009	2008
Stock options	\$ 7.05	\$ 7.54	\$ 8.31
Stock purchase plan	\$ -	\$ -	\$ 11.99
Performance-based restricted stock	\$ 41.95	\$ 39.04	\$ 44.61

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 interest. The plan interest credit rate will vary from year-to-year based on the ten-year U.S. Treasury rate. Employees are fully vested on completion of three years of 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 and maintains a Supplemental Officers Retirement Plan ("SORP"). The SORP is a defined benefit plan pursuant to which the Company will pay supplemental pension benefits to certain key officers upon retirement based upon the officers' years of service and compensation.

A June 30 measurement date was used in determining the Company's benefit obligations and fair value of plan assets.

ASC 715-10 requires a company to (a) recognize in its statement of financial position an asset for a plan's overfunded status or a liability for a plan's underfunded status, (b) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year, and (c) recognize changes in the funded status of a defined benefit plan in the year in which the changes occur in accumulated other comprehensive income (loss).

The Company's pension plans funded status as of June 30, 2010 and 2009 is as follows :

June 30,	2010	2009
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 787.0	\$ 952.2
Actual return on plan assets	117.6	(144.3)
Employer contributions	112.3	6.3
Benefits paid	(35.2)	(27.2)
Fair value of plan assets at end of year	<u>\$ 981.7</u>	<u>\$ 787.0</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 894.9	\$ 842.8
Service cost	47.6	46.2
Interest cost	59.1	56.7
Actuarial and other gains	121.5	(23.6)
Benefits paid	(35.2)	(27.2)
Projected benefit obligation at end of year	<u>\$ 1,087.9</u>	<u>\$ 894.9</u>
Funded status - plan assets less benefit obligations	<u>\$ (106.2)</u>	<u>\$ (107.9)</u>

The amounts recognized on the Consolidated Balance Sheets as of June 30, 2010 and 2009 consisted of:

June 30,	2010	2009
Noncurrent assets	\$ -	\$ 1.0
Current liabilities	(3.9)	(4.4)
Noncurrent liabilities	(102.3)	(104.5)
Net amount recognized	<u>\$ (106.2)</u>	<u>\$ (107.9)</u>

The accumulated benefit obligation for all defined benefit pension plans was \$1,078.5 million and \$887.4 million at June 30, 2010 and 2009, respectively.

The Company's pension plans with accumulated benefit obligations in excess of plan assets as of June 30, 2010 and 2009 had the following projected benefit obligation, accumulated benefit obligation and fair value of plan assets:

June 30,	2010	2009
Projected benefit obligation	\$ 1,054.4	\$ 870.8
Accumulated benefit obligation	\$ 1,048.3	\$ 865.7
Fair value of plan assets	\$ 951.0	\$ 762.0

The components of net pension expense were as follows:

Years ended June 30,	2010	2009	2008
Service cost - benefits earned			
during the period	\$ 47.6	\$ 46.2	\$ 46.1
Interest cost on projected benefits	59.1	56.7	50.7
Expected return on plan assets	(76.5)	(70.3)	(67.2)
Net amortization and deferral	4.5	1.2	10.4
	<u>\$ 34.7</u>	<u>\$ 33.8</u>	<u>\$ 40.0</u>

The net actuarial and other loss, transition obligation and prior service cost for the defined benefit pension plans that are included in accumulated other comprehensive income and that have not yet been recognized as components of net periodic benefit cost are \$410.0 million, \$1.1 million and \$7.6 million, respectively, at June 30, 2010. The estimated net actuarial and other loss, transition obligation and prior service cost for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are \$19.4 million, \$0.2 million and \$0.4 million, respectively, at June 30, 2010.

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

Years ended June 30,	2010	2009
Discount rate	5.25%	6.80%
Increase in compensation levels	5.50%	5.50%

Assumptions used to determine the net pension expense generally were:

Years ended June 30,	2010	2009	2008
Discount rate	6.80%	6.95%	6.25%
Expected long-term rate of return on assets	7.25%	7.25%	7.25%
Increase in compensation levels	5.50%	5.50%	5.50%

The discount rate is based upon published rates for high-quality fixed-income investments that produce cash flows that approximate the timing and amount of expected future benefit payments.

The long-term expected rate of return on assets assumption is 7.25%. This percentage has been determined based on historical and expected future rates of return on plan assets considering the target asset mix and the long-term investment strategy.

Plan Assets

The Company's pension plans' asset allocations at June 30, 2010 and 2009 by asset category were as follows:

	2010	2009
United States Fixed Income Securities	37%	37%
United States Equity Securities	42%	47%
International Securities	21%	16%
Total	<u>100%</u>	<u>100%</u>

The Company's pension plans' asset investment strategy is designed to ensure prudent management of assets, consistent with long-term return objectives and the prompt fulfillment of all pension plan obligations. The investment strategy and asset mix were developed in coordination with an asset liability study conducted by external consultants to maximize the funded ratio with the least amount of volatility.

The pension plans' assets are currently invested in various asset classes with differing expected rates of return, correlations and volatilities, including large capitalization and small capitalization U.S. equities, international equities, and U.S. fixed income securities and cash.

The target asset allocation ranges are as follows:

United States Fixed Income Securities	35 – 45%
United States Equity Securities	37 – 50%
International Equity Securities	12 – 20%

The pension plans' fixed income portfolio is designed to match the duration and liquidity characteristics of the pension plans' liabilities. In addition, the pension plans invest only in investment-grade debt securities to ensure preservation of capital. The pension plans' equity portfolios are subject to diversification guidelines to reduce the impact of losses in single investments. Investment managers are prohibited from buying or selling commodities and from the short selling of securities.

None of the pension plans' assets are directly invested in the Company's stock, although the pension plans may hold a minimal amount of Company stock to the extent of the Company's participation in the S&P 500 Index.

Plan investments included in Level 1 are valued using closing prices for identical instruments that are traded on active exchanges. Plan investments included in Level 2 are valued utilizing inputs obtained from an independent pricing service, which are reviewed by the Company for reasonableness. To determine the fair value of our Level 2 plan assets, a variety of inputs are utilized, including benchmark yields, reported trades, non-binding broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, new issue data, and monthly payment information. The Plan has no Level 3 investments at June 30, 2010.

The following table presents the investments of the pension plans measured at fair value at June 30, 2010:

	Level 1	Level 2	Level 3	Total
Comingled trusts	\$ -	\$ 357.1	\$ -	\$ 357.1
U.S. Government securities	-	191.3	-	191.3
Mutual funds	252.1	-	-	252.1
Corporate and municipal bonds	-	160.1	-	160.1
Mortgage-backed security bonds	-	0.7	-	0.7
Total pension assets	<u>\$ 252.1</u>	<u>\$ 709.2</u>	<u>\$ -</u>	<u>\$ 961.3</u>

In addition to the investments of the pension plans of \$961.3 million in the above table, the Company held cash and cash equivalents of the pension plans of \$20.4 million as of June 30, 2010.

Contributions

During July 2010, the Company contributed \$150.0 million to the pension plans. In addition to this contribution, the Company expects to contribute approximately \$7.6 million to the pension plans during fiscal 2011.

Estimated Future Benefit Payments

The benefits expected to be paid in each year from fiscal 2011 to 2015 are \$55.0 million, \$55.5 million, \$62.2 million, \$67.7 million and \$75.3 million, respectively. The aggregate benefits expected to be paid in the five fiscal years from 2016 to 2020 are \$509.1 million. The expected benefits to be paid are based on the same assumptions used to measure the Company's pension plans' benefit obligation at June 30, 2010 and includes estimated future employee service.

C. Retirement and Savings Plan. The Company has a 401(k) retirement and savings plan, which allows eligible employees to contribute up to 35% of their compensation annually and allows highly compensated employees to contribute up to 10% of their compensation annually. The Company matches a portion of employee contributions, which amounted to approximately \$55.8 million, \$52.1 million, and \$49.0 million for calendar years ended December 31, 2009, 2008 and 2007, respectively.

NOTE 15. INCOME TAXES

Earnings (loss) from continuing operations before income taxes shown below are based on the geographic location to which such earnings are attributable.

Years ended June 30,	2010	2009	2008
Earnings (loss) from continuing operations before income taxes:			
United States	\$ 1,638.0	\$ 1,908.6	\$ 1,618.6
Foreign	225.2	(8.5)	184.8
	<u>\$ 1,863.2</u>	<u>\$ 1,900.1</u>	<u>\$ 1,803.4</u>

The provision (benefit) for income taxes consists of the following components:

Years ended June 30,	2010	2009	2008
Current:			
Federal	\$ 401.3	\$ 708.9	\$ 632.3
Foreign	104.4	(121.2)	76.6
State	54.1	35.2	31.5
Total current	559.8	622.9	740.4
Deferred:			
Federal	106.8	(63.3)	(75.7)
Foreign	(15.1)	26.2	(10.8)
State	4.4	(10.8)	(6.2)
Total deferred	96.1	(47.9)	(92.7)
Total provision for income taxes	<u>\$ 655.9</u>	<u>\$ 575.0</u>	<u>\$ 647.7</u>

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

Years ended June 30,	2010	%	2009	%	2008	%
Provision for taxes at U.S. statutory rate	\$ 652.1	35.0	\$ 665.0	35.0	\$ 631.2	35.0
Increase (decrease) in provision from:						
State taxes, net of federal tax	34.5	1.9	37.8	2.0	28.8	1.6
Non-deductible stock-based compensation expense	2.6	0.1	5.5	0.3	5.5	0.3
Tax on repatriated earnings and foreign income	15.1	0.8	43.0	2.2	-	-
Utilization of foreign tax credits	(14.9)	(0.8)	(46.6)	(2.4)	-	-
Tax settlements	-	-	(120.0)	(6.3)	(12.4)	(0.7)
Resolution of tax matters	(12.2)	(0.7)	(2.8)	(0.1)	(3.4)	(0.2)
Section 199 - Qualified Production Activities	(11.8)	(0.6)	(6.9)	(0.4)	(5.6)	(0.3)
Other	(9.5)	(0.5)	-	-	3.6	0.2
	<u>\$ 655.9</u>	<u>35.2</u>	<u>\$ 575.0</u>	<u>30.3</u>	<u>\$ 647.7</u>	<u>35.9</u>

The significant components of deferred income tax assets and liabilities and their balance sheet classifications are as follows:

Years ended June 30,	2010	2009
Deferred tax assets:		
Accrued expenses not currently deductible	\$ 227.4	\$ 270.6
Stock-based compensation expense	100.9	123.1
Accrued retirement benefits	-	41.7
Net operating losses	80.8	53.0
Other	3.0	6.1
	<u>412.1</u>	<u>494.5</u>
Less: valuation allowances	<u>(61.9)</u>	<u>(51.7)</u>
Deferred tax assets, net	<u>\$ 350.2</u>	<u>\$ 442.8</u>
Deferred tax liabilities:		
Prepaid retirement benefits	\$ 19.4	\$ -
Deferred revenue	80.8	105.3
Fixed and intangible assets	176.3	185.7
Prepaid expenses	46.9	40.2
Unrealized investment gains, net	249.0	154.6
Tax on unrepatriated earnings	12.3	30.4
Other	-	4.1
Deferred tax liabilities	<u>\$ 584.7</u>	<u>\$ 520.3</u>
Net deferred tax liabilities	<u>\$ 234.5</u>	<u>\$ 77.5</u>

There are \$35.4 million and \$157.4 million of current deferred tax assets included in other current assets on the Consolidated Balance Sheets at June 30, 2010 and 2009, respectively. There are \$84.5 million and \$44.1 million of long-term deferred tax assets included in other assets on the Consolidated Balance Sheets at June 30, 2010 and 2009, respectively. There are \$48.1 million and \$23.0 million of current deferred tax liabilities included in accrued expenses and other current liabilities on the Consolidated Balance Sheets at June 30, 2010 and 2009, respectively.



Income taxes have not been provided on undistributed earnings of certain foreign subsidiaries in an aggregate amount of approximately \$938.7 million as of June 30, 2010, as the Company considers such earnings to be permanently reinvested outside of the United States. The additional U.S. income tax that would arise on repatriation of the remaining undistributed earnings could be offset, in part, by foreign tax credits on such repatriation. However, it is impractical to estimate the amount of net income and, as a result, the amount of withholding tax that might be payable.

