

PAYCHEX®

THE MARKET

Payroll and employees are the common denominator of every business in the United States, but computing paychecks and staying in compliance with human resource issues can be a very complex part of running a business. This difficult process is made worse by the constant threat of costly penalties if mistakes are made. That's where Paychex comes into the picture.

Paychex is a leading provider of comprehensive payroll and human resources outsourcing solutions for businesses nationwide. Paychex computes payrolls and payroll taxes, handles administrative details, and tracks law changes affecting these issues. The company also offers HR services and employee benefits integrated with payroll, so today's businesses can leave these time-consuming and troublesome tasks to Paychex and put their efforts into activities that add directly to their own bottom line. By using the expertise Paychex provides, businesses are better able to meet their compliance requirements and administrative burdens, while at the same time providing competitive benefits for their employees.

As long as there are companies operating in the United States, there will always be a market for Paychex services. But payroll is not just an American issue, and after 33 years of success in the United States, Paychex expanded its payroll operation into Europe in 2004 by opening an office in Hamburg, Germany. Within 12 months, a second office was opened in Berlin, and additional services are being developed for the many new German clients.



ACHIEVEMENTS

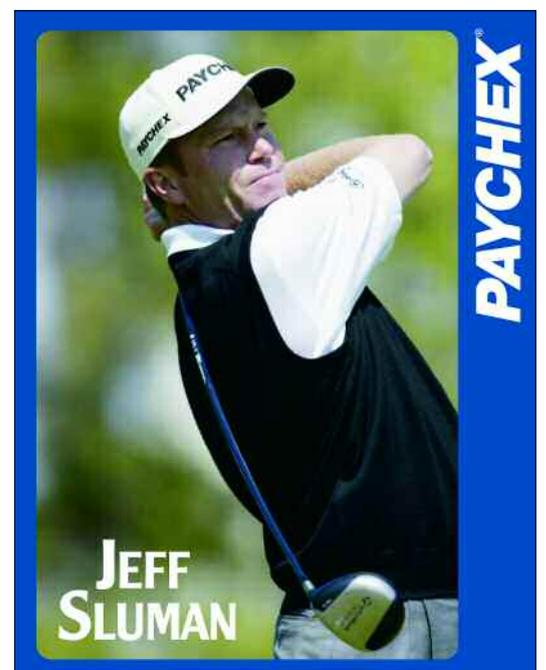
Over the years, Paychex has received national recognition for its outstanding products and customer service, as well as for its financial success and business savvy. Media recognition in 2005 included:

- *Computerworld* selected Paychex as one of the top 100 workplaces for information technology professionals in its 12th annual *Best Places to Work in IT* survey.
- In *PLANSPONSOR* magazine's 7th annual survey, Paychex ranked among the nation's top 401(k) recordkeepers for the third consecutive year, listed first based on the number of new plans gained in 2004.
- In its annual "Buyer's Guide to 401(k) Providers," *CFO* magazine ranked Paychex as the largest 401(k) recordkeeper by total number of plans, with 33,427.
- Paychex was named to *Training* magazine's list of 100 best training organizations for the fourth consecutive year, listed number 20 in 2005.

Recognition over the years has also included:

- *FORTUNE* magazine ranked Paychex among its "100 Best Companies to Work For" in America three consecutive times.
- *Forbes* magazine named Paychex one of the best-managed companies in America, and *FORTUNE* named Paychex one of the most-admired companies in America.
- Several times, *The Wall Street Journal* ranked Paychex among the 25 companies that provided the best return for shareholders over a 10-year period.

- Paychex was awarded the George Mitchell Payment Systems Excellence Award from NACHA for "using the automated clearing house to make the efficiencies of electronic commerce available to every business owner in the United States."



- The Internal Revenue Service recognized Paychex for exceptional Electronic Federal Tax Payment System (EFTPS) participation and transmission success rate.

HISTORY

The foundation for Paychex' success lies in the brilliance of one man's strategic vision more than

three decades ago. B. Thomas Golisano saw the need to take the complicated task of processing payroll out of the hands of entrepreneurs and let them focus on growing their businesses. He founded Paychex in 1971 to do just that.

In the 1980s, the company saw a further opportunity to help businesses with human resources and benefits outsourcing, especially those services that were tied to payroll deductions. That led to additional products and the opening of the Human Resource Services division in 1991. Paychex also expanded its payroll service, launching its Major Market Services division in 1995 to meet the more complex requirements of companies with 50 or more employees. Over the years, services continue to be added to both the payroll and HR sectors to meet the ongoing needs of business clients that grow as Paychex itself matures.

What started as a one-employee company has grown to over 10,000 employees, today serving more than 522,000 payroll clients nationwide. With headquarters in Rochester, New York, there are more than 100 offices in the United States and two in Germany.

THE PRODUCT

Paychex began as a payroll outsourcing solution for small businesses, and payroll processing remains the foundation of the company's service portfolio. This includes the calculation, preparation, and delivery of employee paychecks; production of internal accounting records and management reports; and preparation of federal, state, and local payroll tax returns. Clients and their accountants can also communicate payroll information and access historical data through optional Paychex Online services, available through a secure Internet site, 24 hours a day, seven days a week.

