

AUTOMATIC DATA PROCESSING INC

FORM DEF 14A (Proxy Statement (definitive))

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Industry	Business Services
Sector	Services
Fiscal Year	06/30

[LOGO]
AUTOMATIC DATA PROCESSING, INC.

ONE ADP BOULEVARD - ROSELAND, NEW JERSEY 07068

NOTICE OF 1996 ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders:

PLEASE TAKE NOTICE that the 1996 Annual Meeting of Stockholders of AUTOMATIC DATA PROCESSING, INC. (the "Company") will be held at 10:00 a.m., Tuesday, November 12, 1996 at the Company's corporate headquarters, ONE ADP BOULEVARD, ROSELAND, NEW JERSEY 07068, for the following purposes:

1. To elect a Board of Directors (Proposal 1);
2. To ratify the appointment of Deloitte & Touche LLP to serve as the Company's independent certified public accountants for the fiscal year which began on July 1, 1996 (Proposal 2); and
3. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Only the holders of Common Stock of record at the close of business on September 13, 1996 are entitled to vote at the meeting. Each stockholder is entitled to one vote for each share of Common Stock held on the record date.

By order of the Board of Directors

JAMES B. BENSON
SECRETARY

September 23, 1996
Roseland, New Jersey

THE PRESENCE IN PERSON AND/OR THE REPRESENTATION BY PROXY OF THE HOLDERS OF A MAJORITY OF THE ISSUED AND OUTSTANDING SHARES OF STOCK ENTITLED TO VOTE IS NECESSARY AND SUFFICIENT TO CONSTITUTE A QUORUM. ACCORDINGLY, IF YOU DO NOT EXPECT TO BE PRESENT AT THE MEETING, PLEASE EXECUTE THE ACCOMPANYING PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES, SO THAT YOUR SHARES OF STOCK MAY BE REPRESENTED AT THE MEETING.

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS OF

[LOGO]
AUTOMATIC DATA PROCESSING, INC.
ONE ADP BOULEVARD - ROSELAND, NEW JERSEY 07068

TO BE HELD ON NOVEMBER 12, 1996

SOLICITATION AND REVOCATION OF PROXY

The accompanying proxy is being solicited by the Board of Directors of the Company for use at the forthcoming Annual Meeting of Stockholders. Each stockholder giving such a proxy has the power to revoke the same at any time before it is voted by so notifying the Secretary of the Company in writing. All expenses in connection with the solicitation will be borne by the Company. This proxy statement and the accompanying proxy are being mailed to the stockholders on or about September 23, 1996.

The Company has one class of securities outstanding and entitled to vote at the Annual Meeting of Stockholders, its Common Stock, par value \$.10 per share. At the close of business on September 13, 1996, the record date for determination of stockholders entitled to notice of and to vote at the meeting, the Company had issued and outstanding 290,038,815 shares of Common Stock (excluding 24,240,573 treasury shares not entitled to vote). Each outstanding share of Common Stock is entitled to one vote with respect to each matter to be voted on at the meeting.

The representation in person or by proxy of a majority of the shares entitled to vote shall constitute a quorum at the Annual Meeting of Stockholders. Directors are elected by a plurality of the affirmative votes cast. The affirmative vote of the holders of a majority of the shares cast is required to ratify the appointment of Deloitte & Touche LLP as the Company's independent certified public accountants. Under the Company's Restated Certificate of Incorporation and By-laws and under Delaware law, abstentions and "non-votes" are counted as present in determining whether the quorum requirement is satisfied. With regard to the election of Directors, votes may be cast in favor or withheld. Votes that are withheld will be excluded entirely from the vote and will have no effect. Abstentions may be specified on any proposal (other than the election of Directors) and will have the effect of a negative vote because each proposal (other than the election of Directors) requires the affirmative vote of a majority of the shares present in person or by proxy and entitled to vote. Under applicable Delaware law, a non-vote will have no effect on the outcome of the election of Directors or any other proposal. A non-vote occurs when a nominee holding shares for a beneficial owner votes on one proposal, but does not vote on another proposal because the nominee does not have discretionary voting power and has not received instructions from the beneficial owner.

The Company's Board of Directors has adopted a policy whereby stockholders' proxies are received by the Company's independent tabulators and the vote is certified by independent inspectors of election. Proxies and ballots that identify the vote of individual stockholders will be kept confidential from the Company's management and directors, except as necessary to meet legal requirements, in cases where stockholders request disclosure, or in a contested election.

**PROPOSAL 1
ELECTION OF DIRECTORS**

Properly executed proxies will be voted as marked, and if not marked, will be voted in favor of the election of the persons named below (each of whom is now a director) as directors to serve until the next Annual Meeting of Stockholders and until their successors are duly elected and qualified. If any nominee does not remain a candidate at the time of the meeting (a situation which management does not anticipate), proxies solicited hereunder will be voted in favor of those nominees who do remain as candidates and may be voted for substitute nominees designated by the Board of Directors.