The Company has estimated foreign net operating loss carry-forwards of approximately \$107.2 million as of June 30, 2010, of which \$26.2 million expires in 2011 through 2030 and \$81.0 million has an indefinite utilization period. In addition, the Company has estimated Federal net operating loss carry-forwards of acquired companies of approximately \$17.0 million as of June 30, 2010, which expire in 2011 through 2027. There is an annual limitation pursuant to Internal Revenue Code section 382 on the utilization of the Federal net operating loss carry-forwards of approximately \$8.8 million per year. The Company has estimated state net operating loss carry-forwards of approximately \$213.9 million as of June 30, 2010, which expire in 2011 through 2029.

The Company has recorded valuation allowances of \$61.9 million and \$51.7 million at June 30, 2010 and 2009, respectively, to reflect the estimated amount of domestic and foreign deferred tax assets that may not be realized. A portion of the valuation allowance in the amount of approximately \$2.9 million at June 30, 2009 relates to net deferred tax assets, which were recorded in purchase accounting as a reduction to goodwill. A portion of the valuation allowance in the amount of \$4.3 million at June 30, 2010 relates to net deferred tax assets, which were recorded to our provision for income taxes on the Statements of Consolidated Earnings.

Income tax payments were approximately \$693.4 million, \$719.1 million, and \$755.7 million for fiscal 2010, 2009 and 2008, respectively.

As of June 30, 2010 and 2009, the Company's liabilities for unrecognized tax benefits, which include interest and penalties, were \$107.2 million and \$92.8 million, respectively. The amount that, if recognized, would impact the effective tax rate is \$52.8 million and \$42.0 million, respectively. The remainder, if recognized, would principally affect deferred taxes.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

Unrecognized tax benefits at July 1, 2007	\$ 350.2
Additions for tax positions of the fiscal year ended June 30, 2008	23.6
Reductions for tax positions of the fiscal year ended June 30, 2008	-
Additions for tax positions of periods prior to the fiscal year ended June 30, 2008	43.2
Reductions for tax positions of periods prior to the fiscal year ended June 30, 2008	(11.5)
Settlements with tax authorities	(1.1)
Expiration of the statute of limitations	(4.0)
Impact of foreign exchange rate fluctuations	3.8
Unrecognized tax benefits at June 30, 2008	<u>\$ 404.2</u>
Unrecognized tax benefits at July 1, 2008	\$ 404.2
Additions for tax positions of the fiscal year ended June 30, 2009	19.0
Reductions for tax positions of the fiscal year ended June 30, 2009	(6.4)
Additions for tax positions of periods prior to the fiscal year ended June 30, 2009	111.4
Reductions for tax positions of periods prior to the fiscal year ended June 30, 2009	(207.7)
Settlements with tax authorities	(216.9)
Expiration of the statute of limitations	(3.5)
Impact of foreign exchange rate fluctuations	(7.3)
Unrecognized tax benefits at June 30, 2009	<u>\$ 92.8</u>
Unrecognized tax benefits at July 1, 2009	\$ 92.8
Additions for tax positions of the fiscal year ended June 30, 2010	13.3
Reductions for tax positions of the fiscal year ended June 30, 2010	(2.1)
Additions for tax positions of periods prior to the fiscal year ended June 30, 2010	29.6
Reductions for tax positions of periods prior to the fiscal year ended June 30, 2010	(1.0)
Settlements with tax authorities	(5.0)
Expiration of the statute of limitations	(20.3)
Impact of foreign exchange rate fluctuations	(0.1)
Unrecognized tax benefits at June 30, 2010	<u>\$ 107.2</u>

Interest expense and penalties associated with uncertain tax positions have been recorded in the provision for income taxes on the Statements of Consolidated Earnings. During the fiscal years ended June 30, 2010, 2009 and 2008, the Company recorded interest expense of \$4.0 million, \$15.5 million and \$18.4 million, respectively. At June 30, 2010, the Company had accrued interest of \$15.3 million recorded on the Consolidated Balance Sheets, of which \$0.2 million was recorded within income taxes payable, and the remainder was recorded within other liabilities. At June 30, 2009, the Company had accrued interest of \$29.4 million recorded on the Consolidated Balance Sheets, all of which was recorded within other liabilities. At June 30, 2010, the Company had accrued penalties of \$1.1 million recorded on the Consolidated Balance Sheets, all of which was recorded within other liabilities. At June 30, 2009, the Company had accrued penalties of \$0.5 million recorded on the Consolidated Balance Sheets, all of which was recorded within other liabilities.

The Company is routinely examined by the IRS and tax authorities in foreign countries in which it conducts business, as well as tax authorities in states in which it has significant business operations, such as California, Illinois, Minnesota and New Jersey. The tax years currently under examination vary by jurisdiction. Such examinations currently in progress are as follows:

Taxing Jurisdiction	Fiscal Years under Examination
U.S. (IRS)	2009 – 2010
California	2004 - 2005
Illinois	2004 - 2005
Minnesota	1998 - 2004
New Jersey	2002 - 2006
Province of Alberta	2007

Canada has substantially completed its joint audit with the Province of Ontario for the fiscal years ended June 30, 2005 through June 30, 2007.

The Company regularly considers the likelihood of assessments resulting from examinations in each of the jurisdictions. The resolution of tax matters is not expected to have a material effect on the consolidated financial condition of the Company, although a resolution could have a material impact on the Company's Statements of Consolidated Earnings for a particular future period and on the Company's effective tax rate.

If certain pending tax matters settle within the next twelve months, the total amount of unrecognized tax benefits may increase or decrease for all open tax years and jurisdictions. Based on current estimates, settlements related to various jurisdictions and tax periods could increase earnings up to \$10.0 million in the next twelve months. We do not expect any cash payments related to unrecognized tax benefits in the next twelve months. Audit outcomes and the timing of audit settlements are subject to significant uncertainty. We continually assess the likelihood and amount of potential adjustments and adjust the income tax provision, the current tax liability and deferred taxes in the period in which the facts that give rise to a revision become known.

In January 2010, the Company reached an agreement with the IRS regarding all outstanding tax audit issues in dispute for the tax years 2007 and 2008, which did not have a material impact to the effective tax rate.

In June 2009, the Company reached an agreement with the IRS regarding all outstanding tax audit issues with the IRS in dispute for the tax years 1998 through 2006. As a result, the Company owed the IRS and other tax jurisdictions \$217.5 million, which was satisfied by applying \$113.2 million of funds on deposit and making cash payments of \$103.0 million in fiscal 2010. The impact of this agreement was offset by a receivable of \$168.1 million from the IRS and other tax jurisdictions, of which \$152.3 million was received in fiscal 2010. The remaining balances are expected to be settled in fiscal 2011. In fiscal 2009, the Company had previously recorded a liability for unrecognized tax benefits of \$317.6 million and recorded a benefit to the provision for income taxes of \$99.7 million. Additionally, in fiscal 2009, the Company included a cumulative adjustment between domestic and foreign earnings as a result of the audit settlement described above and a related agreement with a foreign tax authority, and as a result, included a foreign tax benefit of \$119.7 million in its income tax provision.

In April 2009, the Company settled a state tax matter, for which the Company had previously recorded a liability for unrecognized tax benefits of \$14.2 million and a related deferred tax asset of \$5.1 million. Accordingly, the Company recorded a reduction in the provision for income taxes of \$9.2 million during the fourth quarter of fiscal 2009 related to the reversal of the liability for unrecognized tax benefits and the related deferred tax asset. In addition, the Company received a tax credit of \$11.1 million related to the same matter, which further reduced the provision for income taxes during the fourth quarter of fiscal 2009.

During the fiscal year ended June 30, 2008, the Company recorded a reduction in the provision for income taxes of \$12.4 million, which was primarily related to the settlement of a state tax matter, for which the Company had previously recorded a liability for unrecognized tax benefits of \$7.9 million and a related deferred tax asset of \$2.9 million.

During fiscal 2008, the Company recorded a tax-basis adjustment to capital in excess of par value on the Statements of Consolidated Stockholders' Equity, which was related to a business that the Company acquired in May 1999 that was accounted for by the Company as a pooling of interests.

NOTE 16. CONTRACTUAL COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET ARRANGEMENTS

The Company has obligations under various facilities and equipment leases and software license agreements. Total expense under these agreements was approximately \$175.4 million, \$194.2 million, and \$170.4 million in fiscal 2010, 2009 and 2008, respectively, with minimum commitments at June 30, 2010 as follows:

Years ending June 30,

2011	\$ 143.9
2012	101.6
2013	68.3
2014	45.7
2015	33.3
Thereafter	30.5
	<u>\$ 423.3</u>

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.

As of June 30, 2010, the Company has purchase commitments of approximately \$ 710.0 million relating to software and equipment purchases and maintenance contracts, of which \$ 262.6 million relates to the fiscal year ending June 30, 2011, \$ 158.3 million relates to the fiscal year ending June 30, 2012 and the remaining \$ 289.1 million relates to fiscal years ending June 30, 2013 through fiscal 2015.

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

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

NOTE 17. ACCUMULATED OTHER COMPREHENSIVE INCOME

Comprehensive income is a measure of income that includes both net earnings and other comprehensive income (loss). Other comprehensive income (loss) results from items deferred on the Consolidated Balance Sheets in stockholders' equity. Other comprehensive income (loss) was \$53.5 million, \$(120.2) million, and \$309.6 million in fiscal 2010, 2009 and 2008, respectively. The accumulated balances reported in accumulated other comprehensive income on the Consolidated Balance Sheets for each component of other comprehensive income (loss) are as follows:

June 30,	2010	2009	2008
Currency translation adjustments	\$ 16.4	\$ 92.5	\$ 284.6
Unrealized net gain on available-for-sale securities, net of tax	457.8	282.4	91.3
Pension liability adjustment, net of tax	(264.7)	(218.9)	(99.7)
Accumulated other comprehensive income	<u>\$ 209.5</u>	<u>\$ 156.0</u>	<u>\$ 276.2</u>

NOTE 18. FINANCIAL DATA BY SEGMENT AND GEOGRAPHIC AREA

Based upon similar economic characteristics and operational characteristics, the Company's strategic business units have been aggregated into the following three reportable segments: Employer Services, PEO Services and Dealer Services. The primary components of the "Other" segment are miscellaneous processing services, such as customer financing transactions, non-recurring gains and losses and certain expenses that have not been charged to the reportable segments, such as stock-based compensation expense. Certain revenues and expenses are charged to the reportable segments at a standard rate for management reasons. Other costs are recorded based on management responsibility. The fiscal 2009 and 2008 reportable segments' revenues and earnings from continuing operations before income taxes have been adjusted to reflect updated fiscal 2010 budgeted foreign exchange rates. In addition, there is a reconciling item for the difference between actual interest income earned on invested funds held for clients and interest credited to Employer Services and PEO Services at a standard rate of 4.5%. The reportable segments' results also include an internal cost of capital charge related to the funding of acquisitions and other investments. All of these adjustments/charges are reconciling items to our reportable segments' revenues and/or earnings from continuing operations before income taxes and results in the elimination of these adjustments/charges in consolidation. Reportable segments' assets include funds held for clients, but exclude corporate cash, corporate marketable securities and goodwill.

	Employer Services	PEO Services	Dealer Services	Other	Reconciling Items			Total
					Foreign Exchange	Client Fund Interest	Cost of Capital Charge	
Year ended June 30, 2010								
Revenues from continuing operations	\$ 6,442.6	\$ 1,316.8	\$ 1,229.4	\$ 16.4	\$ 59.2	\$ (136.7)	\$ -	\$ 8,927.7
Earnings from continuing operations before income taxes								
	1,722.4	126.6	201.0	(167.8)	10.3	(136.7)	107.4	1,863.2
Assets from continuing operations	20,560.5	160.8	517.7	5,623.2	-	-	-	26,862.2
Capital expenditures for continuing operations								
	42.5	0.3	24.0	23.4	-	-	-	90.2
Depreciation and amortization	217.7	1.3	82.4	115.2	-	-	(107.4)	309.2 (a)
Year ended June 30, 2009								
Revenues from continuing operations	\$ 6,438.9	\$ 1,185.8	\$ 1,267.9	\$ 19.4	\$ (7.3)	\$ (66.3)	\$ -	\$ 8,838.4
Earnings from continuing operations before income taxes								
	1,758.7	117.6	214.3	(233.5)	2.5	(66.3)	106.8	1,900.1
Assets from continuing operations	18,318.2	104.0	591.4	6,338.1	-	-	-	25,351.7
Capital expenditures for continuing operations								
	47.4	0.2	27.0	93.0	-	-	-	167.6
Depreciation and amortization	213.9	1.3	82.5	116.8	-	-	(106.8)	307.7 (a)
Year ended June 30, 2008								
Revenues from continuing operations	\$ 6,227.8	\$ 1,060.5	\$ 1,301.8	\$ 4.9	\$ 153.8	\$ (15.1)	\$ -	\$ 8,733.7
Earnings from continuing operations before income taxes								
	1,606.7	102.0	220.1	(245.4)	25.7	(15.1)	109.4	1,803.4
Assets from continuing operations	18,197.8	45.3	658.2	4,833.1	-	-	-	23,734.4
Capital expenditures for continuing operations								
	87.4	1.0	38.0	59.9	-	-	-	186.3
Depreciation and amortization	251.0	1.5	86.8	88.4	-	-	(109.4)	318.3 (a)

(a) Includes \$70.6 million, \$70.3 million and \$80.6 million for the years ended June 30, 2010, 2009 and 2008, respectively, of depreciation and amortization that does not relate to our services and products.

