

PAYCHEX INC
Form DEF 14A
September 03, 2009

Table of Contents

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

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No. _____)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by

Rule 14a-6(e)(2)) Definitive Proxy Statement Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Paychex, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

September 3, 2009

Dear Paychex Stockholder:

The Board of Directors cordially invites you to attend our Annual Meeting of Stockholders (the Annual Meeting) on Tuesday, October 13, 2009 at 10:00 a.m. Eastern Time at the Rochester Riverside Convention Center, 123 East Main Street, Rochester, New York.

This booklet includes the formal Notice of Annual Meeting of Stockholders and the Proxy Statement. The Proxy Statement tells you about the agenda items and the procedures for the Annual Meeting. It also provides certain information about Paychex, Inc., its Board of Directors, and its named executive officers.

It is important that your shares be represented at the Annual Meeting. Whether or not you plan to attend the Annual Meeting, you are encouraged to vote. You may vote by Internet, telephone, written proxy, or written ballot at the Annual Meeting. We encourage you to use the Internet as it is the most cost-effective way to vote. If you elected to electronically access the Proxy Statement and Annual Report, you will not be receiving a proxy card and must vote via the Internet.

We hope you will be able to attend the Annual Meeting and would like to take this opportunity to remind you that your vote is important. If you need special assistance at the Annual Meeting, please contact the Secretary of the Company at (800) 828-4411, or write to Paychex, Inc., 911 Panorama Trail South, Rochester, New York 14625-2396, Attention: Corporate Secretary.

Sincerely,

Jonathan J. Judge
President and Chief Executive Officer

Table of Contents

PAYCHEX, INC.

911 Panorama Trail South Rochester, New York 14625-2396

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

- Date and Time:** 10:00 a.m. Eastern Time on Tuesday, October 13, 2009. Continental breakfast will be available from 9:00 a.m. to 10:00 a.m.
- Location:** Rochester Riverside Convention Center, 123 East Main Street Rochester, New York 14604
- Items of Business:**
- (1) To elect seven nominees to the Board of Directors for one-year terms.
 - (2) To ratify selection of the independent registered public accounting firm.
 - (3) To transact such other business as may properly come before the Annual Meeting, or any adjournment thereof.
- Record Date:** Stockholders of record as of the close of business on August 14, 2009, are entitled to notice of, and to vote at, the Annual Meeting.
- Voting:** Whether or not you plan to attend the Annual Meeting, it is important that your shares be represented and voted at the Annual Meeting. You may vote either by signing and returning the enclosed proxy card, via the Internet, by telephone, or by written ballot at the Annual Meeting as more fully described in the Proxy Statement.
- Annual Meeting Webcast:** The Annual Meeting will be simultaneously broadcast over the Internet at 10:00 a.m. Eastern Time on October 13, 2009. It can be accessed at the Investor Relations page at www.paychex.com, and will be archived and available for replay for approximately one month.

September 3, 2009
By Order of the Board of Directors
John M. Morphy
Secretary

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2009 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON OCTOBER 13, 2009

**Paychex, Inc. s Proxy Statement and Annual Report for the year ended May 31, 2009 are available at
<http://investor.paychex.com/annual.aspx>**