NAME	AGE	SERVED AS A DIRECTOR CONTINUOUSLY SINCE	PRINCIPAL OCCUPATION
Gary C. Butler	49	1996	Group President of the Employer Services Group of the Company (1)
Joseph A. Califano, Jr.	65	1982	Chairman of the Board and President, National Center on Addiction and Substance Abuse at Columbia University (2)
Leon G. Cooperman	53	1991	Chairman and Chief Executive Officer, Omega Advisors, Inc., an investment partnership (3)
George H. Heilmeyer	60	1994	President and Chief Executive Officer of Bellcore (Bell Communication Research), a research and engineering consortium (4)
Ann Dibble Jordan	61	1993	Consultant (5)
Harvey M. Krueger	67	1967	Senior Managing Director of Lehman Brothers, investment bankers (6)
Charles P. Lazarus	72	1987	Chairman of the Board of Toys "R" Us, Inc., a toy specialty retail chain (7)
Frederic V. Malek	59	1978	Chairman, Thayer Capital Partners, a merchant banking firm (8)
Henry Taub	69	1961	Chairman of the Executive Committee of the Board (9)
Laurence A. Tisch	73	1972	Co-Chairman and Co-Chief Executive Officer of Loews Corporation, which is engaged in the consumer products, hotel and insurance businesses (10)
Arthur F. Weinbach	53	1989	President and Chief Executive Officer of the Company (11)
Josh S. Weston	67	1977	Chairman of the Board of the Company (12)

- (1) Mr. Butler was elected director of the Company, effective May 23, 1996, by action of the Board of Directors. Mr. Butler has held the indicated position since January 1995. Prior thereto, he had been Group President of the Dealer Services Group of the Company for more than five years.
- (2) Mr. Califano was a senior partner in the Washington, D.C. office of Dewey Ballantine from 1983 through 1992. He is also a director of Authentic Fitness Corporation, Chrysler Corporation, K Mart Corporation, New York/New England Telephone Cos., Travelers Group, Warnaco Inc. and Health Plan Services, Inc.
- (3) Mr. Cooperman was Chairman and Chief Executive Officer of Goldman Sachs Asset Management from 1989 until July 1991, and is a limited partner of Goldman, Sachs & Co. Prior to that time, Mr. Cooperman spent 22 years in Goldman Sachs' Investment Research Department, in which he served as partner-in-charge, co-chairman of the Investment Policy Committee and chairman of the Stock Selection Committee.
- (4) Dr. Heilmeier has been President and Chief Executive Officer of Bellcore (Bell Communication Research) since March 1991. Mr. Heilmeier is also a director of Compaq Computer Corporation, The MITRE Corporation and TRW, Inc.
- (5) Ms. Jordan is the former Director, Social Services Department, Chicago Lying-In Hospital, University of Chicago Medical Center, a position she assumed in 1970. She is also a director of Hechinger Company, Johnson & Johnson Corporation, Salant Corporation and The Travelers, Inc.
- (6) Mr. Krueger has been a Senior Managing Director of Lehman Brothers and its predecessor companies for more than the past five years. He is also a director of Chaus, Inc., Club Med Inc., IVAX Corporation and R.G. Barry Corporation.
- (7) Mr. Lazarus has been Chairman of the Board of Toys "R" Us, Inc. for more than the past five years. He is also a director of Loral Corporation.
- (8) Mr. Malek has been Chairman of Thayer Capital Partners since 1992. During 1992 he was Campaign Manager, Bush-Quayle '92. Prior to that time, he was Vice-Chairman of Northwest Airlines, Inc. from 1990 until December 1991, and was President of Northwest Airlines from 1989 to 1990. Mr. Malek is also a director of FPL Group Incorporated, National Education Corporation, American Management Systems Corp., ICF International, Inc., Manor Care Corp., Northwest Airlines, Inc., INTRAV, Inc. and various Paine Webber mutual funds.
- (9) Mr. Taub became Honorary Chairman of the Company's Board of Directors in 1986 and has been Chairman of the Executive Committee since 1983. He is also a director of Hasbro, Inc. and Rite Aid Corp.
- (10) Mr. Tisch has been Co-Chairman and Co-Chief Executive Officer of Loews Corporation for more than the past five years. He is also a director of Bulova Corporation, Petrie Stores Corp., Federated Department Stores, Inc., CNA Financial Corporation and Loews Corporation.
- (11) Mr. Weinbach became President and Chief Executive Officer of the Company in August 1996, having served as President and Chief Operating Officer since January 1994. Prior to that time, he

had served as Executive Vice President since August 1992, and had, prior thereto, been Senior Vice President, Administration and Finance, for more than the past five years. He is also a director of Decision One Corp.

(12)Mr. Weston has been Chairman of the Board of the Company for more than the past five years. Prior to August 1996, he served as Chairman of the Board and Chief Executive Officer of the Company for more than the past five years. He is also a director of Public Service Enterprise Group, Shared Medical Systems Corporation, Vanstar Corporation and Olsten Corp.

DIRECTORS' MEETINGS, COMMITTEES AND FEES

During the last fiscal year five meetings of the Board of Directors were held. All directors attended at least 75%, in the aggregate, of the meetings of the Board of Directors and the committees of which they were members.

The Company has a standing Audit Committee composed of Messrs. Califano, Cooperman and Krueger, and Ms. Jordan. Mr. Krueger is the Chairman. The principal functions of the Audit Committee are to (i) make recommendations to the full Board of Directors concerning the appointment of independent auditors, (ii) review the scope of the audit and related fees, (iii) review the Company's accounting principles, policies and reporting practices with the independent and internal auditors and management, (iv) discuss with the independent auditors the results of their audit and determine what action, if any, is required with respect to the Company's internal controls and (v) consider other audit and non-audit matters from time to time as requested by the full Board of Directors. The Audit Committee met four times during fiscal 1996.

The Company has a Compensation Committee composed of Messrs. Lazarus, Malek and Tisch. Mr. Malek is the Chairman. The purpose of the Compensation Committee is to develop guidelines and review the compensation and performance of officers of the Company and other Company associates, to review and approve criteria for granting bonuses and options to officers of the Company, and to develop plans for managerial succession. The Compensation Committee met four times in fiscal 1996.