Revenues and assets from continuing operations by geographic area are as follows:

	United				Total
	States	Europe	Canada	Other	
Year ended June 30, 2010					
Revenues from continuing operations	\$ 7,195.0	\$ 1,089.8	\$ 383.4	\$ 259.5	\$ 8,927.7
Assets from continuing operations	\$ 22,401.1	\$ 1,576.8	\$ 2,558.5	\$ 325.8	\$ 26,862.2
Year ended June 30, 2009					
Revenues from continuing operations	\$ 7,222.8	\$ 1,051.6	\$ 343.4	\$ 220.6	\$ 8,838.4
Assets from continuing operations	\$ 21,577.8	\$ 1,621.8	\$ 1,851.8	\$ 300.3	\$ 25,351.7
Year ended June 30, 2008					
Revenues from continuing operations	\$ 7,072.7	\$ 1,080.8	\$ 388.7	\$ 191.5	\$ 8,733.7
Assets from continuing operations	\$ 19,813.4	\$ 1,951.3	\$ 1,668.7	\$ 301.0	\$ 23,734.4

NOTE 19. QUARTERLY FINANCIAL RESULTS (UNAUDITED)

Summarized quarterly results of our continuing operations for the two fiscal years ended June 30, 2010 are as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year ended June 30, 2010				
Revenues	\$ 2,096.1	\$ 2,198.0	\$ 2,443.2	\$ 2,190.3
Costs of revenues	\$ 1,189.5	\$ 1,227.2	\$ 1,330.7	\$ 1,282.2
Gross profit	\$ 906.6	\$ 970.8	\$ 1,112.5	\$ 908.1
Net earnings from continuing operations	\$ 282.9	\$ 315.0	\$ 401.6	\$ 207.6
Basic earnings per share from continuing operations	\$ 0.56	\$ 0.63	\$ 0.80	\$ 0.42
Diluted earnings per share from continuing operations	\$ 0.56	\$ 0.62	\$ 0.79	\$ 0.42
Year ended June 30, 2009				
Revenues	\$ 2,173.1	\$ 2,195.8	\$ 2,368.7	\$ 2,100.8
Costs of revenues	\$ 1,231.5	\$ 1,183.3	\$ 1,214.7	\$ 1,193.0
Gross profit	\$ 941.6	\$ 1,012.5	\$ 1,154.0	\$ 907.8
Net earnings from continuing operations	\$ 276.8	\$ 298.9	\$ 402.1	\$ 347.4
Basic earnings per share from continuing operations	\$ 0.55	\$ 0.59	\$ 0.80	\$ 0.69
Diluted earnings per share from continuing operations	\$ 0.54	\$ 0.59	\$ 0.80	\$ 0.69

NOTE 20. SUBSEQUENT EVENT (UNAUDITED)

With the exception of those listed in Notes 9, 11 and 14 and those listed below, there are no further subsequent events for disclosure.

Subsequent to June 30, 2010, the Company acquired three businesses for approximately \$500 million. The Company is currently evaluating the opening balance sheets for these businesses. These acquisitions are not expected to be material, either individually or in the aggregate, to the Company's operations, financial position or cash flows.

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

None.

Item 9A. Controls and Procedures

Attached as Exhibits 31.1 and 31.2 to this Annual Report on Form 10-K are certifications of ADP's Chief Executive Officer and Chief Financial Officer, which are required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This "Controls and Procedures" section should be read in conjunction with the report of Deloitte & Touche LLP that appears on page 70 of this Annual Report on Form 10-K and is hereby incorporated herein by reference.

Management's Evaluation of Disclosure Controls and Procedures

The Company carried out an evaluation (the "evaluation"), under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of June 30, 2010 in ensuring that (i) information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure and (ii) such information is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Management's Report on Internal Control over Financial Reporting

It is the responsibility of Automatic Data Processing, Inc.'s ("ADP") management to establish and maintain effective internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Internal control over financial reporting is designed to provide reasonable assurance to ADP's management and board of directors regarding the preparation of reliable financial statements for external purposes in accordance with generally accepted accounting principles.

ADP's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of ADP; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of ADP are being made only in accordance with authorizations of management and directors of ADP; and (iii) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of ADP's assets that could have a material effect on the financial statements of ADP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has performed an assessment of the effectiveness of ADP's internal control over financial reporting as of June 30, 2010 based upon criteria set forth in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management determined that ADP's internal control over financial reporting was effective as of June 30, 2010.

Deloitte & Touche LLP, the independent registered public accounting firm that audited and reported on the consolidated financial statements of ADP included in this Annual Report on Form 10-K, has issued an attestation report on the operating effectiveness of ADP's internal control over financial reporting. The Deloitte & Touche LLP attestation report is set forth below.

/s/ Gary C. Butler

Gary C. Butler

President and Chief Executive Officer

/s/ Christopher R. Reidy

Christopher R. Reidy

Chief Financial Officer

Roseland, New Jersey

August 25 , 2010

Changes in Internal Control over Financial Reporting

There were no changes in ADP's internal control over financial reporting that occurred during the quarter ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, ADP's internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of Automatic Data Processing, Inc. and subsidiaries (the "Company") as of June 30, 2010, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2010, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and consolidated financial statement schedule as of and for the year ended June 30, 2010 of the Company and our report dated August 25, 2010, expressed an unqualified opinion on those consolidated financial statements and consolidated financial statement schedule.

/s/ Deloitte & Touche LLP

Parsippany, New Jersey

August 25, 2010

Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

Executive Officers

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

Name	Age	Position	Employed by ADP Since
Steven J. Anenen	57	<i>President, Dealer Services</i>	1975
Michael A. Bonarti	45	<i>Vice President, General Counsel and Secretary</i>	1997
Gary C. Butler	63	<i>President and Chief Executive Officer</i>	1975
Benito Cachinero	52	<i>Vice President, Human Resources</i>	2007
Michael L. Capone	43	<i>Vice President and Chief Information Officer</i>	1988
Michael C. Eberhard	48	<i>Vice President and Treasurer</i>	1998
Edward B. Flynn, III	50	<i>Vice President, Employer Services–Sales</i>	1988
Regina R. Lee	53	<i>President, Employer Services– Small Business Services and Major Account Services</i>	1982
Anish Rajparia	39	<i>President, Employer Services—International</i>	2002
Christopher R. Reidy	53	<i>Chief Financial Officer</i>	2006
Carlos A. Rodriguez	46	<i>President, Employer Services– National Account Services and Employer Services–International</i>	1999
Alan Sheiness	52	<i>Corporate Controller and Principal Accounting Officer</i>	1984
Jan Siegmund	46	<i>President, Added Value Services and Chief Strategy Officer</i>	1999

Messrs. Anenen and Butler have each been employed by ADP in senior executive positions for more than the past five years.

Michael A. Bonarti joined ADP in 1997. Prior to his promotion to Vice President, General Counsel and Secretary in June 2010, he served as Staff Vice President and Associate General Counsel from November 2007 to June 2010, as Associate General Counsel from January 2007 to November 2007 and as Assistant General Counsel from 2002 to January 2007.

Benito Cachinero joined ADP in 2007 as Vice President, Human Resources. Prior to joining ADP, he was Vice President, Human Resources for the Medical Devices & Diagnostics Group of Johnson & Johnson from 2004 to 2007.

Michael L. Capone joined ADP in 1988. Prior to his promotion to Vice President and Chief Information Officer in 2008, he served as Senior Vice President and General Manager of GlobalView from 2005 to 2008, and as Vice President, Corporate Information Systems from 1999 to 2005.

Michael C. Eberhard joined ADP in 1998. Prior to his promotion to Vice President and Treasurer in 2009, he served as Staff Vice President and Assistant Treasurer from 2007 to 2009 and as Vice President, Corporate Treasury from 2004 to 2007.

Edward B. Flynn, III joined ADP in 1988. Prior to his promotion to Vice President, Employer Services–Sales in 2009, he served as President, Employer Services – International from 2008 to 2009 and as Senior Vice President of Sales for Employer Services, International, from 2004 to 2008.

Regina R. Lee joined ADP in 1982. Prior to her promotion to President, Employer Services – Small Business Services and Major Account Services in 2010, she served as President, Employer Services – National Account Services and Employer Services – International from 2008 to 2010, as President, National Account Services, Employer Services from 2005 to 2008, and as President, Small Business Services, Employer Services from 2004 to 2005.

Anish Rajparia joined ADP in 2002. Prior to his promotion to President, Employer Services – International in 2009, he served as President, Employer Services – Europe from 2006 to 2009, and as General Manager, Retirement Services, from 2004 to 2006.

Christopher R. Reidy joined ADP in 2006 as Vice President and Chief Financial Officer. Prior to joining ADP, he was Vice President, Controller and Chief Accounting Officer of the AT&T Corporation from 2003 to 2006.

Carlos A. Rodriguez joined ADP in 1999. Prior to his promotion in 2010 to President, Employer Services – National Account Services and Employer Services – International, he served as President, Small Business Services, Employer Services, from 2007 to 2010 and as President of TotalSource, Employer Services from 2000 to 2007.

Alan Sheiness joined ADP in 1984. Prior to his promotion to Corporate Controller and Principal Accounting Officer in 2007, he served as President, Small Business Services, Employer Services, from 2006 to 2007, and as Chief Financial Officer, Employer Services, from 2004 to 2005.

Jan Siegmund joined ADP in 1999. Prior to his promotion to President, Added Value Services and Chief Strategy Officer in 2009, he served as President, Added Value Services from 2007 to 2009 and as Vice President, Strategic Development from 2004 to 2007.

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

Directors

See "Election of Directors" in the Proxy Statement for the Company's 2010 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 the Company's 2010 Annual Meeting of Stockholders, which information is incorporated herein by reference.

Code of Ethics

ADP has adopted a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions. The code of ethics may be viewed online on ADP's website at www.adp.com under "Ethics" in the "About ADP" section. Any amendment to or waivers from the code of ethics will be disclosed on our website within four business days following the date of the amendment or waiver.

Audit Committee

See “Audit Committee Report” in the Proxy Statement for the Company’s 2010 Annual Meeting of Stockholders, which information is incorporated herein by reference.

Item 11. Executive Compensation

See “Compensation of Executive Officers” and “Election of Directors – Compensation of Non-Employee Directors” in the Proxy Statement for the Company’s 2010 Annual Meeting of Stockholders, which information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

See “Election of Directors – Security Ownership of Certain Beneficial Owners and Managers” and “Election of Directors – Equity Compensation Plan Information” in the Proxy Statement for the Company’s 2010 Annual Meeting of Stockholders, which information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

See “Election of Directors – Corporate Governance” in the Proxy Statement for the Company’s 2010 Annual Meeting of Stockholders, which information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

See “Independent Registered Public Accounting Firm’s Fees” in the Proxy Statement for the Company’s 2010 Annual Meeting of Stockholders, which information is incorporated herein by reference.

Part IV

Item 15. Exhibits, Financial Statement Schedules

(a) Financial Statements and Financial Statement Schedules

1. Financial Statements

The following report and consolidated financial statements of the Company are contained in Part II, Item 8 hereof:

Report of Independent Registered Public Accounting Firm

Statements of Consolidated Earnings - years ended June 30, 2010, 2009 and 2008

Consolidated Balance Sheets - June 30, 2010 and 2009

Statements of Consolidated Stockholders' Equity - years ended June 30, 2010, 2009 and 2008

Statements of Consolidated Cash Flows - years ended June 30, 2010, 2009 and 2008

Notes to Consolidated Financial Statements

2. Financial Statement Schedules

Schedule II - Valuation and Qualifying Accounts

Page in Form 10-K

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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.