TABLE OF CONTENTS

<u>Proxy Statement</u>	1
<u>Stockholders Entitled to Vote; Outstanding Shares; Quorum</u>	1
<u>How to Vote</u>	1
<u>Revoking Your Proxy</u>	1
<u>General Information on Voting</u>	2
<u>Vote Required</u>	2
<u>Voting by Participants in the Paychex Employee Stock Ownership Plan Stock Fund</u>	2
<u>Security Ownership of Certain Beneficial Owners and Management</u>	3
<u>Proposal 1 Election of Directors For A One-Year Term</u>	5
<u>Director Compensation for the Fiscal Year Ended May 31, 2009</u>	7
<u>Cash Compensation</u>	7
<u>Equity-Based Compensation</u>	8
<u>Deferred Compensation Plan for Directors</u>	8
<u>Benefits</u>	9
<u>Stock Ownership Guidelines</u>	9
<u>Fiscal 2009 Director Compensation</u>	10
<u>Proposal 2 Ratification of Selection of Independent Registered Public Accounting Firm</u>	11
<u>Fees for Professional Services</u>	11
<u>Audit Committee Policy on Pre-Approval of Services of Independent Accountants</u>	11
<u>Report of The Audit Committee</u>	12
<u>Corporate Governance</u>	13
<u>Information About the Board of Directors and Corporate Governance</u>	13
<u>Board of Directors Committees</u>	13
<u>Nomination Process</u>	14
<u>Policy on Transactions with Related Persons</u>	15
<u>Governance and Compensation Committee Interlocks and Insider Participation</u>	15
<u>Communications with the Board of Directors</u>	15
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	16
<u>Code of Business Ethics and Conduct</u>	16
<u>Compensation Discussion and Analysis</u>	17
<u>Objectives of Compensation Program</u>	17
<u>Role of Governance and Compensation Committee</u>	17
<u>Elements of Compensation</u>	18
<u>Annual Base Salary</u>	19
<u>Annual Officer Performance Incentive Program</u>	19
<u>Equity-Based Compensation</u>	20
<u>CEO Compensation</u>	21
<u>Stock Ownership Guidelines</u>	21
<u>Non-Compete and Other Forfeiture Provisions</u>	21

<u>Perquisites</u>	22
<u>Deferred Compensation</u>	22
<u>Subsequent Events</u>	22
<u>Impact of the Internal Revenue Code</u>	23
<u>The Governance and Compensation Committee Report</u>	23
<u>Named Executive Officer Compensation</u>	24
<u>Fiscal 2009 Summary Compensation Table</u>	24
<u>Grants of Plan-Based Awards In Fiscal 2009</u>	26
<u>Outstanding Equity Awards as of May 31, 2009</u>	27
<u>Option Exercises and Stock Vested In Fiscal 2009</u>	29
<u>Non-Qualified Deferred Compensation Fiscal 2009</u>	30
<u>Change of Control and Severance Arrangement Fiscal 2009</u>	31
<u>Alternate Form of Presentation of Compensation Received in Fiscal 2009</u>	33
<u>Other Matters and Information</u>	34

Table of Contents

PROXY STATEMENT

**2009 ANNUAL MEETING OF STOCKHOLDERS OF PAYCHEX, INC.
TO BE HELD ON OCTOBER 13, 2009**

This Proxy Statement is being mailed to stockholders of Paychex, Inc. (Paychex , the Company , we, or our), a Delaware corporation, on or about September 3, 2009, in connection with the solicitation of proxies by the Board of Directors of the Company (the Board) to be voted at the 2009 Annual Meeting of Stockholders (the Annual Meeting). The Annual Meeting will be held on Tuesday, October 13, 2009 at 10:00 a.m. Eastern Time at the Rochester Riverside Convention Center, 123 East Main Street, Rochester, New York.

Stockholders Entitled to Vote; Outstanding Shares; Quorum

Paychex has one class of shares outstanding, designated common stock, \$0.01 par value per share. The Board has fixed the close of business on August 14, 2009 as the record date for determining the holders of common stock entitled to notice of, and to vote at, the Annual Meeting. As of the record date, 361,757,338 shares of common stock were issued and outstanding. A majority of the outstanding shares (180,878,670 shares) present at the Annual Meeting in person or by proxy will constitute a quorum. A quorum is necessary to hold a valid meeting. Stockholders will be entitled to one vote for each share of common stock held as of the record date.

How to Vote

Your vote is very important and we hope that you will attend the Annual Meeting. However, whether or not you plan to attend the Annual Meeting, please vote by proxy in accordance with the instructions on your proxy card, voting instruction form (from your bank or broker), or the instructions that you received through electronic mail. There are three convenient ways to submit your vote by proxy:

Voting by Internet You can vote via the Internet by visiting the website noted on your proxy card. Internet voting is available 24 hours a day. We encourage you to vote via the Internet, as it is the most cost-effective way to vote.

Voting by telephone You can also vote your shares by telephone by calling the toll-free telephone number indicated on your proxy card and following the voice prompt instructions. Telephone voting is available 24 hours a day.