The Company has an Executive Committee composed of Messrs. Krueger, Malek, Taub, Weston and, since August 1, 1996, Weinbach. Mr. Taub is the Chairman. The purpose of the Executive Committee is to act in the absence of the Board of Directors. The Executive Committee met twice during fiscal 1996.

The Company does not have a Nominating Committee or any committee performing nominating or similar functions.

Non-employee directors are paid an annual retainer of \$25,000, plus \$1,000 for each Board of Directors meeting attended. In addition, non-employee directors are paid \$750 for each committee meeting attended, except for the chairman of such committee, who is paid \$1,000 for each meeting he attends, and except that each non-employee member of the Executive Committee is paid \$1,000 for each meeting he attends. Non-employee directors may elect to defer payment of the above amounts. There are no fees paid to employee directors or other fee arrangements provided by the Company.

The non-employee directors of the Company are entitled to participate in the 1989 Non-Employee Director Stock Option Plan (the "Directors' Plan") pursuant to which options for 5,000 shares of Common Stock will automatically be granted to persons who become non-employee directors at any time after the adoption of the Directors' Plan. In addition, each non-employee director will be granted

an additional option for 5,000 shares on the first business day after each fifth anniversary of the date of the initial grant to each such non-employee director, provided that he or she is then still serving in such capacity. The Directors' Plan was adopted on November 2, 1989 and will remain in effect until terminated by action of the Board of Directors. All options have been and will be granted at the fair market value of the Common Stock, determined on the basis of the closing price of the Common Stock in consolidated trading on the date of grant, as reported in The Wall Street Journal. Twenty percent of the options granted under the Directors' Plan become exercisable on the first anniversary of the date such options were granted, and twenty percent become exercisable on each successive anniversary date until all such options are exercisable; provided that options become exercisable only if the director is then still serving in such capacity, unless certain specified events occur such as the death, disability or retirement of a director, in which case the options shall immediately vest and become fully exercisable. All options granted under the Directors' Plan have a term of ten years. Under the Directors' Plan, options for 20,000 shares at an exercise price of \$11.46 per share and options for 10,000 shares at an exercise price of \$28.72 per share have been granted to each of Messrs. Califano, Krueger, Lazarus, Malek and Tisch; Mr. Cooperman has been granted an option for 20,000 shares at an exercise price of \$19.34; Ms. Jordan has been granted an option for 10,000 shares at an exercise price of \$26.15 per share; and Mr. Heilmeyer has been granted an option for 10,000 shares at an exercise price of \$29.38 per share. Depending upon the date of grant, the foregoing option grants (all of which were originally grants for 5,000 shares) reflect the adjustments caused by two 2 for 1 stock splits.

In addition, a non-employee director who chooses to retire after 20 years of service in such capacity and having attained the age of 70 will receive a pension of \$25,000 per year for the remainder of his or her life. If a non-employee director chooses to retire after having attained the age of 65 with 15 years of service, he or she will receive a pension of \$12,500 per year.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGERS

The following table contains information as of August 26, 1996 with respect to the beneficial ownership of Common Stock of the Company by each director and nominee for director of the Company, by each of the five most highly compensated executive officers of the Company and by all directors and executive officers of the Company as a group (including the named individuals). Unless otherwise noted in the footnotes following the table, the persons as to whom the information is given had sole voting and investment power over the shares of Common Stock shown as beneficially owned. To the knowledge of the management of the Company, no person beneficially owned as of August 26, 1996 more than 5% of the outstanding shares of the Company's Common Stock.

NAME	SHARES OF COMMON STOCK BENEFICIALLY OWNED (1)	PERCENT
Gary C. Butler	208,537	*
Joseph A. Califano, Jr.	22,800	*
Robert J. Casale	190,896	*
Leon G. Cooperman	17,000	*
George H. Heilmeyer	2,200	*
Ann Dibble Jordan	6,200	*

NAME	SHARES OF COMMON STOCK BENEFICIALLY OWNED (1)	PERCENT
Harvey M. Krueger	38,000	*
Charles P. Lazarus	26,000	*
Peter M. Leger	47,797	*
Frederic V. Malek (2)	16,000	*
Henry Taub (3)	4,335,627	1.5%
Laurence A. Tisch	3,200	*
Arthur F. Weinbach	497,223	*
Josh S. Weston (4)	1,078,848	*
Directors and Executive Officers as a group (20 persons, including those named above) (5)	6,978,341	2.4%

* Indicates less than one percent.

(1) Includes shares that may be acquired upon the exercise of options granted by the Company that are exercisable prior to October 25, 1996. The shares beneficially owned include 20,000, 22,000, 130,000, 15,000, 2,000, 22,000, 22,000, 33,600, 12,000, 316,000, 610,500 and 6,000 shares subject to such options granted to Messrs. Butler, Califano, Casale, Cooperman, Heilmeier, Krueger, Lazarus, Leger, Malek, Weinbach and Weston and Ms. Jordan, respectively, and 1,411,414 shares subject to such options granted to the Directors and Executive Officers as a group.

(2) In addition, members of Mr. Malek's immediate family were potential beneficiaries of charitable trusts or owned outright an aggregate of 1,600 shares of Common Stock of the Company.

(3) Members of Mr. Taub's immediate family were potential beneficiaries of charitable trusts or owned outright an aggregate of 159,021 shares of Common Stock of the Company, and a charitable foundation of which Mr. Taub is an officer owned an aggregate of 7,864 shares of Common Stock of the Company.