(b) Exhibits

The following exhibits are filed with this Annual Report on 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 the Company's Registration Statement No. 333-72023 on Form S-4 filed with the Commission on February 9, 1999
- 3.2 - Amended and Restated By-laws of the Company - incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K dated November 13, 2007
- 10.1 - Separation and Distribution Agreement, dated as of March 20, 2007, between Automatic Data Processing, Inc. and Broadridge Financial Solutions, LLC - incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 21, 2007

- 10.2 - Letter Agreement dated as of June 28, 2006 between Automatic Data Processing, Inc. and Gary C. Butler - incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated June 28, 2006 (Management Contract)
- 10.3 - Key Employees' Restricted Stock Plan - incorporated by reference to the Company's Registration Statement No. 33-25290 on Form S-8 (Management Compensatory Plan)
- 10.4 - Amended and Restated Supplemental Officers Retirement Plan – incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated November 10, 2009 (Management Compensatory Plan)
- 10.5 - 1989 Non-Employee Director Stock Option Plan - incorporated by reference to Exhibit 10(iii)(A)-#7 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1990 (Management Compensatory Plan)
- 10.6 - Amendment to 1989 Non-Employee Director Stock Option Plan - incorporated by reference to Exhibit 10.6(a) to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1997 (Management Compensatory Plan)
- 10.7 - 1994 Directors' Pension Arrangement - incorporated by reference to Exhibit 10(iii)(A)-#10 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1994 (Management Compensatory Plan)
- 10.8 - 2000 Stock Option Plan - incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2009 (Management Compensatory Plan)
- 10.9 - Automatic Data Processing, Inc. Deferred Compensation Plan (Management Compensatory Plan)
- 10.10 - Change in Control Severance Plan for Corporate Officers, as amended - incorporated by reference to Exhibit 10.10 to the Company's Current Report on Form 8-K dated June 16, 2006 (Management Compensatory Plan)
- 10.11 - Amended and Restated Employees' Saving-Stock Option Plan - incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2005 (Management Compensatory Plan)
- 10.12 - 2003 Director Stock Plan - incorporated by reference to Exhibit 4.4 to Registration Statement No. 333-147377 on Form S-8 filed with the Commission on November 14, 2007 (Management Compensatory Plan)
- 10.13 - Amended and Restated Employees' Savings-Stock Purchase Plan – incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2009 (Management Compensatory Plan)

- 10.14 - 364-Day Credit Agreement, dated as of June 23, 2010, among Automatic Data Processing, Inc., the Lenders Party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A., BNP Paribas and Wells Fargo Bank, N.A. as Syndication Agents, and Barclays Bank PLC, Citicorp USA, Inc., Deutsche Bank Securities Inc., Intesa SanPaolo S.p.A, and Morgan Stanley MUFG Loan Partners, LLC, as Documentation Agents - incorporated by reference to Exhibit 10.14 to the Company's Current Report on Form 8-K dated June 25, 2010
- 10.15 - Five-Year Credit Agreement, dated as of June 28, 2006, among Automatic Data Processing, Inc., the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A., as Syndication Agent, and Barclays Bank PLC, BNP Paribas, Citicorp USA, Inc., Deutsche Bank AG New York Branch and Wachovia Bank National Association, as Documentation Agents - incorporated by reference to Exhibit 10.15 to the Company's Current Report on Form 8-K dated June 30, 2006
- 10.16 - Three-Year Credit Agreement, dated as of June 23, 2010, among Automatic Data Processing, Inc., the Lenders Party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A., BNP Paribas and Wells Fargo Bank, N.A. as Syndication Agents, and Barclays Bank PLC, Citicorp USA, Inc., Deutsche Bank Securities Inc., Intesa SanPaolo S.p.A, and Morgan Stanley MUFG Loan Partners, LLC, as Documentation Agents- incorporated by reference to Exhibit 10.16 to the Company's Current Report on Form 8-K dated June 25, 2010
- 10.17 - 2000 Stock Option Grant Agreement (Form for Employees) used prior to August 14, 2008 – incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2004 (Management Compensatory Plan)
- 10.18 - 2000 Stock Option Grant Agreement (Form for French Associates) used prior to August 14, 2008 – incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2004 (Management Compensatory Plan)
- 10.19 - 2000 Stock Option Grant Agreement (Form for Non-Employee Directors) used prior to August 14, 2008 – incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2004 (Management Compensatory Plan)
- 10.20 - 2000 Stock Option Grant Agreement (Form for Employees) for use beginning August 14, 2008 – incorporated by reference to Exhibit 10.25 to the Company's Current Report on Form 8-K dated August 13, 2008 (Management Compensatory Plan)
- 10.21 - Directors Compensation Summary Sheet – incorporated by reference to Exhibit 10.20 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2007 (Management Compensatory Plan)

- 10.22 - Letter Agreement, dated as of August 1, 2006, between Automatic Data Processing, Inc. and Christopher R. Reidy – incorporated by reference to Exhibit 10.22 to the Company’s Current Report on Form 8-K dated August 2, 2006 (Management Contract)
- 10.23 - Termination Agreement and Release by and between Campbell B. Langdon and Automatic Data Processing, Inc. dated June 25, 2010 (Management Contract)
- 10.24 - 2008 Omnibus Award Plan - incorporated by reference to Appendix A to the Company’s Proxy Statement for its 2008 Annual Meeting of Stockholders filed with the Commission on September 26, 2008 (Management Compensatory Plan)
- 10.25 - Form of Restricted Stock Award Agreement under the 2008 Omnibus Award Plan – incorporated by reference to Exhibit 10.31 to the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2008 (Management Compensatory Plan)
- 10.26 - Form of Stock Option Grant Agreement under the 2008 Omnibus Award Plan (Form for French Employees) – incorporated by reference to Exhibit 10.30 to the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2008 (Management Compensatory Plan)
- 10.27 - Form of Stock Option Grant Agreement under the 2008 Omnibus Award Plan (Form for Non-Employee Directors) used on November 11, 2008 – incorporated by reference to Exhibit 10.27 to the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2008 (Management Compensatory Plan)
- 10.28 - Form of Stock Option Grant Agreement under the 2008 Omnibus Award Plan (Form for Non-Employee Directors) for grants after November 11, 2008 – incorporated by reference to Exhibit 10.28 to the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2008 (Management Compensatory Plan)
- 10.29 - Form of Stock Option Grant Agreement under the 2008 Omnibus Award Plan (Form for Employees) – incorporated by reference to Exhibit 10.29 to the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2008 (Management Compensatory Plan)
- 21 - Subsidiaries of the Company
- 23 - Consent of Independent Registered Public Accounting Firm
- 31.1 - Certification by Gary C. Butler pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
- 31.2 - Certification by Christopher R. Reidy pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
- 32.1 - Certification by Gary C. Butler pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 - Certification by Christopher R. Reidy pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101.INS* - XBRL instance document

- 101.SCH* - XBRL taxonomy extension schema document
- 101.CAL* - XBRL taxonomy extension calculation linkbase document
- 101.LAB* - XBRL taxonomy label linkbase document
- 101.PRE* - XBRL taxonomy extension presentation linkbase document
- 101.DEF* - XBRL taxonomy extension definition linkbase document

* As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933, as amended, and Section 18 of the Exchange Act.

AUTOMATIC DATA PROCESSING, INC.

AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

<u>Column A</u>	(In thousands)				<u>Column D</u>	<u>Column E</u>
	<u>Column B</u>	<u>Column C</u>		<u>Deductions</u>		
	Balance at beginning of period	Additions				
(1)		(2)				
	Charged to costs and expenses	Charged to other accounts				
Year ended June 30, 2010:						
Allowance for doubtful accounts:						
Current	\$ 47,831	\$ 21,177	\$ --	\$ (20,046)(A)	\$ 48,962	
Long-term	\$ 18,034	\$ 3,846	\$ --	\$ (5,832)(A)	\$ 16,048	
Deferred tax valuation allowance	\$ 51,690	\$ 19,988	\$ (5,219)(B)	\$ (4,576)	\$ 61,883	
Year ended June 30, 2009:						
Allowance for doubtful accounts:						
Current	\$ 38,407	\$ 48,232	\$ --	\$ (38,808)(A)	\$ 47,831	
Long-term	\$ 7,938	\$ 17,949	\$ --	\$ (7,853)(A)	\$ 18,034	
Deferred tax valuation allowance	\$ 44,430	\$ 21,243	\$ (4,563)(B)	\$ (9,420)	\$ 51,690	
Year ended June 30, 2008:						
Allowance for doubtful accounts:						
Current	\$ 30,802	\$ 27,693	\$ --	\$ (20,088)(A)	\$ 38,407	
Long-term	\$ 8,297	\$ 2,062	\$ --	\$ (2,421)(A)	\$ 7,938	
Deferred tax valuation allowance	\$ 31,241	\$ 4,116	\$ 15,463(B)(C)	\$ (6,390)(D)	\$ 44,430	

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

(B) Includes amounts related to foreign exchange fluctuation.

(C) Related to state deferred tax assets pertaining to net operating loss carryforwards.

(D) Related to surrender in disposition of subsidiaries, mergers and liquidations.

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)

August 25 , 2010

By /s/ Gary C. Butler
Gary C. Butler
President 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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Gary C. Butler</u> (Gary C. Butler)	President and Chief Executive Officer, Director (Principal Executive Officer)	August 25 , 2010
<u>/s/ Christopher R. Reidy</u> (Christopher R. Reidy)	Chief Financial Officer (Principal Financial Officer)	August 25 , 2010
<u>/s/ Alan Sheiness</u> (Alan Sheiness)	Corporate Controller (Principal Accounting Officer)	August 25 , 2010
<u>/s/ Gregory D. Brenneman</u> (Gregory D. Brenneman)	Director	August 25 , 2010
<u>/s/ Leslie A. Brun</u> (Leslie A. Brun)	Director	August 25 , 2010
<u>/s/ Leon G. Cooperman</u> (Leon G. Cooperman)	Director	August 25 , 2010
<u>/s/ Eric C. Fast</u> (Eric C. Fast)	Director	August 25 , 2010
<u>/s/ Linda R. Gooden</u> (Linda R. Gooden)	Director	August 25 , 2010
<u>/s/ R. Glenn Hubbard</u> (R. Glenn Hubbard)	Director	August 25 , 2010
<u>/s/ John P. Jones</u> (John P. Jones)	Director	August 25 , 2010
<u>/s/ Sharon T. Rowlands</u> (Sharon T. Rowlands)	Director	August 25 , 2010
<u>/s/ Enrique T. Salem</u> (Enrique T. Salem)	Director	August 25 , 2010
<u>/s/ Gregory L. Summe</u> (Gregory L. Summe)	Director	August 25 , 2010

AUTOMATIC DATA PROCESSING, INC.

DEFERRED COMPENSATION PLAN

As Restated Effective July 1, 2010

The Automatic Data Processing, Inc. Deferred Compensation Plan is intended to provide a select group of management or highly-compensated employees the ability to defer certain compensation earned by such employees. This restated Plan document applies to all deferrals made or vested under the Plan on or after January 1, 2005 that are subject to the provisions of Section 409A of the Internal Revenue Code. All other deferrals made and vested prior to January 1, 2005 are subject to the rules in effect at the time the compensation was deferred. It is intended that this Plan will be supplemented by annual summaries describing the Plan and participation in the Plan for the applicable Plan Year; in the event of a conflict between the Plan and an annual summary, the terms of the Plan shall control.

ARTICLE I DEFINITIONS

Capitalized terms used in this Plan, shall have the meanings specified below.

1.1 “Account” or “Accounts” shall mean all of the Bonus Deferral Subaccounts or Company Matching Contribution Subaccounts that are specifically provided in this Plan.

1.2 “Affiliate” means (i) any person or entity that directly or indirectly controls, is controlled by or is under common control with the Company and/or (ii) to the extent provided by the Committee, any person or entity in which the Company has a significant interest. The term “control” (including, with correlative meaning, the terms “controlled by” and “under common control with”), as applied to any person or entity, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person or entity, whether through the ownership of voting or other securities, by contract or otherwise.

1.3 “Annual Bonus Payments” shall mean, with respect to any Eligible Employee who does not qualify as a sales associate, the compensation earned pursuant to any annual cash incentive plan or annual cash bonus plan or program adopted by the Company; provided, however, that the following compensation shall not qualify as “Annual Bonus Payments” hereunder: spot bonuses, hiring bonuses, separation payments, retention payments, or other special or extraordinary payments. Annual Bonus Payments shall only include compensation that is contingent on the satisfaction of pre-established organizational or individual performance criteria relating to the Company’s fiscal year, and the performance criteria in respect of which was established in writing no later than 90 days after the commencement of the performance period to which such criteria relate .