Voting by mail If you choose to vote by mail, simply mark your proxy card, sign and date it, and return it in the enclosed postage-paid envelope. If you elected to electronically access the Proxy Statement and Annual Report, you will not be receiving a proxy card and must vote via the Internet.

The deadline for Internet or telephone voting is 11:59 p.m. Eastern Time on Monday, October 12, 2009. If you vote by telephone or the Internet, you do not need to return your proxy card.

Signing and returning your proxy card or submitting your proxy via the Internet or by telephone does not affect your right to vote in person if you attend the Annual Meeting and your shares are registered in your name. If your shares are held in the name of a bank, broker, or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote in person at the Annual Meeting.

Revoking Your Proxy

You can revoke your proxy at any time prior to it being voted at the Annual Meeting by:

providing written notice of revocation to the Secretary of the Company;

submitting a later-dated proxy via the Internet, telephone, or mail; or

voting in person at the Annual Meeting.

Table of Contents**General Information on Voting**

All votes properly cast and not revoked will be voted at the Annual Meeting in accordance with the stockholder's directions. Shares voted by proxy card received without choices specified will be voted **FOR** the seven nominees for election to the Board and **FOR** the ratification of the selection of the independent registered public accounting firm (the independent accountants).

Abstentions are counted for the purpose of establishing a quorum and will have the same effect as a vote against a proposal (other than the election of directors). Broker non-votes occur when a broker does not vote on a non-routine matter because the broker does not have discretionary voting power for that proposal and has not received instructions from the beneficial owner to vote. Broker non-votes will be counted for the purpose of determining the presence or absence of a quorum, but will not be counted for the purpose of determining the number of shares entitled to vote on a specific proposal and thus will not affect the outcome of the vote.

Vote Required

Our By-laws provide that each director shall be elected by a majority of the votes cast for the director at any meeting for the election of directors at which a quorum is present, provided that if the number of nominees exceeds the number of directors to be elected, the directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. A majority of the votes cast means that the number of shares voted for the election of a director nominee must exceed the number of votes cast against the nominee. If a nominee that is an incumbent director does not receive a required majority of the votes cast, the director shall offer to tender his or her resignation to the Board. The Governance and Compensation Committee of the Board shall consider such offer and will make a recommendation to the Board on whether to accept or reject the resignation, or whether other action should be taken. The Board will consider the committee's recommendation and will determine whether to accept such offer.

The table below shows the vote required to approve each of the proposals described in this Proxy Statement, assuming the presence of a quorum at the Annual Meeting.

Proposal Number	Proposal Description	Vote Required
Proposal 1	Election of seven nominees to the Board of Directors	Majority of the votes duly cast*
Proposal 2	Ratification of the selection of the independent registered public accounting firm	Majority of the votes duly cast*

* without regard to broker non-votes

Voting by Participants in the Paychex Employee Stock Ownership Plan Stock Fund

If a stockholder is a participant in the Paychex Employee Stock Ownership Plan Stock Fund (ESOP) of the Paychex 401(k) Incentive Retirement Plan (the 401(k) Plan), the proxy card also will serve as a voting instruction for Fidelity Management Trust Company (the Trustee), where all accounts are registered in the same name. As a participant in the

ESOP, the stockholder has the right to direct the Trustee, who is the holder of record, regarding how to vote the shares of common stock credited to the participant's account at the Annual Meeting. The participant's voting instructions will be tabulated confidentially. Only the Trustee and/or the tabulator will have access to the participant's individual voting direction. If voting instructions for the shares of common stock in the ESOP are not received, those shares will be voted by the Trustee in the same proportions as the shares for which voting instructions were received from other participants in the ESOP. Voting by ESOP participants will close at 11:59 p.m. Eastern Time on October 7, 2009. The Trustee will then vote all shares of common stock held in the ESOP by the established deadline.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information, based upon reports filed by such persons with the Securities and Exchange Commission (SEC), as of July 31, 2009, with respect to the beneficial ownership of common stock of the Company by: (i) any person (including any group as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) who is known by the Company to be the beneficial owner of more than 5% of the Company's voting securities; (ii) each director and nominee for director of the Company; (iii) each of the named executive officers (NEOs) of the Company named in the Fiscal 2009 Summary Compensation Table on page 24 of this Proxy Statement; and (iv) all directors, NEOs, and executive officers of the Company as a group.