(4) In addition, Mr. Weston's daughter owned 400 shares of Common Stock of the Company.

(5) Members of the immediate families of non-director officers of the Company owned 1,400 shares of Common Stock of the Company.

STOCKHOLDER APPROVAL REQUIRED

Directors shall be elected by a plurality of the affirmative votes cast at the meeting.

**THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE
ELECTION OF THE NOMINEES TO THE BOARD OF DIRECTORS.**

COMPENSATION OF EXECUTIVE OFFICERS

The following sections of this proxy statement cover the components of the total compensation of the five most highly compensated executive officers of the Company. These sections include: (i) a series of tables covering annual and long-term compensation; (ii) a pension plan table summarizing the annual benefits payable under the Company's defined benefit retirement plans; (iii) a report by the Compensation Committee of the Board of Directors describing the Company's compensation policies for fiscal 1996 for its executive officers and the rationale upon which its chief executive officer's compensation for fiscal 1996 was based; and (iv) a performance graph comparing the Company's total stockholder return to the S&P 500 and the S&P Computer Software Services Indices over a five year period.

SUMMARY COMPENSATION TABLE

The following table summarizes the compensation of the Company's chief executive officer and the four other most highly compensated executive officers for services in all capacities to the Company for the three years ended June 30, 1996.

NAME AND PRINCIPAL POSITION	YEAR ENDED JUNE 30,	ANNUAL COMPENSATION(1)		LONG-TERM COMPENSATION		
		SALARY	BONUS	RESTRICTED STOCK AWARDS (2)	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	ALL OTHER COMPENSATION (4)
					(3)	
Josh S. Weston Chairman and Chief Executive Officer	1996	\$ 1,000,000	\$ 234,000	\$ --	--	\$ 11,000
	1995	\$ 1,000,000	\$ 200,000	\$ --	--	\$ 7,684
	1994	\$ 1,068,750	\$ --	\$ 1,179,640	--	\$ 6,521
Arthur F. Weinbach President and Chief Operating Officer	1996	\$ 475,000	\$ 235,000	\$ --	--	\$ 5,861
	1995	\$ 455,000	\$ 225,000	\$ --	40,000	\$ 4,568
	1994	\$ 405,833	\$ 210,000	\$ 447,844	40,000	\$ 3,520
Gary C. Butler Group President	1996	\$ 415,000	\$ 228,000	\$ 470,375	20,000	\$ 6,086
	1995	\$ 345,833	\$ 220,000	\$ --	20,000	\$ 63,961
	1994	\$ 286,250	\$ 180,000	\$ 341,656	10,000	\$ 2,980
Robert J. Casale Group President	1996	\$ 410,000	\$ 150,000	\$ 474,525	--	\$ 5,379
	1995	\$ 388,750	\$ 160,000	\$ --	15,000	\$ 4,599
	1994	\$ 366,923	\$ 175,000	\$ --	15,000	\$ 3,529
Peter M. Leger Division President	1996	\$ 265,000	\$ 102,000	\$ --	20,000	\$ 4,265
	1995	\$ 241,422	\$ 140,000	\$ 117,375	40,000	\$ 3,831
	1994	\$ 214,292	\$ 100,000	\$ --	20,000	\$ 2,500

(1) None of the named executive officers received any perquisites or other personal benefits of an amount, or any other annual compensation of a type, required to be reported by the Securities and Exchange Commission pursuant to applicable rules and regulations.

(2) The dollar values shown in the Restricted Stock Awards column are based on the closing market price of the Company's Common Stock on the date the restricted shares were granted. Restricted shares may not be transferred or pledged, but such Company-imposed restrictions lapse with the passage of time (over periods of up to six years) and continued employment with the Company.

As of June 30, 1996, the aggregate number of shares of restricted stock held by a named executive officer and the aggregate fair market value of such shares (calculated by multiplying the aggregate number of shares held by such a named executive officer by \$38 5/8, the closing price on the New York Stock Exchange of the Company's Common Stock on June 30, 1996) was: Mr. Weston, 22,000 shares (\$849,750); Mr. Weinbach, 37,400 shares (\$1,444,575); Mr. Casale, 32,400 shares (\$1,251,450); Mr. Butler, 39,900 shares (\$1,541,137); and Mr. Leger, 6,500 shares (\$251,062).

The restricted stock awards to the named executive officers reported in the table that vest, in whole or in part, in under three years from the date of grant, together with their vesting schedule, are as follows:

(i) Mr. Weston received a grant of 44,000 restricted shares in fiscal 1994, of which 22,000 vested in fiscal 1995, and 22,000 shares will vest in 1997, pursuant to the terms of the 1994 Executive Incentive Compensation Plan based upon the achievement by the Company of certain earnings per share objectives;

(ii)

Mr. Weinbach received a grant of 17,000 restricted shares in fiscal 1994, of which 1,000 shares vested in fiscal 1995 and 1996, and 1,000 shares will vest in each of fiscal 1997 and 1998 and 13,000 shares will vest in fiscal 1999;

(iii)

Mr. Butler received a grant of 13,000 restricted shares in fiscal 1994, of which 1,000 shares vested in fiscal 1995 and 1996, 1,000 will vest in fiscal 1997 and 1998 and 9,000 shares will vest in fiscal 1999, and a grant of 14,200 restricted shares in fiscal 1996, 1,300 of which vested in fiscal 1996 and 1,300 will vest in each of fiscal 1997 through 1999 and 9,000 will vest in fiscal 2000;

(iv)

Mr. Casale received a grant of 14,800 restricted shares in fiscal 1996, of which 800 shares will vest in fiscal 1997, 1,600 will vest in fiscal 1998 and 1999, 800 will vest in fiscal 2000 and 10,000 will vest in fiscal 2001.