1.4 “ Annual Incentive Amounts ” shall mean, as applicable, Annual Bonus Payments and Qualifying Sales Bonuses.

1.5 “ Beneficiary ” or “ Beneficiaries ” shall mean the person or persons designated in writing by a Participant in accordance with procedures established by the Committee or the Plan Administrator to receive the benefits specified hereunder in the event of the Participant’s death. No Beneficiary designation shall become effective until it is filed with the Committee or the Plan Administrator. If there is no such designation or if there is no surviving designated Beneficiary, then the Participant’s surviving spouse shall be the Beneficiary. If there is no surviving spouse to receive any benefits payable in accordance with the preceding sentence, the duly appointed and currently acting personal representative of the Participant’s estate (which shall include either the Participant’s probate estate or living trust) shall be the Beneficiary.

1.6 “ Board of Directors ” or “ Board ” shall mean the Board of Directors of Automatic Data Processing, Inc.

1.8 “ Bonus Deferral Subaccount ” shall mean the bookkeeping account maintained by the Company or the Plan Administrator for each Participant that is credited with amounts equal to (i) the portion of the Participant’s Annual Incentive Amounts that he or she elects to defer, and (ii) earnings and losses (based on the Investment Rate) attributable thereto.

1.8 “ Code ” shall mean the Internal Revenue Code of 1986, as amended. Reference in the Plan to any section of the Code shall be deemed to include any regulations or other interpretative guidance under such section, and any amendments or successor provisions to such section, regulations or guidance.

1.9 “ Committee ” shall mean a committee as the Compensation Committee may appoint to administer the Plan or, if no such committee has been appointed by the Compensation Committee, then it shall be the Compensation Committee. As of the effective date of this Plan, the Committee shall consist of those persons occupying the positions of Vice President, Human Resources and General Counsel of the Company.

1.10 “ Company ” shall mean Automatic Data Processing, Inc., a Delaware corporation.

1.11 “ Company Matching Contribution ” shall mean the amount, if any, contributed by the Company for a Participant with respect to a Plan Year under Section 4.2.

1.12 “ Company Matching Contribution Subaccount ” shall mean the bookkeeping account maintained by the Company or the Plan Administrator for each Participant that is credited with an amount equal to (i) the Company Matching Contribution, if any, and (ii) earnings and losses (based on the Investment Rate) attributable thereto.

1.13 “ Compensation Committee ” shall mean the Compensation Committee of the Board.

1.14 “ Disability ” shall mean a circumstance where the Company shall have cause to terminate a Participant’s employment or service on account of “disability,” as defined in any then-existing employment, consulting or other similar agreement between the Participant and the Company or, in the absence of such an employment, consulting or other similar agreement, a condition entitling the Participant to receive benefits under a long-term disability plan of the Company, or, in the absence of such a plan, as determined by the Committee based upon medical evidence acceptable to it; provided, however, that a Participant shall not have a Disability for purposes of the Plan unless the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or the Participant is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering the Company’s employees.

1.15 “ Distributable Amount ” shall mean the vested balance in a Participant’s Accounts subject to distribution in a given Plan Year.

1.16 “ Eligible Employee ” shall mean those employees selected by the Committee in accordance with the procedures set forth in Article II.

1.17 “ Enrollment Period ” shall mean a period of time, as determined by the Committee with respect to each Plan Year, ending no later than the December 31 preceding the end of the performance period with respect to which the Annual Incentive Amounts for such Plan Years relate; provided, however, that if the relevant performance period does not end on June 30, the enrollment period shall end at least six months before the conclusion of the applicable performance period.

1.18 “ ERISA ” shall mean the Employee Retirement Income Security Act of 1974, as amended.

1.19 “ Exchange Act ” means the Securities Exchange Act of 1934, as amended, and any successor thereto. Reference in the Plan to any section of (or rule promulgated under) the Exchange Act shall be deemed to include any rules, regulations or other interpretative guidance under such section or rule, and any amendments or successor provisions to such section, rules, regulations or guidance.

1.20 “ Fund ” or “ Funds ” shall mean one or more of the investment funds selected by the Committee, or its designee, to which Participants may elect to make deemed investments pursuant to Section 3.3.

1.21 “ In-Service Distribution Date ” shall mean, in the case of a distribution to be made while the Participant is still employed by the Company, the month of September of the Plan Year elected by the Participant.

1.22 “ Investment Rate ” shall mean, (i) for each Fund with a fixed rate of return, the annual interest rate applicable to such Fund, as determined by the Committee from time to time, and (ii) for any Fund that does not have a fixed rate of return, any appreciation or depreciation in the value of the investment in which the Participant is deemed invested.

1.23 “ Participant ” shall mean any Eligible Employee who becomes a Participant in this Plan in accordance with Article II.

1.24 “ Plan ” shall mean this Automatic Data Processing, Inc. Deferred Compensation Plan.

1.25 “ Plan Administrator ” shall mean, if applicable, any record keeper appointed by the Company (which may include an Affiliate of the Company) to perform administrative and other functions associated with the Plan.

1.26 “ Plan Year ” shall mean the Company’s fiscal year, which runs from July 1 to June 30.

1.27 “ Qualifying Sales Bonuses ” shall mean, with respect to any Eligible Employee who qualifies as a sales associate and (i) receives sales bonuses on a quarterly basis, the bonus paid to such person in respect of such person’s performance for the Company’s fourth fiscal quarter in any Plan Year or (ii) receives sales bonuses on a monthly basis, the bonus paid to such person in respect of such person’s performance for the last month in any Plan Year.

1.28 “ Scheduled Distribution Date ” shall mean, as applicable, the In-Service Distribution Date or the Separation from Service Distribution Date

1.29 “ Separation from Service ” shall mean that the employment or service provider relationship with the Company and any entity that is to be treated as a single employer with the Company for purposes of Treasury Regulations Section 1.409A-1(h) (the “ Single Employer ”) terminates such that the facts and circumstances indicate it is reasonably anticipated that no further services will be performed or that the level of bona fide services the Participant would perform after the termination (whether as an employee or as an independent contractor) would permanently decrease to no more than 20 percent of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services to the Single Employer if the Participant has been providing services to the Single Employer less than 36 months).

1.30 “ Separation from Service Distribution Date ” shall mean, in the case of a distribution on account of a Separation from Service, the seventh month following the month in which the Separation from Service occurs.

1.31 “ Unforeseeable Emergency ” shall mean a severe unforeseeable financial hardship as defined in Section 409A and the regulations thereunder, including a severe financial hardship resulting from (i) an illness or accident of the Participant, the Participant’s spouse, the Participant’s designated Beneficiary, or the Participant’s dependent (as defined in Section 152 of the Code, without regard to section 152(b)(1), (b)(2), and (d)(1)(B)), (ii) the loss of the Participant’s property due to casualty, or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the Participant’s control.

ARTICLE II

ELIGIBILITY FOR PARTICIPATION

2.1 Determination of Eligible Employee . As of the date of this Plan, with respect to a given Plan Year, Eligible Employees shall consist of all employees of the Company (or of any subsidiary that is incorporated in any State in the United States of America), determined as of the June 30 immediately preceding the Plan Year, that are (i) in executive letter grade positions, and (ii) eligible to receive compensation pursuant to an annual cash incentive plan or annual cash bonus plan or program; provided, however, that any employee whose home country is not the United States of America shall not be considered an Eligible Employee hereunder.

2.2 Participation . An Eligible Employee shall become a Participant in the Plan by electing to make a deferral of Annual Incentive Amounts in a Plan Year in accordance with Article III.

2.3 Amendment of Eligibility Criteria . The Committee may, in its discretion, change which employees are Eligible Employees under the Plan for any reason, including to comply with any applicable laws relating to the operation of the Plan. Eligibility for participation in one Plan Year does not guarantee eligibility to participate in any future Plan Year.

ARTICLE III ELECTIONS

3.1 Election to Defer Annual Incentive Amounts .

(a) Timing of Election to Defer Annual Incentive Amounts . An Eligible Employee may elect to defer Annual Incentive Amounts only during the Enrollment Period.

(b) Amount Eligible for Deferral .

(1) As of July 1, 2010, an Eligible Employee may elect to defer up to up to 100% of his Annual Incentive Amounts. The Committee may change the amount that may be deferred in respect of any Plan Year at any time, or from time to time.

(2) If necessary, the total amount deferred by a Participant shall be reduced in 1% increments in order to satisfy Social Security Tax (including Medicare), income tax withholding for compensation that cannot be deferred, employee benefit plan withholding requirements and any other withholding requirements.

(c) Irrevocable Elections . Elections to defer Annual Incentive Amounts shall become irrevocable as of the date for such Plan Year set by the Committee in its sole discretion, which (i) in the case of an Annual Bonus Payment shall in no event be later than six months before the conclusion of the performance period with respect to which the Annual Bonus Payment relates and (ii) in the case of a Qualifying Sales Bonus shall in no event be later than the December 31 of the calendar year preceding the calendar year in which the Qualifying Sales Bonus will be earned.

(d) Duration of Election . An Eligible Employee's election to defer Annual Incentive Amounts for any Plan Year is effective only for such Plan Year.

(e) Method of Election . Elections to participate may be made in writing, through an electronic medium such as a website enrollment window or an email enrollment form or through a Plan Administrator, provided that the election is binding when made and there is sufficient record of when such election is made.

3.2 Elections as to Time and Form of Payment . During the Enrollment Period, a Participant shall make an election regarding the time and form of payment of the Annual Incentive Amounts deferred for that Plan Year (including earnings and losses (based on the Investment Rate) attributable thereto).

(a) Elections as to Time . A Participant shall elect to receive a distribution of his Annual Incentive Amounts to be deferred for a Plan Year (and all earnings and losses (based on the Investment Rate) attributable thereto) (i) on an In-Service Distribution Date, (ii) on a Separation from Service Distribution Date or (iii) a portion on an In-Service Distribution Date and a portion on a Separation from Service Distribution Date; provided, however, that a Participant's In-Service Distribution Date may be no earlier than five years following the date on which the deferral of Annual Incentive Amounts is made.

(b) Elections as to Form . A Participant shall elect the form of the distribution of his Annual Incentive Amounts, whether in a lump sum payment or in annual installments. If no such election is made, the Participant shall be deemed to have elected to receive payment in a lump sum. A Participant may elect annual installments to be paid over a period not to exceed fifteen years. A Participant's election to receive payment in annual installments on a Separation from Service is subject to the terms of Section 6.2(a)(2).

(c) Application of Election . An election as to time and form of payment made with respect to a given Plan Year shall apply only to the Annual Incentive Amounts deferred for such Plan Year.

(d) No Changes Permitted. Except as permitted by Section 3.2(e) below, elections as to time and form of payment shall become irrevocable as of December 31 of the Plan Year for which Annual Incentive Amounts are deferred.

(e) Subsequent Changes in Time and Form of Payment. A Participant may delay the timing of a previously-scheduled payment or may change the form of a payment only if such subsequent deferral election meets all of the following requirements:

(i) the subsequent deferral election shall not take effect until at least 12 months after the date on which it is made;

(ii) the election must be made at least 12 months prior to the date the payment is scheduled to be made. For installment payments, the election must be made at least 12 months prior to the date the first payment in such installment was scheduled to be made; and

(iii) the subsequent deferral election must delay the payment for at least five years from the date the payment would otherwise have been made. For installment payments, the delay is measured from the date the first payment was scheduled to be made.

A Participant may make only one subsequent change with respect to deferrals made for a specific Plan Year.

(f) Initial elections and subsequent elections, if any, may be made in writing or through an electronic medium such as a website enrollment window or through an email enrollment form or through a Plan Administrator, provided that there is sufficient record of when such election is made.

3.3 Elections as to Deemed Investment Choices.

(a) Prior to the date on which the actual deferral of an Annual Incentive Amount in respect of Plan Year is made by the Company, a Participant shall make an election regarding how such Annual Incentive Amount shall be deemed to be invested for purposes of determining the amount of earnings or losses to be credited to the Participant's Accounts. If no such election is made in respect of Annual Incentive Amounts deferred in any Plan Year, then (i) the Participant shall be deemed to have made the same election made by such Participant in respect of the most recent Plan Year in which there was a deferral of Annual Incentive Amounts, and (ii) if no election contemplated by clause (i) has been made, the deferred Annual Incentive Amounts shall be deemed invested in the most risk-free type of Fund, as determined by the Committee in its sole and absolute discretion.