Name	Amount of Beneficial Ownership of Common Stock ⁽¹⁾	Percent of Class ⁽¹⁾
More than 5% owners:		
B. Thomas Golisano ^{(2),(3),(4)} 1 Fishers Road Pittsford, NY 14534	38,074,825	10.5%
Capital World Investors ⁽⁵⁾ 333 South Hope Street Los Angeles, CA 90071	44,187,000	12.2%
Capital Research Global Investors ⁽⁶⁾ 333 South Hope Street Los Angeles, CA 90071	20,041,541	5.5%
The Growth Fund of America, Inc. ⁽⁷⁾ P.O. Box 7650, One Market, Steuart Tower San Francisco, CA 94120	20,241,400	5.6%
Directors:		
B. Thomas Golisano ^{(2),(3),(4)}	38,074,825	10.5%
David J. S. Flaschen ^{(8),(9)}	76,202	**
Phillip Horsley ^{(8),(9)}	293,152	**
Grant M. Inman ^{(4),(8),(9)}	240,451	**
Pamela A. Joseph ^{(8),(9)}	21,002	**
Jonathan J. Judge ^{(8),(9)}	1,210,798	**
Joseph M. Tucci ^{(8),(9)}	86,002	**
Joseph M. Velli ^{(8),(9)}	18,835	**
Named Executive Officers:		
Jonathan J. Judge ^{(8),(9)}	1,210,798	**
John M. Morphy ^{(8),(9)}	208,566	**
Martin Mucci ^{(8),(9)}	185,200	**
Michael A. McCarthy ^{(8),(9)}	44,092	**

William G. Kuchta ^{(8),(9)}	120,493	**
All directors, NEOs, and executive officers of the Company as a group (13 persons)^{(8),(9)}	40,585,311	11.2%

** Indicated percentage is less than 1%.

- (1) Based upon the number of shares of common stock outstanding and deemed outstanding as of July 31, 2009. Under the rules of the SEC, beneficial ownership is deemed to include shares for which the individual, directly or indirectly, has or shares voting or disposition power, whether or not they are held for the individual's benefit, and includes shares that may be acquired within 60 days by exercise of options. Lynn J. Miley, listed as a NEO in the Fiscal 2009 Summary Compensation Table on page 24, is not included in the beneficial ownership table due to his death in May 2009.
- (2) Included in shares beneficially owned for Mr. Golisano are 393,068 shares owned by the B. Thomas Golisano Foundation for which Mr. Golisano is a member of the foundation's six-member board of trustees.
- (3) Mr. Golisano has 12,574,618 shares pledged as security.