(v) Mr. Leger received a grant of 4,000 restricted shares in fiscal 1995, of which 500 vested in fiscal 1996, 500 will vest in each of fiscal 1997 and 1998, 1,500 will vest in fiscal 1999 and 1,000 will vest in fiscal 2000.

Dividends are paid on restricted stock at the same rate as other outstanding shares of the Company's Common Stock. In the event of a change of control of the Company, the unvested portion of the restricted stock of Messrs. Weinbach, Casale and Butler will be subject to limited accelerated vesting.

(3) The Company does not award Stock Appreciation Rights (SARS).

(4) For the year ended June 30, 1996, consists of the sum of (i) contributions to the Company's Retirement and Savings Plan (401(k)) in the following amounts: Mr. Weston, \$5,572; Mr. Weinbach, \$4,465; Mr. Casale, \$3,936; Mr. Butler, \$5,435; and Mr. Leger, \$4,265, and (ii) compensatory split-dollar insurance premiums (with a statistically calculated economic benefit to

the executive determined by Phoenix Home Life Insurance Company for W-2 income purposes) in the following amounts: Mr. Weston, \$5,428; Mr. Weinbach, \$1,396; Mr. Casale, \$1,443; and Mr. Butler, \$651. In fiscal 1995, \$60,175 of relocation benefits were included for Mr. Butler.

STOCK OPTION PLANS

The Company has in effect a 1981 Key Employees' Stock Option Plan (the "1981 Plan") and a 1990 Key Employees' Stock Option Plan (the "1990 Plan"). The 1981 Plan and the 1990 Plan collectively are referred to as the "Option Plans". Officers and key employees are eligible to participate in the Option Plans, which permit the issuance, in addition to non-qualified options, of "incentive stock options" ("ISOs") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). The Company has ceased granting options under the 1981 Plan, but outstanding options under the 1981 Plan will remain valid. In the event of a change in control of the Company, the unvested portion of the stock options of Messrs. Weinbach, Casale and Butler will be subject to limited accelerated vesting.

The Option Plans are administered by the Compensation Committee of the Board of Directors. The Committee has the authority to determine the employees to whom options will be granted and, subject to the Option Plans, the terms and amount of options granted.

ISOs expire no more than ten years from their date of grant, with an exercise price equal to 100% of the fair market value on the date of grant. Non-qualified options may expire as much as 12 years after the date of grant, but the exercise price need not be equal to 100% of the fair market value on the grant date.

An optionee has no rights as a stockholder with respect to any shares covered by his options until the date of issuance of a stock certificate to him for such shares. During the life of the optionee, the option is exercisable only by him. No option is exercisable more than 15 days after termination of employment, or (if termination is due to the death of an optionee) more than six months after the appointment and qualification of an executor or administrator of the deceased optionee's estate or 12 months after the death of the optionee, whichever occurs earlier.

The following table sets forth certain information concerning stock option grants to the named executive officers during the fiscal year ended June 30, 1996.

NAME	OPTION GRANTS IN LAST FISCAL YEAR				
	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED (#) (1)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR (%)	EXERCISE PRICE (\$/SHARE)	EXPIRATION DATE	GRANT DATE VALUE (\$)(2)
Josh S. Weston	--	--	--	--	--
Arthur F. Weinbach	--	--	--	--	--
Gary C. Butler	20,000	.3	38.50	5/22/06	236,932
Robert J. Casale	--	--	--	--	--
Peter M. Leger	20,000	.3	32.625	8/10/05	187,381

(1) All options were granted pursuant to the 1990 Plan. The options were granted at an exercise price equal to the fair market value of the Company's Common Stock on the date of grant. The options were granted for terms of ten years, and vest during periods from four to six years subsequent to the date of grant.

(2) The grant date values were calculated on the basis of the Black-Scholes option pricing model. Options were assumed to be exercised seven years after the date of grant, based on historical experience. A risk-free interest rate of 6.75%, stock price volatility of 19% and the dividend yield of 1% were used in the calculation for the option grant to Mr. Butler. For the grant to Mr. Leger the risk-free interest rate was 6.7%, the stock price volatility was 17% and the dividend yield was 1%. A discount of 14% was applied to the calculated value to reflect the risk of forfeiture during the option term. The actual value of the options will depend on the market value of the Company's Common Stock on the dates the options are exercised. No realization of value from the options is possible without an increase in the price of the Company's Common Stock, which would benefit all stockholders commensurately.

**AGGREGATED OPTION EXERCISES
FOR FISCAL YEAR ENDED JUNE 30, 1996
AND OPTION VALUES AS OF JUNE 30, 1996**

The following table sets forth certain information concerning option exercises during the last fiscal year by the named executive officers and unexercised options held by such officers at the end of the last fiscal year.