(b) The Committee shall select from time to time, in its sole and absolute discretion, investments of various types that shall be communicated to the Participant. The Investment Rate applicable to each Fund shall be used to determine the amount of earnings or losses to be credited to Participant's Bonus Deferral Subaccount and Company Matching Contribution Subaccount. Deemed investment choices shall not be changed unless the Committee promulgates a rule of general application permitting such changes.

**ARTICLE IV
DEFERRAL ACCOUNTS**

4.1 Bonus Deferral Subaccount. The Company or Plan Administrator shall establish and maintain a Bonus Deferral Subaccount for each Participant under the Plan. Each Participant's Bonus Deferral Subaccount shall be further divided into separate subaccounts ("investment fund subaccounts"), each of which corresponds to a Fund elected by the Participant. A Participant's Bonus Deferral Subaccount shall be credited as follows:

(a) on the day the amounts are withheld and/or deferred from a Participant's Annual Incentive Amounts, with an amount equal to the Annual Incentive Amounts deferred by the Participant; and

(b) on a daily basis, each investment fund subaccount of a Participant's Bonus Deferral Subaccount shall be credited with earnings or losses based on the applicable Investment Rate.

4.2 Company Matching Contributions. The Company shall match 50% of the first \$20,000 of Annual Incentive Amounts deferred by a Participant with respect to a Plan Year, but only if the Participant has elected for such Annual Incentive Amounts to be distributed following the Participant's Separation from Service; provided, however, that this matching contribution shall not be made with respect to any Participant who is either (i) an "officer" of the Company (as such term is defined under Rule 3b-7 of the Exchange Act) or (ii) a Corporate Vice President of the Company, in either case, determined as of the first day of the Plan Year.

4.3 Company Matching Contribution Subaccount. The Company or Plan Administrator shall establish and maintain a Company Matching Contribution Subaccount for each Participant who receives a Company Matching Contribution under the Plan. A Participant's Company Matching Contribution Subaccount shall be further divided into separate investment fund subaccounts, each of which corresponds to a Fund elected by the Participant. A Participant's Company Matching Contribution Subaccount shall be credited as follows:

(a) on the day such amount is deemed contributed, with an amount equal to the Company Matching Contribution Amount, if any; and

(b) on a daily basis, each investment fund subaccount of a Participant's Company Matching Contribution Subaccount shall be credited with earnings or losses based on the applicable Investment Rate.

**ARTICLE V
VESTING**

5.1 Vesting. A Participant shall be 100% vested at all times in his or her Bonus Deferral Subaccount. A Participant shall vest in his or her Company Matching Contribution Account at the time such Participant either (i) attains 65 years of age, or (ii) attains 55 years of age, with ten (10) or more years of service credited with the Company and its subsidiaries. The Committee in its sole discretion may credit a Participant with additional periods of service solely for purposes of vesting in his or her Company Matching Contribution Account.

5.2 Vesting Upon Death or Disability. Upon death or the Disability of a Participant, the Participant shall be 100% vested in his or her Company Matching Contribution Subaccount.

ARTICLE VI DISTRIBUTIONS

Distributions from the Plan shall be made only in accordance with this Article VI. All distributions shall be in cash.

6.1 Distribution of Accounts While Employed.

(a) Scheduled Distributions.

(1) In respect of all Distributable Amounts payable in a lump sum on an In-Service Distribution Date, the value thereof shall be determined as of the ninth day of the month of September in which the In-Service Distribution Date occurs, and the distribution thereof shall be made as soon as administratively possible (and in no event later than 90 days) thereafter. In respect of all Distributable Amounts payable in installments on an In-Service Distribution Date, all installments shall be valued as of the ninth day of the month of September in each applicable year, and the distribution thereof shall be made as soon as administratively practicable (and in no event later than 90 days) thereafter.

(2) In the event a Participant has a Separation from Service prior to such Participant's In-Service Distribution Date, then the provisions of Section 6.2 shall instead apply to such distribution.

(b) Except as provided in Section 6.3, no unscheduled in-service distributions are permitted.

6.2 Distribution of Accounts after Separation from Service. If a Participant has a Separation from Service, the provisions of this Section 6.2 shall apply to the distribution of the Participant's Accounts.

(a) Separation from Service.

(1) Age 55 with Ten Years of Service, or Age 65. At the time of the Participant's Separation from Service, if the Participant has either (i) attained age 55 and has completed ten years of service, or (ii) attained age 65, then the Participant's Account shall be distributed in accordance with the Participant's elections.

(A) Lump Sum . For Distributable Amounts for which the Participant has elected (or be deemed to have elected) a lump sum, the value thereof shall be determined as of the ninth day of the seventh month following the Separation from Service, and the distribution thereof shall be made as soon as administratively possible (and in no event later than 90 days) thereafter. If (i) a Participant has made an irrevocable election to defer his Annual Incentive Amounts, (ii) such Annual Incentive Amounts are deferred after the Participant's Account has been distributed, and (iii) the Participant had elected to receive a lump sum distribution, then the additional Account balance shall be valued and distributed on the ninth day of the month immediately following the date the Annual Incentive Amounts are deferred.

(B) Installment Payments . For Distributable Amounts for which the Participant has elected installments, (i) the first installment shall be valued as of the ninth day of the seventh month following the Separation from Service, and the distribution thereof shall be made as soon as administratively possible (and in no event later than 90 days) thereafter, and (ii) each subsequent installment shall be valued as of the ninth day of September of each of the following calendar years, and the distribution thereof shall be made as soon as administratively possible (and in no event later than 90 days) thereafter. For the avoidance of doubt, under no circumstances shall two installments be paid in a single calendar year. If (x) a Participant has made an irrevocable election to defer his Annual Incentive, (y) such Annual Incentive is deferred after the Participant's Account has started to be distributed, and (z) the Participant had elected to receive installment payments, the additional deferral shall be added to the Participant's balance in his Bonus Deferral Subaccount and shall be distributed in accordance with the installment election.

(2) All other Separations from Service . If, at the time of the Participant's Separation from Service, a Participant has neither (i) attained age 55 and has completed ten years of service nor (ii) attained age 65, then the Participant's entire Account balance shall be distributed in a single lump sum. In any such case, the Distributable Amounts shall be valued as of the ninth day of the seventh month following the Separation from Service, and the distribution thereof shall be made as soon as administratively possible (and in no event later than 90 days) thereafter.

(b) Death . In the case of the death of a Participant, either while employed by the Company or prior to distribution of the Participant's entire Account balance, the Participant's Account balance shall be distributed to the Participant's Beneficiary as soon as administratively possible and in no event later than 90 days following the death of the Participant. The value of the Participant's Account shall be determined as of the date on which the Participant dies.

(c) Disability . In the case of the Disability of a Participant prior to the commencement of distribution of the Participant's Account balance, the Participant's Account balance shall be distributed to the Participant in a lump sum as soon as administratively possible (and in no event later than 90 days) after it has been determined that the Participant suffers from a Disability. The value of the Participant's Account shall be determined as of the date on which it has been determined that the Participant suffers from a Disability.

6.3 Unforeseeable Emergency. A Participant shall be permitted to elect a distribution from his Bonus Deferral Subaccount and/or his vested Company Matching Contribution Subaccount, if any, prior to the date the Accounts were otherwise to be distributed in the event of an Unforeseeable Emergency, subject to the following restrictions:

(a) the election to take a distribution due to an Unforeseeable Emergency shall be made by requesting such a distribution in writing to the Committee, including the amount requested and a description of the need for the distribution;

(b) the Committee shall make a determination, in its sole discretion, that the requested distribution is on account of an Unforeseeable Emergency; and

(c) the Unforeseeable Emergency cannot be relieved (i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the Participant's assets, to the extent the liquidation of assets would not itself cause severe financial hardship, or (iii) by cessation of deferrals under this Plan.

The amount determined by the Committee as distributable due to an Unforeseeable Emergency shall be paid within 30 days after the request for the distribution is approved by the Committee. The value of the Participant's Account shall be determined as of the date on which the distribution request was made.

6.4 Valuation Date. In the event that any valuation date contemplated by Section 6.1 or Section 6.2 is not a business day, then the valuation date shall be the immediately preceding business day.

ARTICLE VII ADMINISTRATION

7.1 Committee. A Committee shall be appointed by, and serve at the pleasure of, the Compensation Committee. The number of members comprising the Committee shall be determined by the Compensation Committee, which may from time to time vary the number of members. A member of the Committee may resign by delivering a written notice of resignation to the Compensation Committee. The Compensation Committee or the Board may remove any member, with or without cause, by delivering a copy of its resolution of removal to such member.

7.2 Committee Action. The Committee shall act at meetings by affirmative vote of a majority of the members of the Committee. Any action permitted to be taken at a meeting may be taken without a meeting if, prior to such action, a written consent to the action is signed by a majority of members of the Committee and such written consent is filed with the minutes of the proceedings of the Committee. A member of the Committee shall not vote or act upon any matter which relates solely to himself or herself as a Participant. Any member of the Committee may execute any certificate or other written direction on behalf of the Committee.

7.3 Powers of the Committee. The Committee, on behalf of the Participants and their Beneficiaries, shall enforce the Plan in accordance with its terms, shall be charged with the general administration of the Plan, and shall have all powers necessary to accomplish its purposes, including, but not limited to, the following:

- (a) to select the Funds;
- (b) to construe and interpret the terms and provisions of this Plan;
- (c) to compute and certify to the amount and kind of benefits payable to Participants and their Beneficiaries;
- (d) to maintain all records that may be necessary for the administration of the Plan;
- (e) to provide for the disclosure of all information and the filing or provision of all reports and statements to Participants, Beneficiaries or governmental agencies as shall be required by law;
- (f) to make and publish such rules for the regulation of the Plan and procedures for the administration of the Plan as are not inconsistent with the terms hereof;
- (g) to appoint a Plan Administrator, or any other agent, and to delegate to them such powers and duties in connection with the administration of the Plan as the Committee may from time to time prescribe; and
- (h) to take all actions necessary for the administration of the Plan.

7.4 Construction and Interpretation. The Committee shall have full discretion to construe and interpret the terms and provisions of this Plan, which interpretations or construction shall be final and binding on all parties, including but not limited to the Company and any Participant or Beneficiary.

7.5 Compensation, Expenses and Indemnity.

- (a) The members of the Committee shall serve without compensation for their services hereunder.
- (b) The Committee is authorized at the expense of the Company to employ such legal counsel as it may deem advisable to assist in the performance of its duties hereunder. Expenses and fees in connection with the administration of the Plan shall be paid by the Company.

**ARTICLE VIII
MISCELLANEOUS**

8.1 Unsecured General Creditor . Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company. No assets of the Company shall be held in any way as collateral security for the fulfilling of the obligations of the Company under this Plan. Any and all of the Company's assets shall be, and remain, the general unpledged, unrestricted assets of the Company. The Company's obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Company that this Plan be unfunded for purposes of the Code and for purposes of Title I of ERISA.

8.2 Restriction Against Assignment . The Company shall pay all amounts payable hereunder only to the person or persons designated by the Plan and not to any other person or corporation. No part of a Participant's Accounts shall be liable for the debts, contracts, or engagements of any Participant, his or her Beneficiary, or successors in interest, nor shall a Participant's Accounts be subject to execution by levy, attachment, or garnishment or by any other legal or equitable proceeding, nor shall any such person have any right to alienate, anticipate, sell, transfer, commute, pledge, encumber, or assign any benefits or payments hereunder in any manner whatsoever.

8.3 Withholding . There shall be deducted from each payment made under the Plan or any other compensation payable to the Participant (or Beneficiary) all taxes which are required to be withheld by the Company in respect to such payment or this Plan. The Company shall have the right to reduce any payment (or compensation) by the amount of cash sufficient to provide the amount of said taxes.

8.4 Amendment, Modification, Suspension or Termination . The Compensation Committee may amend, modify, suspend or terminate the Plan in whole or in part, except that no amendment, modification, suspension or termination shall have any retroactive effect to reduce any amounts allocated to a Participant's Accounts. The Committee may also amend the Plan, provided that the Committee may only adopt amendments that (i) do not have a negative material financial impact on the Company; or (ii) are required by tax or legal statutes, regulations or pronouncements.

8.5 Governing Law . Except to extent preempted by Federal law, this Plan shall be governed by and construed in accordance with the internal laws of the State of Delaware applicable to contracts made and performed wholly within the State of Delaware, without giving effect to the conflict of laws provisions thereof.