For companies with more complex payroll and benefits needs or that have outgrown the standard payroll service, Major Market Services offers its Preview® software. This provides clients with in-house control of payroll and human resource information and the flexibility of an outsourcing solution.

A complete line of ancillary products has been developed and refined over the years to meet other business needs. These include additional payroll services as well as HR products and services: payroll tax filing and payment, employee payment services, time and attendance solutions, regulatory compliance (new-hire reporting and garnishment processing), retirement services administration, employee benefits administration, workers' compensation insurance administration, and comprehensive HR administration services.

YOU CAN DO PAYROLL 'TIL THE COWS COME HOME.

OR FARM IT OUT TO PAYCHEX.

Let's face it, payroll and payroll tax preparation can be a real burden. You have your hands full year-round...with the same time-consuming, laborious paperwork. Is it rewarding? Or just standing in the way of your business growth?

Here's a refreshing alternative. Recommend Paychex for this task. We specialize in payroll and payroll tax preparation for small businesses. We're cost-effective and accurate. And we help your clients meet deadlines and avoid costly penalties. Our service is simple, but comprehensive, including automatic tax payment and reporting with Taxpay®.

Beyond payroll? Paychex Human Resource Services can provide other smart solutions for your clients: employee handbooks, 401(k) recordkeeping, insurance services, and section 125 cafeteria plans. Ask about them.

Paychex works hard for accountants every day. Why not let us work for you? Call now.

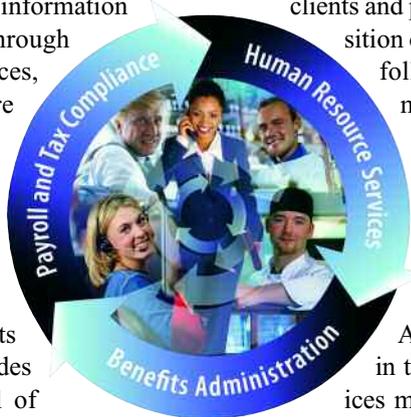
PAYCHEX

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RECENT DEVELOPMENTS

Acquisitions have played a role over the years in expanding the company's client base, broadening geographic areas, and supplementing services. Some recent payroll acquisitions include Advantage Payroll Services, Inc., and InterPay, Inc. Paychex also purchased the Time In A Box® product line from Stromberg in October 2003 in order to offer a Windows®-based time and attendance system to its small- to medium-sized clients and prospects. The April 2004 acquisition of Stromberg itself and its assets followed. The full suite of labor management products now available includes time and attendance for businesses of all sizes and complexities.

Today, Paychex can provide businesses nationwide with solutions from hire to retire. As the leading payroll provider in the United States, Paychex services more organizations than any other business of its kind. Going forward, the company is well-placed to meet the challenges of its clients' changing requirements and to continue moving ahead in the marketplace.



PROMOTION

Paychex promotes its brand primarily through its direct sales force based in major metropolitan markets across the country. Company

sales representatives specialize in payroll, human resource services, or time and attendance solutions.

The best advertising is word of mouth. Paychex uses relationships with existing clients, accounting professionals, and banks for new client referrals that account for approximately

two-thirds of the company's new business. To further enhance its strong relationship with CPAs, during fiscal 2004, Paychex partnered with the American Institute of Certified Public Accountants (AICPA) as the preferred payroll provider for its Business Solutions Partner Program. This program allows CPAs to recommend Paychex to their clients with more options and greater peace of mind than ever before.

People can also learn about Paychex products and services at www.paychex.com. The site includes online sales presentations and product demonstrations. It serves as a lead source and allows Paychex to market to clients in more geographically remote areas. An in-house national sales support group follows up on all inquiries and answers any questions.

BRAND VALUES

Paychex began with the quest to deliver a quality product with exceptional service at a reasonable price. That tenet still holds true today. Paychex values the very ideals that have helped it build its brand strength and grow into the market leader it is now —

innovation and adaptability in the competitive marketplace, focus on consumer value, constant dedication to fiscal discipline, and fair dealing with business partners. These elements go hand in hand with the company's belief in responsible corporate citizenship: adherence to ethical business practices and respect for consumers, employees, and the communities in which the company does business. Together these company values are steadfast and provide employees with a clear and common goal to serve clients well into the future.

THINGS YOU DIDN'T KNOW ABOUT PAYCHEX

- Paychex processed enough W-2s in 2005 to equal approximately 2,276 miles if laid end-to-end, roughly the distance between Buffalo, New York, and Las Vegas, Nevada.
- Paychex processed, printed, and mailed thousands of disaster relief checks for victims of Hurricane Katrina in 2005. They teamed with Hibernia Bank and the American Red Cross to supply emergency funds to people affected by the disaster.
- In fiscal 2005, Paychex recorded its 15th straight year of record revenues and net income.
- Paychex has sponsored professional golfer Jeff Sluman on the PGA Tour since 1986. This 20-year sponsorship is the longest single-sponsor agreement held by any player on Tour.
- Paychex pioneered the debit payroll card concept when it introduced its Access Card in 1994. This pay option direct deposits an employee's pay into a private account, where it can be accessed via an automated teller machine or through use as a credit card.