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT 6/30/96 (#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT 6/30/96 (\$)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Josh S. Weston	129,500	\$ 3,948,156	610,500	40,000	\$ 16,561,000	\$ 582,000
Arthur F. Weinbach	36,000	\$ 1,100,700	300,000	216,000	\$ 8,406,000	\$ 2,666,000
Gary C. Butler	--	\$ --	64,000	210,000	\$ 1,733,000	\$ 3,240,000
Robert J. Casale	--	\$ --	114,000	136,000	\$ 3,094,000	\$ 1,955,000
Peter M. Leger	--	\$ --	33,600	86,400	\$ 546,000	\$ 920,000

DEFINED BENEFIT PLANS

The following table shows the estimated annual retirement benefits payable under the Company's retirement program, consisting of the Retirement Capital Accumulation Plan (the "Pension

Plan") and the Supplemental Officers' Retirement Plan (the "Supplemental Retirement Plan"), to persons in specified average compensation and credited service classifications, assuming retirement at age 65.

FINAL 5-YEAR AVERAGE COMPENSATION	YEARS OF CREDITED SERVICE AT RETIREMENT				
	10	15	20	25	30
\$ 400,000	\$ 65,000	\$ 100,000	\$ 118,000	\$ 129,000	\$ 145,000
500,000	80,000	123,000	143,000	154,000	170,000
600,000	95,000	145,000	168,000	179,000	195,000
700,000	110,000	168,000	193,000	204,000	220,000
800,000	125,000	190,000	218,000	229,000	245,000
900,000	140,000	213,000	243,000	254,000	270,000
1,000,000	155,000	235,000	268,000	279,000	295,000

Compensation covered by the Pension Plan is limited to January 1 base salary up to the current compensation limit in effect for the plan year. Compensation covered under the Supplemental Retirement Plan includes cash compensation and compensation from restricted stock vesting during the year. Benefits under the Supplemental Retirement Plan are subject to reduction for social security, Pension Plan and 401(k) benefits.

Messrs. Casale, Butler and Leger have, in the aggregate, 7, 20 and 3 years of credited service respectively under the Pension Plan and 6, 7 and 3 years under the Supplemental Retirement Plan. Mr. Weinbach has 15 years of credited service under the Pension Plan. The Company has agreed that for purposes of the Supplemental Retirement Plan, Mr. Weinbach is deemed to have 10 years of credited service and, unless his employment is terminated for cause, will receive the maximum benefits available under such Plan.

Mr. Weston is not a participant in the Supplemental Retirement Plan and, accordingly, the table above does not reflect his retirement benefit. In fiscal 1995, the Company agreed to pay a portion of the annual premium of two life insurance policies insuring the lives of Mr. Weston and his wife. In return for the Company's agreement, Mr. Weston agreed to reduce the annual retirement benefit under his employment contract from \$550,000 per year to \$382,000 per year, an amount calculated to reimburse the Company in full for all costs (including costs for the use of money) of the life insurance premiums paid by the Company. If the Company does not receive full reimbursement for such costs, Mr. Weston's retirement benefit will be further reduced or the trust which owns the life insurance policies will make the Company whole.

EMPLOYMENT AGREEMENTS

Josh S. Weston, the Chairman of the Board and Chief Executive Officer, as well as a director, of the Company, entered into an employment agreement with the Company as of June 1, 1983, whose term ran until July 31, 1996, when he retired as Chief Executive Officer. Mr. Weston's annual salary during the term of the agreement, as amended, was \$1,000,000. The agreement, as amended, provided that Mr. Weston was eligible to receive an annual bonus of up to \$200,000 in fiscal 1995 and \$250,000 in

fiscal 1996, and a restricted stock grant of up to 22,000 shares per year based upon the Company's earnings per share performance during the year. The agreement also provided for certain retirement benefits as described in the "Defined Benefit Plans" section of this proxy statement.

Arthur F. Weinbach entered into an employment agreement with the Company as of August 1, 1996, the day Mr. Weinbach became Chief Executive Officer of the Company. The agreement has successive one-year terms unless terminated by the Company or Mr. Weinbach prior to June 1 of any year. Mr. Weinbach's annual base salary is to be no less than \$580,000, and his annual target bonus no less than \$290,000. The agreement provides that Mr. Weinbach is to be granted restricted stock awards for a number of shares so that restrictions will lapse in each fiscal year of the Company on shares with a market value on the date of the award of at least \$500,000, and stock options for 110,000 shares of Common Stock. If Mr. Weinbach's employment is terminated by the Company without cause, then he is entitled to receive his base salary for 18 months and continue to vest in his restricted stock awards and stock options. If his employment is terminated following a change-in-control of the Company, he will receive a termination payment equal to a percentage, ranging from 300% if such termination occurs within two years of such change-in-control to 100% if it occurs after the third year, of his annual base salary and his average annual bonus for the prior two years. In addition, all of his stock options will become fully vested and all of his restricted stock having restrictions lapsing within three years after such termination shall have such restrictions automatically removed.

Messrs. Casale and Butler have entered into agreements with the Company which provide for a defined severance period, not to exceed nine months, in the event of a termination of their employment resulting from a change in control of the Company.

CERTAIN TRANSACTIONS

Harvey M. Krueger, a director of the Company, is a Senior Managing Director of Lehman Brothers, which provided various investment banking and brokerage services to the Company in the past fiscal year.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION IN COMPENSATION DECISIONS

The Compensation Committee of the Board of Directors is composed of three outside directors: Messrs. Lazarus, Malek and Tisch.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee of the Board of Directors (the "Committee") is responsible for setting on behalf of the Board of Directors the base salaries and the total compensation levels of the Chairman, the President and Chief Executive Officer and the presidents of the Employer Services, Brokerage Services and Dealer Services businesses, as well as a structure for other key executives of the Company. The Committee grants all stock options and reviews all recommendations for grants of all restricted stock to these and other key executives.