Table of Contents

- (4) Included in shares beneficially owned are shares held in the names of family members or other entities: Mr. Golisano 72,510 shares; and Mr. Inman 136,949 shares.
- (5) Beneficial ownership information is based on information contained in the Form 13F filed with the SEC on May 15, 2009 by Capital World Investors. Capital World Investors, a division of Capital Research and Management Company (CRMC), is deemed to be the beneficial owner of 44,187,000 shares as a result of CRMC s acting as investment advisor to various investment companies registered under Section 8 of the Investment Company Act of 1940, and that it has sole voting power over 5,865,000 of such shares and sole dispositive power over all of such shares.
- (6) Beneficial ownership information is based on information contained in the Form 13F filed with the SEC on May 15, 2009 by Capital Research Global Investors. Capital Research Global Investors, a division of CRMC, is deemed to be the beneficial owner of 20,041,541 shares as a result of CRMC s acting as investment advisor to various investment companies registered under Section 8 of the Investment Company Act of 1940, and that it has sole voting power over 11,125,141 of such shares and sole dispositive power over all of such shares.
- (7) Beneficial ownership information is based on information contained in the Form N-Q filed with the SEC on July 29, 2009 by The Growth Fund of America, Inc., an investment company registered under the Investment Act of 1940, which is advised by CRMC. CRMC manages equity assets of various investment companies through two divisions, Capital Research Global Investors and Capital World Investors. These divisions generally function separately from each other with respect to investment research activities and they make investment decisions and proxy voting decisions for the investment companies on a separate basis. The Growth Fund of America, Inc. has sole voting power over all 20,241,400 shares.
- (8) Included in shares beneficially owned are unvested restricted stock: Mr. Flaschen 5,084 shares; Mr. Horsley 5,084 shares; Mr. Inman 5,084 shares; Ms. Joseph 5,084 shares; Mr. Judge 127,093 shares; Mr. Tucci 5,084 shares; Mr. Velli 5,751 shares; Mr. Morphy 55,420 shares; Mr. Mucci 26,272 shares; Mr. McCarthy 12,712 shares; Mr. Kuchta 12,712 shares; and all directors, NEOs, and executive officers as a group 270,073 shares.
- (9) Included in shares beneficially owned are shares that may be acquired upon exercise of options, which are exercisable on or prior to September 29, 2009: Mr. Flaschen 57,084 shares; Mr. Horsley 57,084 shares; Mr. Inman 57,084 shares; Ms. Joseph 12,084 shares; Mr. Judge 1,048,436 shares; Mr. Tucci 79,584 shares; Mr. Velli 8,084 shares; Mr. Morphy 139,687 shares; Mr. Mucci 150,535 shares; Mr. McCarthy 29,843 shares; Mr. Kuchta 94,843 shares; and all directors, NEOs, and executive officers as a group 1,734,348 shares.

Table of Contents**PROPOSAL 1 ELECTION OF DIRECTORS FOR A ONE-YEAR TERM**

Stockholders annually elect directors to serve for one year and until the directors' successors have been elected and qualified. The seven persons listed below, each of whom currently serves as a director, have been nominated for election to the Board by the Company's Governance and Compensation Committee. Five of the seven nominees are neither employees nor former employees of the Company. If elected, each nominee will hold office until the 2010 Annual Meeting of Stockholders and until his or her successor is elected and has qualified. Although the Board believes that all of the nominees will be available to serve as a director, the persons named in the enclosed proxy may exercise discretionary authority to vote for substitute nominees proposed by the Board. Biographies are provided below setting forth certain information with respect to the nominees for election as directors of the Company, none of whom is related to any other nominee or executive officer.

Name	Age	Director Since	Position, Principal Occupation, Business Experience, and Directorships
B. Thomas Golisano	67	1979	Mr. Golisano founded Paychex in 1971 and is Chairman of the Board of the Company. Until October 2004, he served as President and Chief Executive Officer of the Company. He serves on the board of trustees of the Rochester Institute of Technology. He owns the Buffalo Sabres of the National Hockey League. Mr. Golisano serves as a member of the board of directors of numerous non-profit organizations and private companies, and is founder and member of the board of trustees of the B. Thomas Golisano Foundation.
David J. S. Flaschen	53	1999	Mr. Flaschen is a Partner of Castanea Partners, having joined in 2005. Castanea Partners is a private equity investment firm targeting small- to mid-market companies in the publishing and information, human resource and business services, and consumer product and specialty retail sectors. From 2000 to 2005, he was Managing Director of Flagship Ventures, a venture capital firm that focuses on life science, information technology, and communications companies. Mr. Flaschen is a member of the board of directors of various private companies.
Grant M. Inman	67	1983	Mr. Inman is the founder and General Partner of Inman Investment Management, a private investment company formed in 1998. He is a member of the board of directors of Lam Research Corporation and several private companies. Mr. Inman is a trustee of the University of California, Berkeley Foundation.

Pamela A. Joseph

50

2005

Ms. Joseph is Vice Chairman of U.S. Bancorp Payment Services and Chairman of Elavon (formerly NOVA Information Systems, Inc.), a wholly owned subsidiary of U.S. Bancorp. U.S. Bancorp Payment Services and Elavon manage and facilitate payment processing. Ms. Joseph has been Vice Chairman of U.S. Bancorp since December 2004 and serves on its 13-member managing committee. From February 2000 to November 2004, she was President and Chief Operating Officer of NOVA Information Systems, Inc. Ms. Joseph is honorary chairman of Gift for a Child, a non-profit organization that assists foster children in finding permanent homes. She is also a member of the board of directors of Centene Corporation.