8.6 Receipt or Release . Any payment to a Participant or the Participant's Beneficiary in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims against the Committee and the Company. The Committee may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

8.7 Limitation of Rights and Employment Relationship. Neither the establishment of the Plan nor any modification thereof, nor the creating of any fund or account, nor the payment of any benefits shall be construed as giving to any Participant, or Beneficiary or other person any legal or equitable right against the Company except as provided in the Plan; and in no event shall the terms of employment of any Employee or Participant be modified or in any way be affected by the provisions of the Plan.

8.8 Headings. Headings and subheadings in this Plan are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

8.9 Section 409A. All provisions of the Plan shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code (“Section 409A”). If the Committee determines that any amounts payable hereunder may be taxable to a Participant under Section 409A, the Company may (i) adopt such amendments to the Plan and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Committee determines necessary or appropriate to preserve the intended tax treatment of the benefits provided by the Plan and/or (ii) take such other actions as the Committee determines necessary or appropriate to avoid or limit the imposition of an additional tax under Section 409A; provided, that the Company shall have no liability to a Participant or Beneficiary with respect to the tax imposed by Section 409A.

As evidence of the amendment and restatement of this Plan, effective July 1, 2010, by Automatic Data Processing, Inc., this document is signed by a duly authorized officer.

AUTOMATIC DATA PROCESSING, INC.

By: /s/ Michael A. Bonarti

Name: Michael A. Bonarti

Title: Vice President, General Counsel
and Secretary

TERMINATION AGREEMENT AND RELEASE

This Termination Agreement and General Release (hereinafter, the "Agreement") is made and entered into this 25th day of June, 2010, by and between Campbell B. Langdon (hereinafter referred to as "Langdon"), and Automatic Data Processing, Inc. (hereinafter referred to as the "Company").

In exchange for the mutual promises contained herein, Langdon and the Company, intending to be bound hereby, covenant and agree as follows:

1. Langdon's employment with the Company will terminate effective June 30, 2010. Effective June 30, 2010, Langdon shall cease to be an executive officer of the Company.

2. The Company agrees to the following:

(a) The Company will pay Langdon severance in the total gross amount of \$450,000.00. This severance amount will be paid out in eleven (11) monthly installments (the "Monthly Installments") of \$37,500.00 each between January 2, 2011 and December 2, 2011 and in one (1) final monthly installment of \$37,500.00 on January 2, 2012. The Monthly Installments will be made on the Company's regular pay dates. The Company shall withhold from any payment made pursuant to the Agreement federal, state and local taxes and social security taxes, as well as any other standard deductions. If Langdon becomes re-employed with the Company before January 2, 2012, Langdon will not be entitled to any further payments under this paragraph 2(a).

(b) The Company will pay Langdon for all accrued and unused vacation as of June 30, 2010.

(c) The Company will reimburse Langdon for outstanding expenses properly incurred prior to June 30, 2010 that are submitted to the Company no later than August 1, 2010. All such expenses will be reimbursed in accordance with the Company's existing policy.

(d) The Company will pay Langdon a bonus for FY'10 based on performance (the "FY'10 Bonus"). The FY'10 Bonus will be paid by September 1, 2010.

(e) The Company will continue the automobile lease (the "Leased Vehicle") provided to Langdon through September 30, 2011 on all the same terms and conditions of the existing lease (the "Lease Program"). Notwithstanding the foregoing, the Lease Program shall not include replacement of the Leased Vehicle.

(f) A 12-month outplacement assistance program selected by the Company will be made available to Langdon at the Company's expense.

(g) Langdon will be allowed to continue his participation in the ADP Deferred Compensation Program for FY'10 (the "DC Program"). Langdon's DC Program account will be paid out to him six months after his last date of active employment in accordance with the terms of the DC Program.

(h) Langdon's welfare benefits (medical, dental, vision, life, long-term disability, Flexible Spending Accounts ("FSA"), Accidental Death & Dismemberment Insurance, Business Travel Accident Insurance, Personal Accident Insurance and any other welfare benefits the Company may provide) will terminate on June 30, 2010. Langdon will have the right to continue health and FSA benefits as permitted by law under the Consolidated Omnibus Budget Reconciliation Act and will be separately notified of conversion privileges, if any, for Langdon's welfare benefits.

(i) Langdon agrees to abide by all of the terms and conditions of agreements with the Company executed in connection with all ADP stock options or restricted stock previously granted to Langdon (the "Stock Agreements"), and that any Non-Competition Period, as defined in any such Stock Agreements, shall not terminate until twelve months after January 2, 2012. All ADP stock options previously granted to Langdon will continue to vest through January 2, 2012. Langdon may exercise all vested ADP stock options within 60 days of January 2, 2012. Notwithstanding the foregoing, all vested stock options must be exercised prior to their original expiration date, regardless of the exercise periods set forth herein . All vested stock options that are not exercised within the time periods set forth above will be cancelled.

(j) Langdon understands and acknowledges that for a period of six (6) months following his last date of active employment he will continue to be a "Restricted Person" as such term is used in the Company's Insider Trading Policy, and he will continue to abide by all rules and limitations applicable thereunder to Restricted Persons.

(k) For purposes of the Automatic Data Processing, Inc. Retirement and Savings Plan and/or the Automatic Data Processing, Inc. Pension Retirement Plan (collectively referred to as the "Plans"), Langdon will be considered a terminated employee as of June 30, 2010. As such, contributions, vesting, matches and other service based benefits, rights and features accorded to employees will terminate as of June 30, 2010. All the terms and conditions of the Plans will be governed by the controlling plan documents. The Plans have not been modified in any way by the Agreement.

(l) Langdon's participation in the Automatic Data Processing, Inc. Amended and Restated Employees' Savings-Stock Purchase Plan (the "Purchase Plan") ends as of June 30, 2010. Langdon acknowledges that he will be issued stock only upon the completion of a Purchase Plan offering in accordance with the terms of the Purchase Plan. The Purchase Plan has not been modified in any way by the Agreement.

(m) Langdon was granted shares of ADP common stock under the Company's Time-Based Restricted Stock programs ("TBRS Programs"). Provided he does not, prior to January 2, 2012, violate any Restrictive Covenant (as defined in paragraph 2(o) below), Langdon will be entitled to keep (i) any shares of Time-Based Restricted Stock subject to restrictions lapsing prior to January 2, 2012 and (ii) the shares of Time-Based Restricted Stock granted to him on April 30, 2008 subject to restrictions lapsing on April 12, 2012, with the restrictions on the shares identified in this clause (ii) to be lifted on January 1, 2012. If prior to January 2, 2012, Langdon violates any Restrictive Covenant, he shall immediately forfeit without consideration all such Time-Based Restricted Stock shares. Langdon's participation in all other TBRS Programs will be cancelled. Any shares with restrictions lapsing after January 2, 2012 shall be returned to the Company on June 30, 2010. All other terms and conditions of the TBRS Programs will remain in effect. Any determination that a Restrictive Covenant has been violated shall be made on a good faith basis.

(n) Langdon was recommended for target award(s) of shares of ADP common stock under the Company's Performance-Based Restricted Stock program ("PBRs Program"), to be awarded per the terms of the PBRs Program, with restrictions lapsing six (6) months after the date of any such award (each, a "Lapse Date"), such terms to include, without limitation, the execution of a Restrictive Covenant (as defined in paragraph 2(o) below). Langdon will be entitled to keep any such PBRs Program shares that may be awarded to him provided, (i) his last day of active employment with the Company is on or after June 30 of the calendar year of the award; (ii) he is receiving severance payments pursuant to paragraph 2(a) on the lapse date; and (iii) Langdon does not, prior to the lapse date, violate any Restrictive Covenant. If prior to a Lapse Date, Langdon violates any Restrictive Covenant, Langdon shall immediately forfeit without consideration such PBRs Program shares. Langdon's participation in all other PBRs Programs with a Lapse Date after January 2, 2012 will be cancelled. All other terms and conditions of the PBRs Program shall remain in effect. Any determination that a Restrictive Covenant has been violated shall be made on a good faith basis.

(o) Any use of the term "Restrictive Covenant" in the Agreement shall mean any non-competition, non-solicitation, non-disclosure or confidentiality obligations reflected in the provisions of any agreement with the Company that Langdon has entered into, or any Company plan, policy or arrangement that applies to Langdon.

(p) Langdon is a "Participant" as defined in the Automatic Data Processing, Inc. Amended and Restated Supplemental Officers Retirement Plan ("SORP"). Langdon's benefits under the SORP shall be determined in accordance with, and under the terms of, the SORP. Langdon's final benefits will be determined based on his last day worked of June 30, 2010. Among other things, the SORP provides that if a Participant violates the non-competition provisions of any agreement he has entered into with the Company within 24 months after his employment terminates, such Participant shall forever and irrevocably forfeit all benefits otherwise due him under the terms of the SORP. The SORP has not been modified in any way by the Agreement. For purposes of the 24-month non-competition provision under the SORP, Langdon shall be considered to have terminated employment with the Company as of January 2, 2012.

(q) Langdon's heirs, representatives, assigns or estate shall be entitled to any payments pursuant to paragraph 2 of the Agreement in the event of Langdon's death, for any period subsequent to Langdon's death, but shall not be entitled to keep the Leased Vehicle, which must be immediately returned to the Company in the event of Langdon's death.

3. Langdon agrees to the following:

(a) Langdon agrees that he will not, at any time after the date hereof, use or disclose to any person, corporation, partnership or other entity whatsoever, any confidential information, trade secrets or proprietary information of the Company, its vendors, licensors, marketing partners, clients or prospects learned by Langdon during his employment and/or any of the names and addresses of clients and prospects of the Company.

(b) Langdon agrees that all books, handbooks, manuals, files, papers, memoranda, letters, facsimile or other printed, electronic or audio communications that he has in his possession that were created, written, authorized, signed, received, sent or transmitted during his employment or that are in any way related to the Company or any of its business activities remain the property of the Company and have not been removed from and/or have been returned to the Company's offices.

(c) Langdon agrees that, on or before June 30, 2010, he will return all property belonging to the Company, including but not limited to any computer/laptop, computer equipment, computer software, telephone and/or pager that the Company permitted him to use during his employment with the Company. Notwithstanding the foregoing, the Company will transfer title to Langdon of (i) the telephone with serial number IHDT56EU2; and (ii) the blackberry with serial number PCB-16090-001_H. The Company has no further obligation toward maintenance and support of the telephone or blackberry after June 30, 2010.

(d) From June 30, 2010 until January 27, 2012, Langdon will not, directly or indirectly, hire, solicit or encourage to leave the Company's employ any employee of the Company or hire any former employee of the Company within one year after the date such person ceased to be an employee of the Company.

(e) Langdon agrees that a violation of the foregoing covenants set forth in this paragraph 3 will cause irreparable injury to the Company. Accordingly, the Company shall be entitled, in addition to any other rights and remedies it may have at law or in equity (including, without limitation, those specifically set forth in paragraphs 2(m), 2(n) and 2(p) above), to an injunction enjoining and restraining Langdon from doing or continuing to do any such act.

(f) Langdon agrees to cooperate with the Company, and to provide all information and sign any corporate records and instruments that the Company may hereafter reasonably request with respect to any matter involving his present or former relationship with the Company, the work he has performed, or present or former employees or clients of the Company. The Company agrees to promptly reimburse Langdon for reasonable expenses (which will include a reasonable daily rate for those dates Langdon's appearance in a court or similar proceeding is required and for travel to and from such sites) necessarily incurred by him, in connection with his cooperation pursuant to this paragraph.

(g) Langdon agrees that if he is served with a subpoena or court order to testify (including but not limited to any such subpoena covered by paragraph 7(d) below) with respect to any matter involving his present or former relationship with the Company, the work he has performed, or present or former employees or clients of the Company, he shall, within 5 days of receipt of such subpoena or court order, notify the "Company", c/o Automatic Data Processing, Inc., One ADP Boulevard, Roseland, New Jersey 07068, Attention: General Counsel.

4. The parties agree that if any part or any provision of the Agreement is determined to be invalid or unenforceable under applicable law by a court of competent jurisdiction, that part shall be ineffective to the extent of such invalidity or unenforceability only, without in any way affecting the remaining parts of said provision or the remaining provisions of the Agreement.

5. Langdon agrees that any waiver on the part of the Company as to compliance with any of the terms and conditions of the Agreement shall not operate as a waiver of, or estoppel with respect to, any prior, subsequent or other failure by Langdon to perform his obligations under the Agreement.

6. Langdon acknowledges that this is the entire agreement between the parties concerning the subject matter hereof. Langdon acknowledges that there are no representations by the Company, oral or written, not set forth in the Agreement upon which he relied in signing the Agreement.