COMPENSATION POLICIES

The Company's executive compensation policies for fiscal 1996, which were reviewed by the Committee, were designed to emphasize both competitive and variable compensation, with direct linkages to business objectives and exceptional performance.

The primary components of the compensation package for key executives for fiscal 1996 were base salary, bonus, restricted stock and stock options. The Company and the Committee have always believed that stock ownership in the form of restricted stock and longer-term stock option vesting is vital in linking management to stockholder interests. The Company sets its salary and bonus targets BELOW the median of market range levels of comparable companies included in the S&P 500 Index. Therefore, executives derive more from stock price appreciation as a percent of total compensation than in a company whose base salary levels are set at market levels or higher.

ANNUAL COMPENSATION

Annual compensation consists of a base salary and a cash bonus. The base salaries for executives for fiscal 1996 were determined based upon the job grade of the position, the salary range of the job grade and the performance of the executive.

Key executives earned cash bonuses in fiscal 1996 based upon individual annual accomplishments versus individual pre-established goals that included business growth and increased profitability. Performance goals also included quality/service, product development, organization development and leadership.

LONG-TERM COMPENSATION

Long-term compensation is comprised of restricted stock and stock options. The Company has from time to time sold shares of restricted stock to executive officers and other key employees, at par value, in recognition of their individual levels of relative responsibility and prospective contributions to the business. Company imposed restrictions on transfer or pledge of the restricted stock generally lapse over the ensuing five years, and are subject to continued employment. The restricted stock plan is designed to encourage stock ownership, longevity, and long-term performance. The Committee also considers the dollar value of annually vested restricted stock in setting annual cash compensation.

Stock options are granted, usually every two years, to executive officers and other key employees in amounts based upon their job grade and individual performance. Stock options are granted at fair market value as of the date of grant, and have a term of up to ten years. Stock options provide incentive for the creation of stockholder value over the long-term, and also significantly aid in executive recruiting and retention.

Restricted stock and stock option grants were made to individual key executives during fiscal 1996 on a basis consistent with the above guidelines.

BENEFITS

The Company provided certain supplemental benefits to key executives during fiscal 1996 to ensure that it could compete effectively for executive talent. These supplemental benefits included additional company paid life insurance and certain additional retirement benefits described in the "Defined Benefit Plans" section of this proxy statement.

CEO COMPENSATION

The Committee meets annually without the Chief Executive Officer present to evaluate his performance and to determine his compensation.

The base salary for fiscal 1996 for Mr. Weston, the Chief Executive Officer, was determined by the terms of his employment agreement with the Company as described in the "Employment Agreements" section of this proxy statement. Under the terms of that agreement, his salary could only grow

if earnings per share grew. In fiscal 1996, Mr. Weston's base salary was \$1,000,000. His cash compensation has always been below the median of the base compensation of chief executive officers at companies included in the S&P 500 Index with annual revenues between \$1 and \$5 billion, as surveyed by the Company.

The incentives of the Chief Executive Officer were provided in the form of restricted stock and stock options. This ensured that the Chief Executive Officer and the Company's stockholders would have a commonality of purpose in enhancing stockholder value. As set forth in the 1994 Executive Incentive Compensation Plan, the Chief Executive Officer will be eligible to receive a cash bonus, as well as restricted stock, based upon the Company's earnings per share performance during the year.

The Committee has granted Mr. Weston, during the last five years, stock options totaling 40,000 shares and the opportunity to purchase 44,000 shares of restricted stock. In fiscal 1996, the Company achieved a 14% earnings per share growth, its 35th consecutive year of double digit earnings per share growth. Based on those results and pursuant to the terms of the 1994 Executive Incentive Compensation Plan, Mr. Weston received a bonus of \$234,000, and 22,000 of the 44,000 shares of restricted stock previously purchased by him vested. The Committee believes that Mr. Weston's leadership has been instrumental in achieving the Company's unparalleled record of growth in earnings per share.

Compensation Committee of the Board of Directors

Frederic V. Malek, Chairman Charles P. Lazarus Laurence A. Tisch

PERFORMANCE GRAPH

The following graph compares the cumulative return on the Common Stock of the Company for the most recent five years with the cumulative total return on the S&P 500 Index and the S&P Computer Software Services Index ("CSSI") over the same period, assuming an initial investment of \$100 on June 30, 1991, with all dividends reinvested.

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

	AUTOMATIC DATA PROCESSING	COMPUTER SOFTWARE & SERVICES INDEX	S&P 500 INDEX
Jun-91	100	100	100
Jun-92	132.85	113.41	112.84
Jun-93	150.59	166.67	128.87
Jun-94	168.39	188.81	130.68
Jun-95	201.37	293.92	164.75
Jun-96	250	391.51	207.59

PROPOSAL 2 APPOINTMENT OF AUDITORS

At the Annual Meeting of Stockholders, the stockholders will vote on the ratification of the appointment of Deloitte & Touche LLP, certified public accountants, as independent auditors to audit the accounts of the Company and its subsidiaries for the fiscal year begun July 1, 1996. A representative of Deloitte & Touche LLP will be present at the Annual Meeting of Stockholders and will have an opportunity to make a statement if he desires. He will be available to answer appropriate questions.

**THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE
RATIFICATION OF THE APPOINTMENT OF THE AUDITORS.**

OTHER MATTERS

So far as the Board of Directors is aware, only the aforementioned matters will be acted upon at the meeting. If any other matters properly come before the meeting, the accompanying proxy may be voted on such other matters in accordance with the best judgment of the person or persons voting said proxy.