Table of Contents

Name	Age	Director Since	Position, Principal Occupation, Business Experience, and Directorships
Jonathan J. Judge	55	2004	Mr. Judge has been President and Chief Executive Officer of the Company since October 2004. From October 2002 through December 2003, he served as President and Chief Executive Officer of Crystal Decisions, Inc., an information management software company. From 1976 to 2002, Mr. Judge worked for IBM in a variety of sales, marketing, and executive management positions, most recently as General Manager of IBM's Personal Computing Division, a \$10 billion business unit offering a broad range of products, services, and solutions, including IBM's ThinkPad brand of mobile computers. Mr. Judge serves as a member of the Upstate New York Regional Advisory Board (UNYRAB) of the Federal Reserve Bank of New York. He is also a member of the board of directors of PMC-Sierra, Inc. and Dun & Bradstreet Corporation.
Joseph M. Tucci	62	2000	Mr. Tucci has been the Chairman of the Board of Directors of EMC Corporation, the world leader in information infrastructure technology and solutions, since January 2006. He has been Chief Executive Officer and President of EMC Corporation since January 2001, and President since January 2000. Mr. Tucci is also Chairman of the Board of Directors of VMware, Inc.
Joseph M. Velli	51	2007	Mr. Velli has been Chairman and Chief Executive Officer of BNY ConvergeX Group, LLC, a leading global agency brokerage and technology company offering a comprehensive suite of investment services, since October 2006. Prior to the formation of BNY ConvergeX Group, he was a Senior Executive Vice President of The Bank of New York since September 1998 and assumed the additional role of Chief Executive Officer of BNY Securities Group in October 2002.

The Board of Directors recommends the election of each of the nominees identified above. Unless otherwise directed, the persons named in the enclosed proxy will vote the proxy FOR the election of each of these seven nominees.

Retiring Director

Phillip Horsley, a member of the Board since 1982, has declined to stand for re-election to the Board.

Table of Contents**DIRECTOR COMPENSATION****FOR THE FISCAL YEAR ENDED MAY 31, 2009**

Director compensation is set by the Governance and Compensation Committee, and approved by the Board. The Board's authority cannot be delegated to another party. The Company compensates the independent directors of the Board using a combination of cash and equity-based compensation. The committee is advised on matters of Board compensation by their retained consultants, Watson Wyatt Worldwide (Watson Wyatt), whom are independent from management. The Company's management does not play a role in setting Board compensation. Jonathan J. Judge, President and Chief Executive Officer (CEO) of the Company, receives no compensation for his services as a director. The compensation received by Mr. Judge in his role as CEO is shown in the Fiscal 2009 Summary Compensation Table on page 24 of this Proxy Statement.

In July 2008, the Board approved a change to the cash and equity-based compensation structure for independent directors by replacing the meeting fee with an annual retainer and changing the proportion of stock options and restricted stock awarded. In total, the value of the compensation to be realized by each director is substantially unchanged. However, the new structure is more in line with current market trends at companies within our peer group in terms of pay levels and composition. The peer group is a select group of comparable companies, and is discussed further on pages 18 and 19 of this Proxy Statement. Refer to the discussions below under Cash Compensation and Equity-Based Compensation regarding the impact to the respective compensation components.

Cash Compensation

Effective with the October 2008 Board meeting, the annual cash compensation paid to the independent directors is as follows:

Compensation Element	Amount
Annual Cash Retainer, applicable to all independent directors	\$ 45,000
Audit Committee Member Annual Retainer	\$ 7,500
Governance and Compensation Committee Member Annual Retainer	\$ 5,000
Investment Committee Member Annual Retainer	\$ 5,000
Executive Committee Member Annual Retainer	\$ 5,000
Audit Committee Chairman Annual Retainer	\$ 15,000
Governance and Compensation Committee Chairman Annual Retainer	\$ 7,500

The cash compensation component was revised, as noted above, to be solely annual retainers, which are paid in quarterly installments. The retainers for the chairmen of the Audit Committee and Governance and Compensation Committee were included to provide additional compensation for those Board members who contribute additional time in preparation for committee meetings. Prior to October 2008, the independent directors received a combination of annual retainers and meeting fees.

