



## **L.A. Jury Adds \$11 Million Punitive Damages to Compensatory Verdict Against Paychex, Inc. and Chairman Golisano**

*Total Damages Award Increased to over \$26 Million*

LOS ANGELES (BusinessWire EON) July 11, 2007 --On July 6, 2007, a Los Angeles Superior Court jury awarded punitive damages of \$11,010,000 against Paychex, Inc. (NASDAQ:PAYX), its Chairman, and one of its Senior Vice Presidents. The punitive damage award is in addition to \$15 million in compensatory damages awarded by the jury on June 27, 2007, for a total verdict of over \$26 million in the case. The jury found that Rapid Payroll, Inc., a wholly owned subsidiary of Paychex, Inc., breached a software licensing agreement it had with Computer Payroll Company, a payroll service company located in Palm Desert, California. The jury also found that Paychex, B. Thomas Golisano, and Walter Turek are liable for the compensatory damages. Mr. Golisano is the founder of Paychex, served as its President, and currently is its Chairman. Mr. Turek serves as Paychex Senior Vice President of Sales and Marketing.

In its final verdict, the jury assessed punitive damages directly against Mr. Golisano of \$10,000,000, against Paychex of \$1,000,000, and against Mr. Turek of \$10,000. The jury found that these defendants engaged in conduct constituting "malice, oppression or fraud" in making the award of punitive damages. Paychex is the nation's #2 payroll processing firm. It has a subsidiary named Rapid Payroll, Inc. that licensed payroll-processing software known as Rapid Pay.

The lawyer for Computer Payroll Company, Stephen Wald of the Boston law firm Craig and Macauley, stated, "This punitive damage award reflects how the jury viewed the conduct of these defendants. We are delighted with the verdict." Mr. Wald was assisted on this and other Rapid Pay litigation by Jonathan Gordon, a lawyer with the Los Angeles firm Weston, Benshoof, Rochefort, Rubalcava & MacCuish.

The defendants are represented by Morgan Chu of the Los Angeles firm Irell & Manella LLP.

Computer Payroll Company was one of 76 independent payroll-processing companies with Rapid Payroll licensing agreements that expressly provided the license could not be canceled unless the licensee consented or breached the agreement. In August 2001, all Rapid Pay licensees received letters from Mr. Turek stating that Rapid Payroll intended to stop supporting the software in August of 2002. After that letter, more than 25 Rapid Pay licensees brought actions against Paychex, Rapid Payroll, and, in some cases, the two Paychex officers.

In 2004, in the first of the cases to go to trial, a Los Angeles jury returned a verdict for \$6.4 million in favor of a Texas firm against Rapid Payroll. The judgment was later reduced by the Court to \$5.1 million, after which the case settled. Mr. Wald was also the lead trial lawyer in that case.

Computer Payroll Company's case was originally scheduled to go to trial in May 2006, but that trial was stayed when the Paychex subsidiary filed bankruptcy. Earlier this year, after a series of decisions regarding the rights of Computer Payroll Company and other former Rapid Pay licensees, the United States Bankruptcy Court of the Central District Of California confirmed a plan of reorganization that allowed Computer Payroll Company to continue to pursue its claims in the Los Angeles Superior Court. Under that plan, Paychex and an affiliate were

required to guarantee that all obligations of Rapid Payroll, Inc. to licensees will be paid in full.

Earlier this year, the bankruptcy court also ordered that Computer Payroll Company was entitled to interest on its claim at 10% per year from April 2003 forward. That order could increase Computer Payroll's recovery by more than \$5 million.

After putting the subsidiary, Rapid Payroll, Inc. into bankruptcy, Paychex and an affiliate asserted a claim against Rapid Payroll of more than \$26 million, most of which related to costs incurred in connection with licensee claims. More recently, in a document filed in the Superior Court litigation, Paychex stated that it has spent \$28,334,250 settling licensee cases.

Mr. Wald represented 20 of the Rapid Pay licensees who brought claims against these defendants. Before this most recent verdict, after the confirmation of the plan of reorganization and a series of favorable rulings by the bankruptcy court, all of the cases handled by Mr. Wald other than the matter just tried were settled.

Most of the Rapid Pay plaintiffs licensed the first version of the Rapid Pay payroll processing software from Olsen Computer Services, Inc. (OCS). These independent payroll companies built their businesses around the software, which requires frequent updating to comply with tax laws.

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