7. Release:

(a) In consideration for the above, Langdon (including any family members, agents, successors or assigns whose claim is based in whole or part on a Claim, as defined below) agrees to forever release, acquit and discharge Automatic Data Processing, Inc. and all its subsidiaries, affiliates, divisions and its and their employees, officers, directors, agents, carriers, and shareholders and its and their predecessors, successors and assigns (“Releasees”) from and against all claims, actions and causes of action, of every kind, nature and description without limitation, whether created by any constitution, statute, common law, regulation, municipal ordinance, executive order, contract, duty or obligation arising from any source which exist as of the date Langdon signs the Agreement (“Claims”). This release includes all Claims arising under all federal, state and local employment discrimination statutes, ordinances or regulations including but not limited to, Title VII of the Civil Rights Act of 1964, as amended, the Equal Pay Act, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Rehabilitation Act, the Americans with Disabilities Act, as amended, the Family and Medical Leave Act, the Labor Management Relations Act, the Sarbanes Oxley Act, the Health Insurance Portability and Accountability Act, the Occupational Safety and Health Act, and the Employee Retirement Income Security Act, and all other sex, sexual orientation, marital status, religion, race, national origin, veterans’, disability, age discrimination, whistleblower and anti-retaliation laws, including but not limited to, the New Jersey Conscientious Employee Protection Act, and the New Jersey Law Against Discrimination. Langdon expressly waives all rights he may have under such laws, and under any amendments thereto, any claims based on contract, tort, public policy, or any principle of law or equity, and any claim for money, damages, attorneys fees, costs, and injunctive or other relief.

(b) Except as set forth herein, Langdon acknowledges, represents and warrants that the Company owes him no other wages, commissions, bonuses, vacation pay or other compensation or payments of any nature, other than that specifically provided for in the Agreement. Langdon further acknowledges that except as provided for herein, the Company shall not have any obligation to him or to any other person or entity for any other monies or benefits including, but not limited to, attorneys' fees, car allowance, use of a Company car, stock, stock options, restricted stock, stock purchase plan, pension, medical, life, short-term disability, long-term disability or other insurance, ERISA benefits, severance or any obligation set forth in any agreement of employment or other agreement with the Company, whether such agreement is express or implied.

(c) Langdon warrants that as of the date he signs the Agreement he has not filed any Claim against Releasees. **Langdon further warrants that at the time he signs the Agreement he is unaware of any conduct by any Releasees that he believes may be unlawful.**

(d) This release of all Claims shall not be construed to prohibit Langdon from cooperating with the Equal Employment Opportunity Commission ("EEOC") in an investigation by the EEOC of any matter, or responding to any subpoena or other lawfully issued process in any such investigation, except that Langdon waives any monetary recovery in any lawsuit filed by the EEOC on behalf of Langdon or a class in which he would otherwise be a member.

8. Notification of Rights:

(a) Langdon has twenty-one days from receipt of the Agreement to consider it, and to return the signed Agreement to Benito Cachinero, Corporate Vice President, Human Resources, Automatic Data Processing, Inc., One ADP Boulevard, M/S 427, Roseland, New Jersey 07068. In order for Langdon to fully understand his statutory rights and the legal effect of a waiver by Langdon of those rights, he has the right to consult with an attorney.

(b) If Langdon elects to sign the Agreement it means that: (i) he has read the Agreement and understands it; (ii) he has not received any inducements to sign the Agreement other than what is set forth in the Agreement; (iii) he has had adequate opportunity to consult with an attorney of his choosing; and (iv) he has signed the Agreement voluntarily and knowingly.

(c) Langdon understands and agrees that if he chooses to sign the Agreement before the expiration of the twenty-one (21) day consideration period, he has waived the remainder of that period.

(d) Langdon understands and agrees that if the Agreement is not signed and returned by June 30, 2010, he is no longer eligible for the benefits set forth in the Agreement.

(e) After Langdon has signed the Agreement, Langdon may revoke his acceptance of it within seven (7) days from the date of his execution of the Agreement. Revocation must be made by submitting a written revocation by hand delivery or certified mail, return receipt requested, to Benito Cachinero, Corporate Vice President, Human Resources, Automatic Data Processing, Inc., One ADP Boulevard, M/S 427, Roseland, New Jersey 07068. If revocation of the Agreement is not made within the seven (7) day revocation period, the Agreement will become final, binding and irrevocable on both parties.

9. In consideration of the Company's undertakings and agreements to him set forth herein, Langdon agrees to reacknowledge his acceptance of the Agreement and its terms and conditions, without any changes, and before payment of any sums due him arising from the Agreement, on July 1, 2010 by signing a Release and Reacknowledgement in the form attached hereto as Exhibit A. Payments will not begin until after the seven day revocation period in Exhibit A has lapsed without revocation of the Release and Reacknowledgement.

IN WITNESS WHEREOF, and intending to be legally bound hereby, Campbell B. Langdon and Automatic Data Processing, Inc. have executed the foregoing Agreement.

CAMPBELL B. LANGDON

By: /s/ Campbell B. Langdon

AUTOMATIC DATA PROCESSING, INC.

By: /s/ Michael Bonarti
Michael Bonarti
Vice President

EXHIBIT A

Release and Reacknowledgement Agreement (the "Agreement")

The undersigned, Campbell B. Langdon, through and by his signature below, in consideration of the undertakings and agreements set forth in that certain Termination Agreement and Release between Campbell B. Langdon and Automatic Data Processing, Inc. dated June 25, 2010 (the "Termination Agreement"):

1. Reacknowledges his acceptance and agreement to the Termination Agreement as of the date set forth below, including but not limited to the release provision under paragraph 7, which provides:

- (a) In consideration for the above, Langdon (including any family members, agents, successors or assigns whose claim is based in whole or part on a Claim, as defined below) agree to forever release, acquit and discharge Automatic Data Processing, Inc. and all its subsidiaries, affiliates, divisions and its and their employees, officers, directors, agents, carriers, and shareholders and its and their predecessors, successors and assigns ("Releasees") from and against all claims, actions and causes of action, of every kind, nature and description without limitation, whether created by any constitution, statute, common law, regulation, municipal ordinance, executive order, contract, duty or obligation arising from any source which exist as of the date you sign this Letter Agreement ("Claims"). This release includes all Claims arising under all federal, state and local employment discrimination statutes, ordinances or regulations including but not limited to, Title VII of the Civil Rights Act of 1964, as amended, the Equal Pay Act, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Rehabilitation Act, the Americans with Disabilities Act, as amended, the Family and Medical Leave Act, the Labor Management Relations Act, the Sarbanes Oxley Act, the Health Insurance Portability and Accountability Act, the Occupational Safety and Health Act, and the Employee Retirement Income Security Act, and all other sex, sexual orientation, marital status, religion, race, national origin, veterans', disability, age discrimination, whistleblower and anti-retaliation laws, including but not limited to, the New Jersey Conscientious Employee Protection Act, and the New Jersey Law Against Discrimination. Langdon expressly waives all rights he may have under such laws, and under any amendments thereto, any claims based on contract, tort, public policy, or any principle of law or equity, and any claim for money, damages, attorneys fees, costs, and injunctive or other relief.
 - (b) Except as set forth herein, Langdon acknowledges, represents and warrants that the Company owes him no other wages, commissions, bonuses, vacation pay or other compensation or payments of any nature, other than that specifically provided for in the Agreement. Langdon further acknowledges that except as provided for herein, the Company shall not have any obligation to him or to any other person or entity for any other monies or benefits including, but not limited to, attorneys' fees, car allowance, use of a Company car, stock, stock options, restricted stock, stock purchase plan, pension, medical, life, short-term disability, long-term disability or other insurance, ERISA benefits, severance or any obligation set forth in any agreement of employment or other agreement with the Company, whether such agreement is express or implied.
-

- (c) Langdon warrants that as of the date he signs the Agreement he has not filed any Claim against Releasees. **Langdon further warrants that at the time he signs the Agreement he is unaware of any conduct by any Releasees that he believes may be unlawful.**
- (d) This release of all Claims shall not be construed to prohibit Langdon from cooperating with the Equal Employment Opportunity Commission (“EEOC”) in an investigation by the EEOC of any matter, or responding to any subpoena or other lawfully issued process in any such investigation, except that Langdon waives any monetary recovery in any lawsuit filed by the EEOC on behalf of Langdon or a class in which he would otherwise be a member.

Acknowledges and agrees that (a) he has been advised to consult with his attorney before signing the Agreement; (b) he has been advised that he has 21 days from receipt of the Agreement to accept the terms and conditions set forth herein; (c) he has read and understood the Agreement; (d) he has reviewed the Agreement with his attorney or has elected not to do so; (e) after he signs the Agreement, he will have seven (7) days to revoke his acceptance of it; (f) any such revocation must be in writing and delivered or mailed by certified mail, return receipt requested, to Benito Cachinero, Corporate Vice President, Human Resources, Automatic Data Processing, Inc., One ADP Boulevard, M/S 427, Roseland, New Jersey 07068; and (g) the Agreement is not effective or enforceable until seven (7) days after he has signed it.

Accepted and Agreed to on this
____ day of July __, 2010.

By _____
Campbell B. Langdon

EXHIBIT 21

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation</u>
71 Hanover Florham Park Associates LLC	New Jersey
ADP Atlantic, LLC	Delaware
ADP Belgium CVA	Belgium
ADP Brasil Ltda	Brazil
ADP Broker-Dealer, Inc.	New Jersey
ADP Business Services (Shanghai) Co., Ltd.	China
ADP Canada Co.	Canada
ADP Commercial Leasing, LLC	Delaware
ADP Dealer Services Denmark ApS	Denmark
ADP Dealer Services Deutschland GmbH	Germany
ADP Dealer Services France SAS	France
ADP Dealer Services Italia s.r.l.	Italy
ADP Dealer Services UK Limited	United Kingdom
ADP Employer Services GmbH	Germany
ADP Europe SARL	France
ADP Europe S.A.	France
ADP France SAS	France
ADP GlobalView B.V.	Netherlands
ADP Group UK Limited	United Kingdom
ADP GSI France SAS	France
ADP Holding B.V.	Netherlands
ADP, Inc.	Delaware
ADP Indemnity, Inc.	Vermont
ADP Nederland B.V.	Netherlands
ADP Network Services International, Inc.	Delaware
ADP Network Services Limited	United Kingdom
ADP of Roseland, Inc.	Delaware
ADP Pacific, Inc.	Delaware
ADP Payroll Services, Inc.	Delaware
ADP Pleasanton National Service Center, Inc.	Delaware
ADP Screening and Selection Services, Inc.	Colorado
ADP Tax Services, Inc.	Delaware
ADP Tesoft Automocion Spain	Spain
ADP TotalSource Group, Inc.	Florida
ADP Vehicle Information Technology (Shanghai) Co., Ltd	China
Automatic Data Processing Limited	Australia
Automatic Data Processing Limited (UK)	United Kingdom
Automotive Directions, Inc.	Wisconsin
Autosys GmbH	Germany
Business Management Software Limited	United Kingdom
Digital Motorworks, Inc.	Texas
Employease, Inc.	Delaware
VirtualEdge, Inc.	Delaware

In accordance with Item 601(b)(21) of Regulation S-K, the Company 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, 2010.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 33-46168, 333-10281, 333-10277, 333-110393, 333-146565, 333-147377, and 333-155382 on Form S-8 of our report dated August 25, 2010, relating to the consolidated financial statements and consolidated financial statement schedule of Automatic Data Processing, Inc. and subsidiaries (the "Company"), and the effectiveness of the Company's internal control over financial reporting (which expresses an unqualified opinion), appearing in the Annual Report on Form 10-K of Automatic Data Processing, Inc. for the year ended June 30, 2010.

/s/ Deloitte & Touche LLP
Parsippany, New Jersey
August 25, 2010

Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

I, Gary C. Butler, certify that:

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

Date: August 25 , 2010

/s/ Gary C. Butler

Gary C. Butler
President and Chief Executive Officer

Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

I, Christopher R. Reidy, certify that:

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

Date: August 25 , 2010

/s/ Christopher R. Reidy _____

Christopher R. Reidy
Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Automatic Data Processing, Inc. (the "Company") on Form 10-K for the fiscal year ending June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gary C. Butler, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gary C. Butler

Gary C. Butler

President and Chief Executive Officer

Date: August 25 , 2010

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Automatic Data Processing, Inc. (the "Company") on Form 10-K for the fiscal year ending June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher R. Reidy, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Christopher R. Reidy

Christopher R. Reidy

Chief Financial Officer

August 25 , 2010