For the year ended May 31, 2009 (fiscal 2009), Mr. Golisano, who is not an independent director, received an annual salary of \$140,000 for his services as Chairman of the Board. The Chairman does not receive any other director fees or equity-based compensation.

Table of Contents**Equity-Based Compensation**

Equity-based compensation consists of a blend of stock options and restricted stock. In July 2008, each independent director received an award under the Company's 2002 Stock Incentive Plan, as amended and restated effective October 12, 2005 (the 2002 Plan), as follows:

	Restricted Stock Awards	Option Awards
Grant Date	July 10, 2008	July 10, 2008
Exercise Price	NA	\$31.95
Quantity	1,875	6,250
Vesting Schedule	On the third anniversary of the date of grant.	One-third per annum over three years from the date of grant.
Certain Restrictions	Shares may not be sold during the director's tenure as a member of the Board, except as necessary to satisfy tax obligations.	
Other	Upon the discretion of the Board, unvested shares may be accelerated in whole or in part for certain events including, but not limited to, director retirement. ⁽¹⁾	In the event of death or disability of a Board member, unvested options will vest in full and be immediately exercisable. Unvested options outstanding upon the retirement of a Board member will be canceled.

⁽¹⁾ Retirement eligibility for this purpose begins at age 55 or older with ten years of service as a member of the Board.

The equity-based compensation structure for the independent directors was revised in July 2008, and became based on a total fixed value of \$120,000 per director, with approximately 50% awarded in the form of stock options and 50% in the form of restricted stock. The quantity of equity awards granted varies based on the estimated fair value as of the grant date. Prior to July 2008, the independent directors received a fixed quantity of equity awards. The \$120,000 fixed value used to determine the quantity of equity awards in July 2008 was consistent with the fair value of the equity awards awarded in July 2007, and was part of the total compensation change for the independent directors as previously discussed.

In July 2009, the Board granted each independent director 6,250 options to purchase shares of the Company's common stock at an exercise price of \$24.21 per share and 1,875 shares of restricted stock, with terms similar to the equity awards granted in July 2008. This award is consistent with the number of options and shares granted in July 2008 and has a calculated total value of approximately \$75,000. This represents a reduction from the \$120,000 fixed value utilized in the prior year. The Board determined that it was not in the best interest of the Company's stockholders, in the current economic conditions, to base directors' equity compensation on the established total fixed value of \$120,000.

Deferred Compensation Plan for Directors

We maintain a non-qualified and unfunded deferred compensation plan in which all independent directors are eligible to participate. Directors may elect to defer up to 100% of their Board cash compensation. Gains and losses are credited based on the participant's selection of a variety of designated investment choices, which the participant may change at any time. We do not match any participant deferral or guarantee a certain rate of return. The interest rates earned on these investments are not above-market or preferential. Refer to page 30 of this Proxy Statement for a listing of investment funds available to a participant and the annual rates of return on those funds. Mr. Flaschen defers 100% of his Board cash compensation under this plan. No other directors participate in the plan at this time.

Table of Contents

Benefits

We reimburse each director for expenses associated with attendance at Board and committee meetings. Mr. Golisano also receives access to the Company's standard health and life insurance plans and receives Company matching contributions, when in effect for all employees, into his account in the 401(k) Plan.

Stock Ownership Guidelines

The Governance and Compensation Committee set stock ownership guidelines for our independent directors with a value of four times his or her annual Board retainer, excluding any committee retainers. The ownership guidelines were established to provide long-term alignment with stockholders' interests. The independent directors are expected to attain the ownership guideline within five years after the later of first becoming a director or the initial adoption of the guideline. For the purpose of achieving the ownership guideline, unvested restricted stock awarded to the directors is included.

Directors must adhere to strict standards with regards to trading in the Company's stock. They may not, among other things:

- speculatively trade in the Company's stock;
- short sell any securities of the Company; or
- buy or sell puts or calls on the Company's securities.

Table of Contents