STOCKHOLDER PROPOSALS

Stockholder proposals intended to be presented at the 1997 Annual Meeting must be received by the Company for inclusion in the 1997 Proxy Statement no later than May 23, 1997.

ANNUAL REPORT

The Company's Annual Report for the fiscal year ended June 30, 1996, which is not a part of the proxy soliciting material, is being mailed to the Company's stockholders together with this proxy statement.

For the Board of Directors

James B. Benson
SECRETARY

Roseland, New Jersey
September 23, 1996

[Form of Proxy -- Front]

[LOGO]

AUTOMATIC DATA PROCESSING, INC.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

PROPERLY EXECUTED PROXIES WILL BE VOTED AS MARKED AND, IF NOT MARKED, WILL BE VOTED FOR THE ELECTION OF THE NOMINEES LISTED IN THE ACCOMPANYING PROXY STATEMENT AND FOR PROPOSAL (2) ON THE REVERSE SIDE.

The undersigned hereby appoints Arthur F. Weinbach and Josh S. Weston, and each of them, attorneys and proxies with full power of substitution, in the name, place and stead of the undersigned, to vote as proxy at the 1996 Annual Meeting of Stockholders of Automatic Data Processing, Inc. to be held at the corporate offices of the Company, ONE ADP BOULEVARD, ROSELAND, NEW JERSEY 07068, on Tuesday, November 12, 1996 at 10:00 A.M., or at any adjournment or adjournments thereof, according to the number of votes that the undersigned would be entitled to cast if personally present.

Either of said attorneys and proxies or substitutes, who shall be present at such meeting or at any adjournment or adjournments thereof, shall have all the powers granted to such attorneys and proxies.

PLEASE DATE, SIGN AND MAIL THE PROXY PROMPTLY IN THE SELF-ADDRESSED RETURN ENVELOPE WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. WHEN SIGNING AS AN ATTORNEY, EXECUTOR, ADMINISTRATOR, TRUSTEE OR GUARDIAN, PLEASE GIVE YOUR FULL TITLE AS SUCH. IF SHARES ARE HELD JOINTLY, BOTH OWNERS SHOULD SIGN.

The nominees for Director are Gary C. Butler, Joseph A. Califano, Jr., Leon G. Cooperman, George H. Heilmeier, Ann Dibble Jordan, Harvey M. Krueger, Charles P. Lazarus, Frederic V. Malek, Henry Taub, Laurence A. Tisch, Arthur F. Weinbach and Josh S. Weston.

ACCOUNT NUMBER COMMON MARK VOTES LIKE THIS /X/

[Form of Proxy -- Back]

The Board of Directors Recommends a vote FOR the proposals regarding:

- | | | | |
|-------|---|--|--|
| (1) | Election of Directors
(INSTRUCTIONS: To withhold authority to vote for any individual nominee, write that nominee's name in the space provided below.) | FOR
all nominees listed
on the reverse side
(except as marked to
the contrary) / / | WITHHOLD
Authority to vote for all
nominees on the reverse
side / / |
| ----- | | | |
| (2) | Appointment of Deloitte & Touche LLP | FOR / / | AGAINST / / |
| (3) | Upon any and all other matters which may properly come before the meeting or any adjournment thereof. | ABSTAIN / / | |

SIGNATURE

DATE

TO ELIMINATE DUPLICATE MAILINGS, PLEASE
MARK THIS BOX / /

SIGNATURE

DATE

[ADP Letterhead]

September 23, 1996

John Doe
123 Main Street
New York, New York 10005

Dear Shareholder:

You are cordially invited to join us at the 1996 Annual Meeting of Stockholders of Automatic Data Processing, Inc. This year's meeting will be held at the corporate offices of the Company at One ADP Boulevard, Roseland, New Jersey, on Tuesday, November 12, 1996, starting at 10:00 a.m. I hope you will be able to attend. At the meeting we will elect directors, and will vote on the appointment of Deloitte & Touche LLP as independent auditors.

It is important that your shares be voted whether or not you plan to be present at the meeting. You should specify your choices by marking the appropriate boxes on the proxy form on the reverse side, and date, sign and return your proxy form in the enclosed, postpaid return envelope as promptly as possible. If you date, sign and return your proxy form without specifying your choices, your shares will be voted in accordance with the recommendation of your directors.

As in the past years, we will discuss the business of the Company and its subsidiaries during the meeting. I welcome your comments and suggestions, and we will provide time during the meeting for questions from shareholders. I am looking forward to seeing you at the meeting.

Sincerely,
[Art Weinbach]

YOUR PROXY

ADP'S TELEPHONE PROXY VOTING SERVICE

VOTE COUNTS

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Phone 1-800-VOTE ADP
1-800-868-3237
CONTROL NUMBER: 2067718316

1. Read the accompanying Proxy Statement and the proxy form below.
2. Phone the toll free number printed above.
3. Once you've been connected, enter your Control Number printed on the top center of the proxy form below.
4. Then follow the simple instructions the Vote ADP voice will provide you.

DIRECTOR NOMINEES: (01) GARY C. BUTLER, (02) JOSEPH A. CALIFANO, JR., (03) LEON G. COOPERMAN, (04) GEORGE H. HEILMEIER, (05) ANN DIBBLE JORDAN, (06) HARVEY M. KRUEGER, (07) CHARLES P. LAZARUS, (08) FREDERIC V. MALEK, (09) HENRY

TAUB, (10) LAURENCE A. TISCH, (11) ARTHUR F. WEINBACH, (12) JOSH S. WESTON

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